



## ServisFirst Bank

Agent Bank Credit Card Program

### ABA Endorsed Solutions Due Diligence Report

See the Seal. Trust the Solution.



# Introduction

The American Bankers Association is committed to helping banks run strong and efficient organizations. This due diligence report provides an overview of the research we conducted, which led to the ABA endorsement of the agent bank credit card program offered by ServisFirst Bank.

ABA’s mission is to meet bankers’ needs through product evaluations and vendor due diligence. Our process focuses on researching product solutions that have been identified and recommended by ABA member banks. We begin by soliciting feedback from bankers through committees, focus groups, surveys and a Banker Advisory Council. All of this helps us identify and prioritize our research in areas that provide significant benefits to member bankers. We then tap the significant experience of ABA staff experts and third-party industry specialists if needed to determine which solutions will earn the exclusive ABA endorsement.

Our research focuses on the following areas:

- Financial Analysis
- Management Strength and Ownership
- Long-Term Stability
- Solution Functionality
- Partnerships
- Pricing
- Liability
- Information Security
- Disaster Recovery
- Regulatory Requirements
- Compliance Functions
- Legal Opinions
- Customer Service
- Banker References
- Competitive Landscape

This report is designed as a tool for understanding the research that was conducted by ABA. It is simply a guide to assist you in evaluating the key factors that influence new product and technology decisions. ABA encourages banks to conduct their own vendor risk and due diligence efforts prior to selecting an appropriate solution.

We hope you find it helpful as you evaluate your options and perform your own due diligence on agent bank credit card programs.



## Executive Summary

Credit cards remain an important part of consumers' daily lives—from point-of-sale and online purchases, to recurring bill payments. Consumers demand full-featured credit cards combined with excellent customer service and often turn to large issuers to meet these needs.

Community banks understand the importance of having a payments relationship with their customers, but many banks do not have the staff, resources or appetite for risk to profitably manage a credit card portfolio.

ABA has long recognized the challenges community banks face in issuing and managing credit cards. The association has years of experience working with some of the largest providers of agent card programs in the country. Those experiences, as well as input from member banks, helped inform our decision to endorse the ServisFirst Bank agent credit card program. Through this partnership and based on feedback from banks that have implemented this program, community banks have a service-minded, innovative ally in credit card issuing, which provides opportunities for significant revenue growth and a fully-branded, top-of-wallet credit card for consumer and commercial customers.

In addition to providing credit card marketing and portfolio management services at no cost to member banks, ServisFirst also:

- Develops, funds and executes marketing and advertising programs to solicit applications from current customers and prospects, including letter writing campaigns, in-branch promotions, etc.
- Staffs and manages a portfolio management team to support the member bank
- Underwrites, establishes, maintains and/or conducts servicing activities, including customer service and collections
- Provides summary reporting on a quarterly basis
- Conducts on-site meetings and provides on-site training
- Meets diverse customer needs by offering two card programs—Platinum Benefits and Cash Back Rewards—available in both consumer and commercial channels
- Provides commercial purchase card solutions

Key Benefits to banks include:

- 20% of net profit is shared with the member bank
- The implementation fee (\$5,500) is waived for member banks
- Compliance is managed by ServisFirst, which holds all the outstanding receivables
- Option for member bank to guarantee declined accounts (after review) and receive 80% net profit share
- Cardholder support is provided 24/7

ServisFirst Bank offers a **turn-key program** for banks to offer credit cards to agent banks customers and prospects.

## Solution/Technology

ServisFirst offers a turn-key agent card program that allows banks to issue branded credit cards to their retail and commercial customers. The program was initially developed for ServisFirst Bank to meet their own customers’ needs. As ServisFirst Bank’s correspondent customers began asking for a simple, turn-key solution for their own customers, ServisFirst made the program available to correspondent bank customers.

The product offering to customers includes two Visa consumer products, two Visa business products and a Visa commercial P-Card. This simple product offering makes it easy for bank employees to learn and discuss features and benefits with customers. Applicants can also understand what they are applying for and what they will receive.

ServisFirst Bank sells, underwrites and services all accounts. TSYS, a domestic company in Columbus, Ga., processes the transactions. Additionally, TSYS produces the plastics and statements, as well as provides collection support and fraud monitoring, 24/7 call center support for cardholders, and houses and supports cardholder online account access.

Consumer and business cardholders can access their account information, print statements, set alerts and make payments by accessing the Cardmanager.com website. The website can be customized with the agent bank’s logo and linked to that bank’s website. Similarly, the P-Card website, CentreSuite.com, can be customized and linked to the agent bank’s website.

Customers and prospects can apply for credit in bank branches or online. A link with the applications, disclosures and required documentation will be provided to the agent bank so their customers can apply directly from their bank's website. These applications are transmitted securely to ServisFirst Bank to review and underwrite. All documentation is imaged and only accessible by the ServisFirst Bank Correspondent Credit Card Department. Information is not shared, and existing cardholders do not receive additional marketing information or offers.

ServisFirst Bank provides ongoing marketing and support to the agent banks in the program at no additional cost.

## Implementation/Training & Customer Support

ServisFirst Bank provides on-site training to all new customers and ongoing training as requested.

A full custom program that includes the agent bank's logo on all materials requires a 90-day implementation period. During that time, the ServisFirst Bank implementation specialist will work with the agent bank to design a plastic card; develop, design and produce required marketing materials determined by the agent bank; and develop and produce a training packet specific to the agent bank.

The agent bank determines many of the procedures around the underwriting process, including how notifications are made to the bank and what reporting will be required. The training will be tailored to the bank's preferences and approved by the agent bank. On-site training will be scheduled two weeks before the program launch date based on the agent bank's preferences.

A partially branded program that includes the agent bank's logo on the plastics and marketing material does not require the testing involved with a fully branded program and can therefore be implemented within 45 days. The implementation process, procedure development and training will be handled in the same way as it is for the full custom program.

On-site initial training and ongoing on-site training as requested is provided to the agent bank at no cost.

ServisFirst provides customer service to agent banks from 7am – 5pm CST. During these hours, the department email [cdepartment@servisfirstbank.com](mailto:cdepartment@servisfirstbank.com) and 1-800 lines are monitored by a credit card support staff. The support staff has direct access to the TSYS processing mainframe and can quickly and efficiently assist agent banks with any customer needs.

ServisFirst  
Bank **sells,**  
**underwrites**  
and **services**  
all accounts.

Currently there are five customer service representatives dedicated to supporting agent banks and three customer service representatives dedicated to the P-Card product. Staffing will be increased as new agent banks are onboarded.

Cardholder support is provided 24/7 by the processor, TSYS. TSYS customer service agents answer all calls by identifying themselves as Card Services. After the cardholder provides their information and the agent is able to view the account, they will reference the agent bank's name.

TSYS maintains a cardholder complaint log that is reviewed by TSYS management and ServisFirst weekly. Complaints made by agent bank cardholders are forwarded to the agent bank for review.

TSYS conducts annual client satisfaction surveys with every bank it services and those results can be shared.

Agent banks may contact Karen Grahn, Rodney Rushing, Tom Broughton or any of ServisFirst Bank's Executive Management Team with any concerns regarding customer facing employees.

## Risk Management

### Information Security/Disaster Recovery

All TSYS business units are required to have a business continuity plan. Each Business Continuity Plan must be updated annually by the plan owner and reviewed for accuracy, validity and executability.

In accordance with Section 5.4 of the TSYS Business Continuity Management Policy, all plans are required to:

- Identify an Assembly point, Alternate assembly point, Command Post and an Alternate command post;
- Identify a Team and Alternate Team Leader;
- List team members and contact modes;
- List client and vendor contacts (as applicable);
- List supplies, equipment and software required; and,
- Include a Business Impact Analysis (BIA) and Procedure Grid.

The goal of the ServisFirst Bank Business Continuity Plan (BCP) is to mitigate and prepare for urgent situations. There are several key components that affect the bank's critical functions. The ServisFirst Bank BCP identifies these key components and formulates responses to minimize the effects of a potential loss. Through this plan, ServisFirst Bank has organized and planned responses that will help the bank avoid losses or return to normal operations as soon as possible if a loss does occur.

The primary purpose of this plan is to provide the directors, officers, supervisors and employees of ServisFirst Bank a framework for decision making whenever unexpected or abnormal events that affect routine operations and procedures of the bank occur. During disaster recovery or relocation, processes with a higher criticality are to receive priority attention. As time and resources permit, processes with a lower priority are addressed.

Based on ServisFirst Bank's BIA and operational needs during a disaster, management has identified the following objectives necessary to adequately restore this process:

- Coordinate for customer calls to be redirected within 1 hour.
- Relocate to location with Internet access within 2 hours.
- Coordinate with service provider to make aware of interruption within 2 hours.
- Coordinate with agent banks to inform of interruption, status of credit card issuance and request for resubmission of applications faxed or mailed within 2 hours.
- Return to normal operation within 3 days.

## Regulatory & Compliance Management

ServisFirst Bank, as the issuing financial institution on record, is responsible for all regulatory compliance for the credit card program. If an agent bank receives requests to review any information on the agent credit card program, they should contact ServisFirst Bank for the information requested and ServisFirst Bank will provide that information within two business days.

All disclosures, terms and conditions are produced by contracted outside counsel and periodically reviewed by outside counsel for required updates and changes. Consumer applications are auto-decided. Any consumer applications that are declined by ServisFirst Bank may be overridden by the agent bank.

ServisFirst Bank's Compliance Program is led by a Chief Risk Officer and a Compliance Director (among additional officers), staff auditors and support staff. The bank's Chief Risk Officer has more than 25 years of experience in the banking industry in audit, consumer compliance and regulatory compliance. The bank's Compliance Director has an extensive banking career in risk management, in addition to experience as a bank examiner. Additionally, ServisFirst Bank engages a third-party consulting firm with significant consumer and regulatory compliance experience to assist in the bank's Compliance Program. Also among the bank's compliance staff is an experienced BSA Officer who is CAMS certified.

ServisFirst Bank is regulated by the FDIC and the State of Alabama Banking Department. ServisFirst Bank utilizes national third-party audit firms to conduct its comprehensive risk assessments and audit review plans across all internal functions of the bank, including the Correspondent Bank Division and the Credit Card Division.

ServisFirst Bank provides compliance applications for agent banks to utilize and ensures all required disclosures are provided. Periodic statements are also compliant with consumer regulations. The officers and staff of ServisFirst Bank's Credit Card Division participate in the bank's ongoing training initiatives, which include compliance with our Customer Identification Program and other BSA rules.

## Company Overview

ServisFirst is a full-service commercial bank focused on commercial banking, correspondent banking, cash management, private banking and the professional consumer market, emphasizing competitive products, state-of-the-art technology and a focus on quality service. ServisFirst Bank has more than \$7.9 billion in assets.

ServisFirst Bank was formed in Birmingham, Ala., in May 2005; the Correspondent Banking Division opened in March 2011. ServisFirst Bank's Correspondent Bank Division provides full-service correspondent banking solutions to community banks across the United States through exceptional solutions, knowledgeable bankers and unparalleled attention to customer service. Correspondent clients utilize the division's industry-leading correspondent banking technology to manage accounts and services.

ServisFirst Bank began issuing credit cards for its consumer and commercial clients in May 2011. Through the Credit Card Division, the bank began issuing for agent bank institutions in April 2013. Today ServisFirst issues credit cards for more than 75 banks ranging in asset size from \$250 million to \$9 billion.

In April 2015 and annually thereafter, ServisFirst Bank has earned investment-grade ratings and a stable outlook from Kroll Bond Rating Agency (KBRA), which measures companies' financial fundamentals. 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](http://www.sec.gov) or at [www.servisfirstbancshares.com](http://www.servisfirstbancshares.com).

## Financial Viability/Audit

ServisFirst Bancshares (NASDAQ: SFBS) completed an initial public offering in May 2014. In April 2015, the bank earned investment-grade ratings by the Kroll Bond Rating Agency (KBRA). KBRA assigned a senior unsecured debt rating of BBB+, a subordinated debt rating of BBB, a short-term rating of K2 and outlook as "stable." ServisFirst Bank was assigned a senior deposit rating of A-, a short-term rating of K2 and outlook as "stable."

ServisFirst Bank has exhibited a consistent record of growth, stability and financial performance since its inception. In recent years, the bank has received numerous awards and accolades for its record of financial performance among its industry peers.

Information regarding the bank's financial performance, including annual reports, earnings releases and press releases of industry recognitions are available via the bank's investor relations site, [www.servisfirstbancshares.com](http://www.servisfirstbancshares.com).

ServisFirst Bank is regulated by the FDIC and the State of Alabama Banking Department. Additionally, ServisFirst Bank utilizes national third-party audit firms to conduct its comprehensive risk assessments and audit review plans across all internal functions of the bank, including the Correspondent Bank Division and the Credit Card Division.

## Corporate Management Strength

### **Thomas A. Broughton III - President, CEO and Director**

Thomas A. Broughton has served as President, Chief Executive Officer and a director for ServisFirst Bank since its inception in May 2005. He has spent his entire banking career of more than 37 years in the Birmingham area.

In 1985, he co-founded the de novo First Commercial Bank and was named President. When First Commercial Bank was bought by Synovus in 1992, he continued as President and was named Chief Executive Officer of First Commercial Bank. In 1998, he became Regional Chief Executive Officer responsible for Alabama and Florida. In 2001, his Synovus region shifted, and he became Regional Chief Executive Officer for Alabama, Tennessee and parts of Georgia. He continued his work in this position until his retirement from Synovus in August 2004. In 2005, Broughton founded ServisFirst Bank raising \$35 million in capital, which at that time, was the largest bank startup amount raised in the State of

Alabama. He also founded and organized the formation of ServisFirst Bancshares, Inc., the bank holding company based in Birmingham, Ala., that holds ServisFirst Bank as its subsidiary. Broughton led ServisFirst Bancshares Initial Public Offering announced in May 2014 with the stock listed on NASDAQ trading under SFBS. ServisFirst Bank has offices across Alabama (in Birmingham, Dothan, Huntsville, Mobile, Fairhope and Montgomery) with additional locations in Nashville, Tenn.; Pensacola and Tampa, Fla. Charleston, S.C.; and Atlanta. In 2009, *American Banker* named Broughton Community Banker of the Year.

Broughton received a Bachelor of Science in Finance from The University of Alabama and a Master of Business Administration from the J. L. Kellogg Graduate School of Management at Northwestern University.

**Clarence C. Pouncey, III – Executive Vice President and Chief Operating Officer**

Clarence C. Pouncey has served as the Executive Vice President and Chief Operating Officer of ServisFirst Bank since November 2006. Prior to joining the bank, Pouncey was employed by SouthTrust Bank (subsequently, Wachovia Bank and now Wells Fargo Bank) at its corporate headquarters in Birmingham, Ala., in various capacities from 1978 to 2006, most recently as the Senior Vice President and Regional Manager of Real Estate Financial Services. During his employment with SouthTrust, he oversaw various operational and production functions in its nine-state footprint of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia, and while employed by Wachovia, Pouncey oversaw various operational and production functions in Alabama, Arizona, Tennessee and Texas.

Pouncey received a Bachelor of Science degree from the University of Alabama and a diploma from the Graduate School of Banking at Southern Methodist University.

**William M. Foshee – Executive Vice President, Chief Financial Officer, Treasurer and Secretary**

William M. Foshee has served as the Executive Vice President, Chief Financial Officer, Treasurer and Secretary of ServisFirst Bank since 2005. Foshee served as the Chief Financial Officer of Heritage Financial Holding Corporation, a publicly traded bank holding company headquartered in the Huntsville MSA, from 2002 until it was acquired in 2005.

Foshee received a Bachelor of Science in Accounting from Auburn University and is a CPA.

**Rodney E. Rushing – Executive Vice President, Correspondent Banking**

Rodney E. Rushing has served as the Executive Vice President of Correspondent Banking for ServisFirst Bank since 2011. During his 34 year banking career, he managed the correspondent and audit divisions, as well as the institutional bond sales force at Compass Bank. As Executive Vice President at ServisFirst Bank, Rushing manages the Bank's Correspondent Division that services more than 350 bank relationships in 16 states. The division has over \$800 million in deposits.

Rushing is the Immediate Past Chairman and 2008 President of the Alabama Bankers Association. He holds a Bachelor of Science in Finance from the University of Auburn and is CFIA and CBA accredited.

**Henry Abbott – Senior Vice President and Chief Credit Officer**

Since April 2018, Henry Abbott has served as Senior Vice President and Chief Credit Officer and been with ServisFirst for five years. Prior to his current role, he was the Chief Credit Officer of the Correspondent Banking group. Prior to joining ServisFirst, Abbott was employed by BB&T and was in various lending and credit roles with the BB&T in North Carolina, Alabama, Virginia and Washington D.C.

Abbott is a graduate of the University of Georgia and The Graduate School of Banking at Louisiana State University.

## About the American Bankers Association

ABA is the voice of the nation's \$17 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$13 trillion in deposits and extend more than \$10 trillion in loans.

## About ABA Endorsed Solutions

In a rapidly changing landscape, banks turn to the proven expertise of ABA Endorsed Solutions for the most advanced technologies and products to grow their business, cut costs and transform the customer experience. From compliance and insurance to payments and mortgage lending, you'll find products and services that can enhance your bank's bottom line.

### Contacts:

#### American Bankers Association

Christopher McClinton  
Sr. Vice President  
ABA Endorsed Solutions  
1120 Connecticut Avenue, NW  
Washington, DC 20036  
PH: (202) 663-5088  
E-mail: [cmclinton@aba.com](mailto:cmclinton@aba.com)  
Website: [aba.com/endorsed](http://aba.com/endorsed)

#### ServisFirst Bank

Karen Grahn  
Sr. Vice President  
Credit Card Division Manager  
2500 Woodcrest Place  
Birmingham, AL 35209  
PH: (205) 949-0330  
E-mail: [kgrahn@servisfirstbank.com](mailto:kgrahn@servisfirstbank.com)  
Website: [servisfirstbank.com](http://servisfirstbank.com)

