



ServisFirst Bancshares, Inc. Announces Results For Second Quarter of 2016

BIRMINGHAM, Ala., July 18, 2016 /PRNewswire/ -- ServisFirst Bancshares, Inc. (NASDAQ: SFBS), today announced earnings and operating results for the quarter and six months ended June 30, 2016.

SECOND Quarter 2016 Highlights:

- Net income of \$38.8 million and diluted EPS of \$1.46 for the six months ended June 30, 2016
- Diluted EPS of \$0.71 for second quarter of 2016, a 31% increase year over year
- Core diluted EPS* for the six months ended June 30, 2016 increased 33% year over year as 2015 results were impacted by acquisition expenses
- Loans and deposits increased 17% and 24%, respectively, year over year
- Loans and deposits increased 18% and 26%, respectively, for the second quarter on an annualized basis
- Early adoption of Accounting Standard Update 2016-09 results in upward revision of first quarter 2016 diluted EPS to \$0.75 (further details are contained in this press release)

Tom Broughton, President and CEO, said, "Our strong loan pipeline points to improved economic conditions within our Southeastern U.S. footprint." Bud Foshee, CFO, stated, "Strong loan and deposit growth coupled with excellent credit quality continue to drive growth and net income."

FINANCIAL SUMMARY (UNAUDITED)

(in Thousands except share and per share amounts)

| | Period Ending June 30, 2016 | Period Ending March 31, 2016 | % Change From Period Ending March 31, 2016 to Period Ending June 30, 2016 | Per Share |
|---|--------------------------------|---------------------------------|---|--------------|
| QUARTERLY OPERATING RESULTS | | | | |
| Net Income | \$ 18,876 | \$ 19,956 | (5) % | \$ |
| Net Income Available to Common Stockholders | \$ 18,853 | \$ 19,956 | (6) % | \$ |
| Diluted Earnings Per Share | \$ 0.71 | \$ 0.75 | (5) % | \$ |
| Return on Average Assets | 1.37 % | 1.53 % | | |
| Return on Average Common Stockholders' Equity | 15.79 % | 17.39 % | | |
| Average Diluted Shares Outstanding | 26,726,284 | 26,566,810 | | 26 |
| YEAR-TO-DATE OPERATING RESULTS | | | | |
| Net Income | \$ 38,832 | | | \$ |
| Net Income Available to Common Stockholders | \$ 38,809 | | | \$ |
| Diluted Earnings Per Share | \$ 1.46 | | | \$ |
| Return on Average Assets | 1.45 % | | | |
| Return on Average Common Stockholders' Equity | 16.57 % | | | |
| Average Diluted Shares Outstanding | 26,646,547 | | | 26 |
| Core Net Income* | \$ 38,832 | | | \$ |
| Core Net Income Available to Common Stockholders* | \$ 38,809 | | | \$ |
| Core Diluted Earnings Per Share* | \$ 1.46 | | | \$ |
| Core Return on Average Assets* | 1.45 % | | | |
| Core Return on Average Common Stockholders' Equity* | 16.57 % | | | |
| BALANCE SHEET | | | | |
| Total Assets | \$ 5,646,055 | \$ 5,378,599 | 5 % | \$ 4 |
| Loans | 4,539,338 | 4,340,900 | 5 % | 3 |
| Non-interest-bearing Demand Deposits | 1,185,668 | 1,070,275 | 11 % | 3 |
| Total Deposits | 4,664,795 | 4,339,747 | 7 % | 3 |

* Core measures exclude non-routine expenses during the comparative periods presented in this press release as more fully described in Management Explanation of Non-GAAP Financial Measures" below.

DETAILED FINANCIALS

ServisFirst Bancshares, Inc. reported net income and net income available to common stockholders of \$18.9 million for the quarter ended June 30, 2016, compared to net income of \$14.5 million and net income available to common stockholders of \$14.3 million for the same quarter in 2015. Basic and diluted earnings per common share were \$0.72 and \$0.71, respectively, for the second quarter of 2016, compared to \$0.56 and \$0.54, respectively, for the second quarter of 2015.

Return on average assets was 1.37% and return on average equity was 15.79% for the second quarter of 2016, compared to 1.31% and 14.06%, respectively, for the second quarter of 2015.

Net interest income was \$45.9 million for the second quarter of 2016, compared to \$44.2 million for the first quarter of 2016 and \$40.2 million for the second quarter of 2015. The net interest margin in the second quarter of 2016 was 3.51%, a six basis point decrease from the first quarter of 2016 and 37 basis point decrease from the second quarter of 2015. The increase in net interest income on a linked quarter basis is attributable to a \$182.1 million increase in average loans outstanding, a \$64.9 million increase in non-interest-bearing deposits and a \$18.8 million increase in average stockholders' equity, all resulting in a positive mix change in our balance sheet. The average yield on loans decreased by one basis point to 4.47% on a linked quarter basis.

Average loans for the second quarter of 2016 were \$4.42 billion, an increase of \$182.1 million, or 4%, over average loans of \$4.24 billion for the first quarter of 2016, and an increase of \$680.7 million, or 18%, over average loans of \$3.74 billion for the second quarter of 2015.

Average total deposits for the second quarter of 2016 were \$4.48 billion, an increase of \$208.4 million, or 5%, over average total deposits of \$4.27 billion for the first quarter of 2016, and an increase of \$820.2 million, or 22%, over average total deposits of \$3.66 billion for the second quarter of 2015.

Non-performing assets to total assets were 0.17% for the second quarter of 2016, a decrease of three basis points compared to 0.20% for the first quarter of 2016 and a decrease of 21 basis points compared to 0.38% for the second quarter of 2015. Net credit charge-offs to average loans were 0.18%, a 15 basis point increase compared to 0.03% for the first quarter of 2016 and a three basis point increase compared to 0.15% for the second quarter of 2015. We recorded a \$3.8 million provision for loan losses in the second quarter of 2016 compared to \$2.1 million in the first quarter of 2016 and \$4.1 million in the second quarter of 2015. The allowance for loan loss as a percentage of total loans was unchanged at 1.04% for June 30, 2016 and March 31, 2016 as well as June 30, 2015. In management's opinion, the allowance is adequate and was determined by consistent application of ServisFirst Bank's methodology for calculating its allowance for loan losses.

Non-interest income increased \$417,000 during the second quarter of 2016, or 12%, compared to the second quarter of 2015. Mortgage banking revenue increased by \$166,000 in the second quarter of 2016, or 23%, compared to the second quarter of 2015, resulting from improved operations, translating to increased net gains on sales. Credit card income increased \$125,000 in the second quarter of 2016, or 24%, compared to the second quarter of 2015, resulting from a 31% increase in the volume of spending on ServisFirst Bank cards and a 54% increase in spending on our agent banks' cards.

Non-interest expense for the second quarter of 2016 increased \$1.4 million, or 8%, to \$19.5 million from \$18.1 million in the second quarter of 2015, and increased \$214,000, or 1%, on a linked quarter basis. Salary and benefit expense for the second quarter of 2016 increased \$307,000, or 3%, to \$10.7 million from \$10.4 million in the second quarter of 2015, and decreased \$334,000, or 3%, on a linked quarter basis. Equipment and Occupancy expense increased \$389,000, or 24%, to \$2.0 million in the second quarter of 2016, from \$1.6 million in the second quarter of 2015. This increase in equipment and occupancy expense was attributable to new offices in our Charleston, South Carolina and Nashville, Tennessee regions, each of which were relocations from temporary facilities we previously occupied. We also accelerated depreciation of leasehold improvements in our Birmingham, Alabama headquarters building to coincide with our anticipated move date to our new headquarters building, which we anticipate will be in the second half of 2017. Professional services expense increased \$334,000, or 50%, to \$999,000 in the second quarter of 2016, from \$665,000 in the second quarter of 2015, primarily the result of legal fees accrued for current pending litigation. Other operating expense for the second quarter of 2016 increased \$407,000, or 9%, to \$4.9 million from \$4.5 million in the second quarter of 2015. This was primarily the result of higher data processing expenses related to increased online banking transaction volumes and an upgrade of our correspondent banking platform, increased Federal Reserve Bank charges from our correspondent bank clearing activities, and amortization of the core deposit intangible asset resulting from the Metro Bancshares acquisition. These increases were offset by lower costs incurred related to nonperforming loans.

Income tax expense increased \$586,000, or 8%, to \$7.6 million in the second quarter of 2016, compared to \$7.0 million in the second quarter of 2015, and increased \$992,000, or 8%, to \$13.9 million in the six month period ended June 30, 2016, compared to \$12.9 million in the six month period ended June 30, 2015. In the second quarter of 2016 we adopted the amendments in Accounting Standards Update 2016-09 using the modified retrospective method. We recognized excess

tax benefits from the exercise and vesting of stock options and restricted stock of \$1.3 million in the second quarter of 2016 and retrospectively recognized excess tax benefits from the exercise and vesting of stock options and restricted stock of \$2.3 million in the first quarter of 2016. Previously under generally accepted accounting principles, such credits were reflected within additional paid-in capital.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

We recorded expenses of \$2.1 million for the first quarter of 2015 related to the acquisition of Metro Bancshares, Inc. and the merger of Metro Bank with and into the Bank, and recorded an expense of \$500,000 resulting from the initial funding of reserves for unfunded loan commitments for the first quarter of 2015, consistent with guidance provided in the Federal Reserve Bank's Inter-agency Policy Statement SR 06-17. Core financial measures included in this press release are "core net income," "core net income available to common stockholders," "core diluted earnings per share," "core return on average assets" and "core return on average common stockholders' equity." Each of these five core financial measures excludes the impact of the non-routine expenses attributable to merger expenses, the initial funding of reserves for unfunded loan commitments, and are all considered non-GAAP financial measures. Other non-GAAP financial measures included in this press release are "tangible common stockholders' equity," "total tangible assets," "tangible book value per share," and "tangible common equity to total tangible assets." All non-GAAP financial measures are more fully explained below.

"Core net income" is defined as net income, adjusted by the net effect of the non-routine expense.

"Core net income available to common stockholders" is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense.

"Core diluted earnings per share" is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense, divided by weighted average diluted shares outstanding.

"Core return on average assets" is defined as net income, adjusted by the net effect of the non-routine expense, divided by average total assets.

"Core return of average common stockholders' equity" is defined as net income, adjusted by the net effect of the non-routine expense, divided by average common stockholders' equity.

"Tangible common stockholders' equity" is defined as common stockholders' equity, adjusted by the total of goodwill and other identifiable intangible assets.

"Total tangible assets" is defined as total assets, adjusted by the total of goodwill and other identifiable intangible assets.

"Tangible book value per share" is defined as tangible common stockholders' equity divided by the number of common shares outstanding.

"Tangible common equity to total tangible assets" is defined as tangible common equity divided by total tangible assets.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that these non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies, including those in our industry, use. The following reconciliation table provides a more detailed analysis of the non-GAAP financial measures as of and for the six month comparative periods ended June 30, 2016 and 2015 included in this press release. Dollars are in thousands, except share and per share data.

| | As Of June 30, 2016 | As Of and For the Six Months Ended June 30, 2015 |
|------------------------------------|---------------------|--|
| Provision for income taxes - GAAP | | \$ 12,875 |
| Adjustments: | | |
| Adjustment for non-routine expense | | 830 |
| Core provision for income taxes | | \$ 13,705 |
| Return on average assets - GAAP | | 1.29 % |
| Net income - GAAP | | \$ 27,524 |
| Adjustments: | | |
| Adjustment for non-routine expense | | 1,767 |
| Core net income | | \$ 29,291 |
| Average assets | | \$ 4,307,778 |
| Core return on average assets | | 1.37 % |

| | | |
|--|----|------------|
| Return on average common stockholders' equity | | 13.81 % |
| Net income available to common stockholders - GAAP | \$ | 27,301 |
| Adjustments: | | |
| Adjustment for non-routine expense | | 1,767 |
| Core net income available to common stockholders | \$ | 29,068 |
| Average common stockholders' equity | \$ | 398,678 |
| Core return on average common stockholders' equity | | 14.70 % |
| Earnings per share - diluted - GAAP | \$ | 1.04 |
| Weighted average shares outstanding, diluted | | 26,332,527 |
| Core diluted earnings per share | \$ | 1.10 |
| Book value per share | \$ | 18.63 |
| Total common stockholders' equity - GAAP | | 489,097 |
| Adjustments: | | |
| Adjusted for goodwill and other identifiable intangible assets | | 15,154 |
| Tangible common stockholders' equity | \$ | 473,943 |
| Tangible book value per share | \$ | 18.05 |
| Stockholders' equity to total assets | | 8.66 % |
| Total assets - GAAP | \$ | 5,646,055 |
| Adjustments: | | |
| Adjusted for goodwill and other identifiable intangible assets | | 15,154 |
| Total tangible assets | | 5,630,901 |
| Tangible common equity to total tangible assets | | 8.42 % |

About ServisFirst Bancshares, Inc.

ServisFirst Bancshares, Inc. is a bank holding company based in Birmingham, Alabama. Through its subsidiary ServisFirst Bank, ServisFirst Bancshares, Inc. provides business and personal financial services from locations in Birmingham, Huntsville, Montgomery, Mobile and Dothan, Alabama, Pensacola and Tampa Bay, Florida, Atlanta, Georgia, Charleston, South Carolina and Nashville, Tennessee.

ServisFirst Bancshares, Inc. files periodic reports with the U.S. Securities and Exchange Commission (SEC). Copies of its filings may be obtained through the SEC's website at www.sec.gov or at <http://servisfirstbancshares.investorroom.com/>.

Statements in this press release that are not historical facts, including, but not limited to, statements concerning future operations, results or performance, are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "believe," "expect," "anticipate," "project," "plan," "intend," "will," "would," "might" and similar expressions often signify forward-looking statements. Such statements involve inherent risks and uncertainties. ServisFirst Bancshares, Inc. cautions that such forward-looking statements, wherever they occur in this press release or in other statements attributable to ServisFirst Bancshares, Inc., are necessarily estimates reflecting the judgment of ServisFirst Bancshares, Inc.'s senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various factors that could affect the accuracy of such forward-looking statements, including: general economic conditions, especially in the credit markets and in the Southeast; the performance of the capital markets; changes in interest rates, yield curves and interest rate spread relationships; changes in accounting and tax principles, policies or guidelines; changes in legislation or regulatory requirements; changes in our loan portfolio and the deposit base; possible changes in laws and regulations and governmental monetary and fiscal policies, including, but not limited to, economic stimulus initiatives; the cost and other effects of legal and administrative cases and similar contingencies; possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and the value of collateral; the effect of natural disasters, such as hurricanes and tornados, in our geographic markets; and increased competition from both banks and non-bank financial institutions. The foregoing list of factors is not exhaustive. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors" in our most recent Annual Report on Form 10-K and our other SEC filings. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained herein. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made. ServisFirst Bancshares, Inc. assumes no obligation to update or revise any forward-looking statements that are made from time to time.

More information about ServisFirst Bancshares, Inc. may be obtained over the Internet at <http://servisfirstbancshares.investorroom.com/> or by calling (205) 949-0302.

Contact: ServisFirst Bank
Davis Mange (205) 949-3420

**SELECTED FINANCIAL HIGHLIGHTS
(UNAUDITED)**

(In thousands except share and per share data)

| | 2nd Quarter 2016 | 1st Quarter 2016 | 4th Quarter 2015 | 3rd Quarter |
|---|------------------|------------------|------------------|-------------|
| CONSOLIDATED STATEMENT OF INCOME | | | | |
| Interest income | \$ 52,050 | \$ 49,961 | \$ 48,451 | \$ 46,5 |
| Interest expense | 6,159 | 5,782 | 5,290 | 4,6 |
| Net interest income | 45,891 | 44,179 | 43,161 | 41,8 |
| Provision for loan losses | 3,800 | 2,059 | 3,308 | 3,0 |
| Net interest income after provision for loan losses | 42,091 | 42,120 | 39,853 | 38,7 |
| Non-interest income | 3,847 | 3,435 | 3,475 | 3,7 |
| Non-interest expense | 19,504 | 19,290 | 19,002 | 18,2 |
| Income before income tax | 26,434 | 26,265 | 24,326 | 24,2 |
| Provision for income tax | 7,558 | 6,309 | 4,576 | 8,0 |
| Net income | 18,876 | 19,956 | 19,750 | 16,2 |
| Preferred stock dividends | 23 | - | 24 | |
| Net income available to common stockholders | \$ 18,853 | \$ 19,956 | \$ 19,726 | \$ 16,2 |
| Earnings per share - basic | \$ 0.72 | \$ 0.76 | \$ 0.76 | \$ 0. |
| Earnings per share - diluted | \$ 0.71 | \$ 0.75 | \$ 0.74 | \$ 0. |
| Average diluted shares outstanding | 26,726,284 | 26,566,810 | 26,595,239 | 26,506,3 |

CONSOLIDATED BALANCE SHEET DATA

| | | | | |
|--------------------------------------|--------------|--------------|--------------|------------|
| Total assets | \$ 5,646,055 | \$ 5,378,599 | \$ 5,095,509 | \$ 4,772,6 |
| Loans | 4,539,338 | 4,340,900 | 4,216,375 | 4,044,2 |
| Debt securities | 347,706 | 362,106 | 370,364 | 334,6 |
| Non-interest-bearing demand deposits | 1,185,668 | 1,070,275 | 1,053,467 | 1,029,3 |
| Total deposits | 4,664,795 | 4,339,747 | 4,223,888 | 4,044,6 |
| Borrowings | 55,450 | 55,543 | 55,748 | 55,7 |
| Stockholders' equity | \$ 489,097 | \$ 470,940 | \$ 449,147 | \$ 431,1 |
| Shares outstanding | 26,251,948 | 26,182,698 | 25,972,698 | 25,903,6 |
| Book value per share | \$ 18.63 | \$ 17.99 | \$ 17.29 | \$ 16. |
| Tangible book value per share (1) | \$ 18.05 | \$ 17.40 | \$ 16.70 | \$ 15. |

SELECTED FINANCIAL RATIOS

| | | | | |
|--|---------|---------|---------|-----|
| Net interest margin | 3.51 % | 3.57 % | 3.56 % | 3. |
| Return on average assets | 1.37 % | 1.53 % | 1.55 % | 1. |
| Return on average common stockholders' equity | 15.79 % | 17.39 % | 17.75 % | 15. |
| Efficiency ratio | 39.21 % | 40.51 % | 40.75 % | 40. |
| Non-interest expense to average earning assets | 1.50 % | 1.56 % | 1.56 % | 1. |

CAPITAL RATIOS (2)

| | | | | |
|--|---------|---------|---------|-----|
| Common equity tier 1 capital to risk-weighted assets (3) | 9.83 % | 9.90 % | 9.72 % | 9. |
| Tier 1 capital to risk-weighted assets | 9.84 % | 9.91 % | 9.73 % | 9. |
| Total capital to risk-weighted assets | 11.98 % | 12.12 % | 11.95 % | 11. |
| Tier 1 capital to average assets | 8.52 % | 8.65 % | 8.55 % | 8. |
| Tangible common equity to total tangible assets (1) | 8.42 % | 8.50 % | 8.54 % | 8. |

(1) See "GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures" for a discussion of these Non-GAAP fin

(2) Regulatory capital ratios for most recent period are preliminary.

(3) Basel III final capital rules, including the new Common Equity Tier 1 Capital to Risk-Weighted Assets ratio, became effective for the (

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands)

| | June 30, 2016 | June 30, 2015 | % Change |
|--|---------------|---------------|----------|
| ASSETS | | | |
| Cash and due from banks | \$ 54,985 | \$ 49,731 | 11 % |
| Interest-bearing balances due from depository institutions | 417,703 | 69,104 | 504 % |
| Federal funds sold | 116,038 | 17,622 | 558 % |
| Cash and cash equivalents | 588,726 | 136,457 | 331 % |
| Available for sale debt securities, at fair value | 321,044 | 305,985 | 5 % |
| Held to maturity debt securities (fair value of \$27,717 and \$29,348 at June 30, 2016 and 2015, respectively) | 26,662 | 29,023 | (8) % |

| | | | |
|--|---------------------|---------------------|---------|
| Restricted equity securities | 5,671 | 4,954 | 14 % |
| Mortgage loans held for sale | 7,933 | 11,722 | (32) % |
| Loans | 4,539,338 | 3,863,734 | 17 % |
| Less allowance for loan losses | (46,998) | (40,020) | 17 % |
| Loans, net | 4,492,340 | 3,823,714 | 17 % |
| Premises and equipment, net | 23,221 | 15,563 | 49 % |
| Goodwill and other identifiable intangible assets | 15,154 | 18,060 | (16) % |
| Other assets | 165,304 | 147,061 | 12 % |
| Total assets | <u>\$ 5,646,055</u> | <u>\$ 4,492,539</u> | 26 % |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Deposits: | | | |
| Non-interest-bearing | \$ 1,185,668 | \$ 926,577 | 28 % |
| Interest-bearing | 3,479,127 | 2,802,555 | 24 % |
| Total deposits | 4,664,795 | 3,729,132 | 25 % |
| Federal funds purchased | 423,430 | 273,095 | 55 % |
| Other borrowings | 55,450 | 21,016 | 164 % |
| Other liabilities | 13,283 | 14,809 | (10) % |
| Total liabilities | 5,156,958 | 4,038,052 | 28 % |
| Stockholders' equity: | | | |
| Preferred stock, Series A Senior Non-Cumulative Perpetual, par value \$0.001 | | | |
| (liquidation preference \$1,000), net of discount; no shares authorized, or outstanding at June 30, 2016, and 40,000 authorized, issued and outstanding at June 30, 2015 | - | 39,958 | (100) % |
| Preferred stock, par value \$0.001 per share; 1,000,000 shares authorized and 1,000,000 shares undesignated at June 30, 2016, and 960,000 shares undesignated at June 30, 2015 | - | - | - % |
| Common stock, par value \$0.001 per share; 100,000,000 shares authorized and 26,251,948 shares issued and outstanding at June 30, 2016 and 50,000,000 authorized and 25,826,198 shares issued and outstanding at June 30, 2015 | 26 | 26 | - % |
| Additional paid-in capital | 214,525 | 209,074 | 3 % |
| Retained earnings | 268,765 | 201,303 | 34 % |
| Accumulated other comprehensive income | 5,404 | 3,749 | 44 % |
| Noncontrolling interest | 377 | 377 | - % |
| Total stockholders' equity | 489,097 | 454,487 | 8 % |
| Total liabilities and stockholders' equity | <u>\$ 5,646,055</u> | <u>\$ 4,492,539</u> | 26 % |

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Interest income: | | | | |
| Interest and fees on loans | \$ 49,210 | \$ 42,105 | \$ 96,457 | \$ 80,751 |
| Taxable securities | 1,238 | 1,104 | 2,507 | 2,232 |
| Nontaxable securities | 834 | 874 | 1,692 | 1,734 |
| Federal funds sold | 210 | 24 | 283 | 101 |
| Other interest and dividends | 558 | 102 | 1,072 | 174 |
| Total interest income | 52,050 | 44,209 | 102,011 | 84,992 |
| Interest expense: | | | | |
| Deposits | 4,589 | 3,512 | 8,950 | 6,782 |
| Borrowed funds | 1,570 | 486 | 2,991 | 962 |
| Total interest expense | 6,159 | 3,998 | 11,941 | 7,744 |
| Net interest income | 45,891 | 40,211 | 90,070 | 77,248 |
| Provision for loan losses | 3,800 | 4,062 | 5,859 | 6,467 |
| Net interest income after provision for loan losses | 42,091 | 36,149 | 84,211 | 70,781 |
| Non-interest income: | | | | |
| Service charges on deposit accounts | 1,306 | 1,276 | 2,613 | 2,483 |
| Mortgage banking | 901 | 735 | 1,569 | 1,189 |
| Securities gains | (3) | - | (3) | 29 |
| Increase in cash surrender value life insurance | 655 | 660 | 1,279 | 1,308 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Other operating income | 988 | 759 | 1,823 | 1,355 |
| Total non-interest income | 3,847 | 3,430 | 7,281 | 6,364 |
| Non-interest expense: | | | | |
| Salaries and employee benefits | 10,733 | 10,426 | 21,800 | 19,434 |
| Equipment and occupancy expense | 2,023 | 1,634 | 4,008 | 3,295 |
| Professional services | 999 | 665 | 1,737 | 1,233 |
| FDIC and other regulatory assessments | 803 | 626 | 1,553 | 1,246 |
| Other real estate owned expense | 41 | 289 | 490 | 503 |
| Merger expense | - | 4 | - | 2,100 |
| Other operating expense | 4,905 | 4,494 | 9,205 | 8,935 |
| Total non-interest expense | 19,504 | 18,138 | 38,793 | 36,746 |
| Income before income tax | 26,434 | 21,441 | 52,699 | 40,399 |
| Provision for income tax | 7,558 | 6,972 | 13,867 | 12,875 |
| Net income | 18,876 | 14,469 | 38,832 | 27,524 |
| Dividends on preferred stock | 23 | 123 | 23 | 223 |
| Net income available to common stockholders | \$ 18,853 | \$ 14,346 | \$ 38,809 | \$ 27,301 |
| Basic earnings per common share | \$ 0.72 | \$ 0.56 | \$ 1.48 | \$ 1.07 |
| Diluted earnings per common share | \$ 0.71 | \$ 0.54 | \$ 1.46 | \$ 1.04 |

LOANS BY TYPE (UNAUDITED)

(In thousands)

| | 2nd Quarter 2016 | 1st Quarter 2016 | 4th Quarter 2015 | 3rd Quarter 2015 | 2nd Quarter 2015 |
|--|------------------|------------------|------------------|------------------|------------------|
| Commercial, financial and agricultural | \$ 1,895,870 | \$ 1,799,132 | \$ 1,760,479 | \$ 1,683,819 | \$ 1,683,819 |
| Real estate - construction | 251,144 | 254,254 | 243,267 | 232,895 | 232,895 |
| Real estate - mortgage: | | | | | |
| Owner-occupied commercial | 1,117,514 | 1,055,852 | 1,014,669 | 978,721 | 978,721 |
| 1-4 family mortgage | 494,733 | 458,032 | 444,134 | 417,012 | 417,012 |
| Other mortgage | 725,336 | 723,542 | 698,779 | 677,822 | 677,822 |
| Subtotal: Real estate - mortgage | 2,337,583 | 2,237,426 | 2,157,582 | 2,073,555 | 2,073,555 |
| Consumer | 54,741 | 50,088 | 55,047 | 53,973 | 53,973 |
| Total loans | \$ 4,539,338 | \$ 4,340,900 | \$ 4,216,375 | \$ 4,044,242 | \$ 4,044,242 |

SUMMARY OF LOAN LOSS EXPERIENCE

(UNAUDITED)

(Dollars in thousands)

| | 2nd Quarter 2016 | 1st Quarter 2016 | 4th Quarter 2015 | 3rd Quarter 2015 | 2nd Quarter 2015 |
|--|------------------|------------------|------------------|------------------|------------------|
| Allowance for loan losses: | | | | | |
| Beginning balance | \$ 45,145 | \$ 43,419 | \$ 42,574 | \$ 40,020 | \$ 37,000 |
| Loans charged off: | | | | | |
| Commercial financial and agricultural | 1,412 | 50 | 2,186 | 388 | 1,412 |
| Real estate - construction | 355 | 381 | 161 | 31 | 355 |
| Real estate - mortgage | 191 | - | 463 | - | 191 |
| Consumer | 31 | 18 | 21 | 126 | 31 |
| Total charge offs | 1,989 | 449 | 2,831 | 545 | 1,989 |
| Recoveries: | | | | | |
| Commercial financial and agricultural | 1 | 3 | 241 | 13 | 1 |
| Real estate - construction | 39 | 16 | 61 | 13 | 39 |
| Real estate - mortgage | 2 | 97 | 65 | 1 | 2 |
| Consumer | - | - | 1 | - | - |
| Total recoveries | 42 | 116 | 368 | 27 | 42 |
| Net charge-offs | 1,947 | 333 | 2,463 | 518 | 1,947 |
| Provision for loan losses | 3,800 | 2,059 | 3,308 | 3,072 | 4,000 |
| Ending balance | \$ 46,998 | \$ 45,145 | \$ 43,419 | \$ 42,574 | \$ 40,000 |
| Allowance for loan losses to total loans | 1.04 % | 1.04 % | 1.03 % | 1.05 % | 1.04 % |
| Allowance for loan losses to total average loans | 1.06 % | 1.06 % | 1.05 % | 1.08 % | 1.06 % |
| Net charge-offs to total average loans | 0.18 % | 0.03 % | 0.24 % | 0.05 % | 0.18 % |
| Provision for loan losses to total average loans | | | | | |

| | | | | | |
|--|-----------------|------------------|------------------|------------------|---------------|
| loans | 0.34 % | 0.20 % | 0.32 % | 0.31 % | (|
| Nonperforming assets: | | | | | |
| Nonaccrual loans | \$ 4,730 | \$ 6,133 | \$ 7,767 | \$ 9,850 | \$ 8, |
| Loans 90+ days past due and accruing | 423 | 417 | 1 | 524 | . |
| Other real estate owned and repossessed assets | 4,260 | 4,044 | 5,392 | 6,068 | 8, |
| Total | <u>\$ 9,413</u> | <u>\$ 10,594</u> | <u>\$ 13,160</u> | <u>\$ 16,442</u> | <u>\$ 16,</u> |
| Nonperforming loans to total loans | 0.11 % | 0.15 % | 0.18 % | 0.26 % | (|
| Nonperforming assets to total assets | 0.17 % | 0.20 % | 0.26 % | 0.34 % | (|
| Nonperforming assets to earning assets | 0.17 % | 0.20 % | 0.26 % | 0.35 % | (|
| Reserve for loan losses to nonaccrual loans | 993.62 % | 736.10 % | 559.02 % | 432.22 % | 488 |
| Restructured accruing loans | \$ 6,753 | \$ 6,763 | \$ 6,782 | \$ 8,266 | \$ 8, |
| Restructured accruing loans to total loans | 0.15 % | 0.16 % | 0.16 % | 0.20 % | (|

TROUBLED DEBT RESTRUCTURINGS (TDRs) (UNAUDITED)

(In thousands)

| | 2nd Quarter 2016 | 1st Quarter 2016 | 4th Quarter 2015 | 3rd Quarter 2015 | 2nd Quarter 2015 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Beginning balance: | \$ 6,763 | \$ 7,736 | \$ 8,266 | \$ 8,279 | \$ 8, |
| Net (paydowns) / advances | (10) | (19) | (83) | (13) | |
| Transfers to other real estate owned | - | (954) | - | - | |
| Charge-offs | - | - | (447) | - | |
| | <u>\$ 6,753</u> | <u>\$ 6,763</u> | <u>\$ 7,736</u> | <u>\$ 8,266</u> | <u>\$ 8,</u> |

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands except per share data)

| | 2nd Quarter 2016 | 1st Quarter 2016 | 4th Quarter 2015 | 3rd Quarter 2015 | 2nd Quarter 2015 |
|---|------------------|------------------|------------------|------------------|------------------|
| Interest income: | | | | | |
| Interest and fees on loans | \$ 49,210 | \$ 47,247 | \$ 46,150 | \$ 44,401 | \$ 42,105 |
| Taxable securities | 1,238 | 1,269 | 1,058 | 1,041 | 1,104 |
| Nontaxable securities | 834 | 858 | 875 | 890 | 874 |
| Federal funds sold | 210 | 73 | 46 | 32 | 24 |
| Other interest and dividends | 558 | 514 | 322 | 168 | 102 |
| Total interest income | <u>52,050</u> | <u>49,961</u> | <u>48,451</u> | <u>46,532</u> | <u>44,209</u> |
| Interest expense: | | | | | |
| Deposits | 4,611 | 4,361 | 4,294 | 3,818 | 3,512 |
| Borrowed funds | 1,548 | 1,421 | 996 | 852 | 486 |
| Total interest expense | <u>6,159</u> | <u>5,782</u> | <u>5,290</u> | <u>4,670</u> | <u>3,998</u> |
| Net interest income | <u>45,891</u> | <u>44,179</u> | <u>43,161</u> | <u>41,862</u> | <u>40,211</u> |
| Provision for loan losses | 3,800 | 2,059 | 3,308 | 3,072 | 4,062 |
| Net interest income after provision for loan losses | <u>42,091</u> | <u>42,120</u> | <u>39,853</u> | <u>38,790</u> | <u>36,149</u> |
| Non-interest income: | | | | | |
| Service charges on deposit accounts | 1,306 | 1,307 | 1,326 | 1,279 | 1,276 |
| Mortgage banking | 901 | 668 | 620 | 873 | 735 |
| Securities gains | (3) | - | - | - | - |
| Increase in cash surrender value life insurance | 655 | 624 | 630 | 683 | 660 |
| Other operating income | 988 | 836 | 899 | 903 | 759 |
| Total non-interest income | <u>3,847</u> | <u>3,435</u> | <u>3,475</u> | <u>3,738</u> | <u>3,430</u> |
| Non-interest expense: | | | | | |
| Salaries and employee benefits | 10,733 | 11,067 | 8,884 | 10,595 | 10,426 |
| Equipment and occupancy expense | 2,023 | 1,985 | 1,519 | 1,575 | 1,634 |
| Professional services | 999 | 738 | 706 | 668 | 665 |
| FDIC and other regulatory assessments | 803 | 750 | 733 | 681 | 626 |
| Other real estate owned expense | 41 | 449 | 324 | 400 | 289 |
| Other operating expense | 4,905 | 4,301 | 6,836 | 4,329 | 4,498 |
| Total non-interest expense | <u>19,504</u> | <u>19,290</u> | <u>19,002</u> | <u>18,248</u> | <u>18,138</u> |
| Income before income tax | <u>26,434</u> | <u>26,265</u> | <u>24,326</u> | <u>24,280</u> | <u>21,441</u> |
| Provision for income tax | <u>7,558</u> | <u>6,309</u> | <u>4,576</u> | <u>8,014</u> | <u>6,972</u> |

| | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| Net income | 18,876 | 19,956 | 19,750 | 16,266 | 14,469 |
| Dividends on preferred stock | 23 | - | 24 | 33 | 123 |
| Net income available to common stockholders | <u>\$ 18,853</u> | <u>\$ 19,956</u> | <u>\$ 19,726</u> | <u>\$ 16,233</u> | <u>\$ 14,346</u> |
| Basic earnings per common share | \$ 0.72 | \$ 0.76 | \$ 0.76 | \$ 0.63 | \$ 0.56 |
| Diluted earnings per common share | \$ 0.71 | \$ 0.75 | \$ 0.74 | \$ 0.61 | \$ 0.54 |

AVERAGE BALANCE SHEETS AND NET INTEREST ANALYSIS (UNAUDITED)
ON A FULLY TAXABLE-EQUIVALENT BASIS
(Dollars in thousands)

| | 2nd Quarter 2016 | | 1st Quarter 2016 | | 4th Quarter 2015 | |
|--|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | Average Balance | Yield / Rate | Average Balance | Yield / Rate | Average Balance | Yield / Rate |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans, net of unearned income (1) | | | | | | |
| Taxable | \$ 4,406,107 | 4.47 % | \$ 4,230,057 | 4.48 % | \$ 4,113,044 | 4.44 % |
| Tax-exempt (2) | 16,315 | 4.51 | 10,281 | 5.56 | 9,639 | 4.98 |
| Total loans, net of unearned income | 4,422,422 | 4.47 | 4,240,338 | 4.48 | 4,122,683 | 4.44 |
| Mortgage loans held for sale | 7,323 | 3.62 | 6,084 | 4.63 | 4,362 | 4.27 |
| Debt securities: | | | | | | |
| Taxable | 208,113 | 2.38 | 221,722 | 2.29 | 193,982 | 2.16 |
| Tax-exempt (2) | 135,954 | 3.73 | 137,763 | 3.79 | 139,435 | 3.85 |
| Total securities (3) | 344,067 | 2.91 | 359,485 | 2.86 | 333,417 | 2.87 |
| Federal funds sold | 144,206 | 0.59 | 48,390 | 0.60 | 33,255 | 0.55 |
| Restricted equity securities | 5,659 | 3.62 | 4,962 | 3.81 | 4,954 | 4.24 |
| Interest-bearing balances with banks | 393,782 | 0.52 | 373,339 | 0.51 | 366,771 | 0.29 |
| Total interest-earning assets | 5,317,459 | 3.97 % | 5,032,598 | 4.03 % | 4,865,442 | 3.99 % |
| Non-interest-earning assets: | | | | | | |
| Cash and due from banks | 65,318 | | 61,578 | | 62,037 | |
| Net premises and equipment | 23,241 | | 21,023 | | 19,609 | |
| Allowance for loan losses, accrued interest and other assets | 127,640 | | 126,491 | | 124,241 | |
| Total assets | <u>\$ 5,533,658</u> | | <u>\$ 5,241,690</u> | | <u>\$ 5,071,329</u> | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Checking | \$ 691,776 | 0.36 % | \$ 665,039 | 0.35 % | \$ 611,521 | 0.30 % |
| Savings | 41,546 | 0.30 | 41,055 | 0.29 | 39,590 | 0.29 |
| Money market | 2,105,420 | 0.52 | 1,979,727 | 0.51 | 2,048,453 | 0.49 |
| Time deposits | 498,151 | 1.01 | 507,605 | 1.00 | 503,217 | 1.00 |
| Total interest-bearing deposits | 3,336,893 | 0.56 | 3,193,426 | 0.55 | 3,202,781 | 0.54 |
| Federal funds purchased | 505,076 | 0.64 | 441,309 | 0.64 | 295,530 | 0.37 |
| Other borrowings | 55,521 | 5.20 | 55,630 | 5.19 | 55,805 | 5.11 |
| Total interest-bearing liabilities | 3,897,490 | 0.64 % | 3,690,365 | 0.63 % | 3,554,116 | 0.59 % |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing demand | | | | | | |
| demand | 1,142,541 | | 1,077,613 | | 1,062,795 | |
| Other liabilities | 13,301 | | 12,194 | | 13,469 | |
| Stockholders' equity | 475,917 | | 457,218 | | 436,928 | |
| Unrealized gains on securities and derivatives | 4,409 | | 4,300 | | 4,021 | |
| Total liabilities and stockholders' equity | <u>\$ 5,533,658</u> | | <u>\$ 5,241,690</u> | | <u>\$ 5,071,329</u> | |
| Net interest spread | | 3.33 % | | 3.40 % | | 3.40 % |
| Net interest margin | | 3.51 % | | 3.57 % | | 3.56 % |

(1) Average loans include loans on which the accrual of interest has been discontinued.

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