

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2021
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-37875

FB FINANCIAL CORPORATION
(Exact name of Registrant as specified in its Charter)

Tennessee
(State or other jurisdiction of
incorporation or organization)
211 Commerce Street, Suite 300
Nashville, Tennessee
(Address of principal executive offices)

62-1216058
(I.R.S. Employer
Identification No.)
37201
(Zip Code)

Registrant's telephone number, including area code: (615) 564-1212

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, Par Value \$1.00 Per Share	FBK	New York Stock Exchange

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of Registrant's Common Stock outstanding as of July 30, 2021 was 47,363,275.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

As used in this report, references to “we,” “our,” “us,” “FB Financial,” or “the Company” refer to FB Financial Corporation, a Tennessee corporation, and our wholly owned banking subsidiary, FirstBank, a Tennessee state-chartered bank, unless otherwise indicated or the context otherwise requires. References to “Bank” or “FirstBank” refer to FirstBank, our wholly owned banking subsidiary.

The acronyms and abbreviations identified below are used in the Notes to Consolidated Financial Statements (Unaudited) as well as in the Management’s Discussion and Analysis of Financial Condition and Results of Operations. You may find it helpful to refer to this page as you read this report.

ACL	Allowance For Credit Losses	GAAP	U.S. generally accepted accounting principles
AFS	Available-for-Sale	GNMA	Government National Mortgage Association
ALCO	Asset Liability Management Committee	IPO	Initial Public Offering
ASC	Accounting Standard Codification	IRC	Internal Revenue Code
ASU	Accounting Standard Update	MSR	Mortgage Servicing Rights
CAA	Consolidated Appropriations Act	JOBS Act	Jumpstart Our Business Startups Act
CARES	Coronavirus Aid, Relief, and Economic Security Act	LIBOR	London Interbank Offered Rate
CECL	Current Expected Credit Losses	LTIP	Long-Term Incentive Plan
CEO	Chief Executive Officer	MSA	Metropolitan Statistical Areas
CET1	Common Equity Tier 1	MSR	Mortgage Servicing Rights
CMA	Cash Management Advances	NIM	Net Interest Margin
CPR	Conditional Prepayment Rate	OCC	Office of the Comptroller of the Currency
CRE	Commercial Real Estate	OREO	Other Real Estate Owned
EPS	Earnings per Share	PCD	Purchased Credit Deteriorated
ESPP	Employee Stock Purchase Plan	PPP	Paycheck Protection Program
EVE	Economic Value of Equity	PSU	Performance-based Restricted Stock Units
FASB	Financial Accounting Standards Board	REIT	Real Estate Investment Trust
FBIN	FirstBank Investments of Nevada, Inc.	ROAA	Return on Average Total Assets
FBIT	FirstBank Investments of Tennessee, Inc.	ROAE	Return on Average Shareholders' Equity
FBPC	FirstBank Preferred Capital, Inc.	ROATCE	Return on Average Tangible Common Equity
FBRM	FirstBank Risk Management	ROU	Right-of-use
FDIC	Federal Deposit Insurance Corporation	RSU	Restricted Stock Units
FHLB	Federal Home Loan Bank	SBA	Small Business Administration
FHLMC	Federal Home Loan Mortgage Corporation	SEC	U.S. Securities and Exchange Commission
FNB	Farmers National	TDFI	Tennessee Department of Financial Institutions
FNMA	Federal National Mortgage Association	TDR	Troubled Debt Restructuring
FTE	Full Time Equivalent		

PART I - FINANCIAL INFORMATION
ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS

FB Financial Corporation and subsidiaries
Consolidated balance sheets
(Amounts are in thousands except share and per share amounts)

	June 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Cash and due from banks	\$ 60,908	\$ 110,991
Federal funds sold and reverse repurchase agreements	59,321	121,153
Interest-bearing deposits in financial institutions	1,596,868	1,085,754
Cash and cash equivalents	1,717,097	1,317,898
Investments:		
Available-for-sale debt securities, at fair value	1,404,372	1,172,400
Equity securities, at fair value	4,803	4,591
Federal Home Loan Bank stock, at cost	29,411	31,232
Loans held for sale, at fair value	821,529	899,173
Loans	7,198,954	7,082,959
Less: allowance for credit losses	144,663	170,389
Net loans	7,054,291	6,912,570
Premises and equipment, net	142,596	145,115
Other real estate owned, net	11,986	12,111
Operating lease right-of-use assets	45,423	49,537
Interest receivable	42,083	43,603
Mortgage servicing rights, at fair value	101,615	79,997
Goodwill	242,561	242,561
Core deposit and other intangibles, net	19,592	22,426
Other assets	281,008	274,116
Total assets	\$ 11,918,367	\$ 11,207,330
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 2,484,982	\$ 2,274,103
Interest-bearing checking	3,015,253	2,491,765
Money market and savings	3,421,281	3,254,915
Customer time deposits	1,241,540	1,375,695
Brokered and internet time deposits	40,900	61,559
Total deposits	10,203,956	9,458,037
Borrowings	183,962	238,324
Operating lease liabilities	50,396	55,187
Accrued expenses and other liabilities	108,239	164,400
Total liabilities	10,546,553	9,915,948
Commitments and contingencies (Note 9)		
SHAREHOLDERS' EQUITY		
Common stock, \$1 par value per share; 75,000,000 shares authorized; 47,360,950 and 47,220,743 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	47,361	47,222
Additional paid-in capital	902,782	898,847
Retained earnings	403,173	317,625
Accumulated other comprehensive income, net	18,405	27,595
Total FB Financial Corporation common shareholders' equity	1,371,721	1,291,289
Noncontrolling interest	93	93
Total equity	1,371,814	1,291,382
Total liabilities and shareholders' equity	\$ 11,918,367	\$ 11,207,330

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries
Consolidated statements of income
(Unaudited)
(Amounts are in thousands except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest income:				
Interest and fees on loans	\$ 89,861	\$ 61,092	\$ 179,273	\$ 124,846
Interest on securities				
Taxable	3,844	2,619	6,663	5,675
Tax-exempt	1,933	1,590	3,889	3,023
Other	691	306	1,289	1,737
Total interest income	96,329	65,607	191,114	135,281
Interest expense:				
Deposits	7,919	9,309	17,745	21,477
Borrowings	1,847	961	4,230	2,218
Total interest expense	9,766	10,270	21,975	23,695
Net interest income	86,563	55,337	169,139	111,586
Provision for credit losses	(12,885)	24,039	(24,517)	52,003
Provision for credit losses on unfunded commitments	(954)	1,882	(3,176)	3,483
Net interest income after provisions for credit losses	100,402	29,416	196,832	56,100
Noninterest income:				
Mortgage banking income	35,499	72,168	90,831	104,913
Service charges on deposit accounts	2,266	1,858	4,605	4,421
ATM and interchange fees	5,381	3,606	9,722	6,740
Investment services and trust income	2,999	1,368	5,007	3,065
Gain (loss) from securities, net	144	(28)	227	35
(Loss) gain on sales or write-downs of other real estate owned	(23)	86	473	137
Loss from other assets	(4)	(54)	(15)	(382)
Other income	3,038	2,487	5,180	5,262
Total noninterest income	49,300	81,491	116,030	124,191
Noninterest expenses:				
Salaries, commissions and employee benefits	62,367	55,258	126,938	98,880
Occupancy and equipment expense	5,356	4,096	11,205	8,274
Legal and professional fees	2,090	1,952	4,524	3,510
Data processing	2,542	2,782	4,861	5,235
Merger costs	—	1,586	—	4,636
Amortization of core deposit and other intangibles	1,394	1,205	2,834	2,408
Advertising	3,559	2,591	5,812	4,980
Other expense	15,652	11,109	31,484	21,215
Total noninterest expense	92,960	80,579	187,658	149,138
Income before income taxes	56,742	30,328	125,204	31,153
Income tax expense	13,440	7,455	29,028	7,535
Net income applicable to FB Financial Corporation and noncontrolling interest	43,302	22,873	96,176	23,618
Net income applicable to noncontrolling interest	8	—	8	—
Net income applicable to FB Financial Corporation	\$ 43,294	\$ 22,873	\$ 96,168	\$ 23,618
Earnings per common share				
Basic	\$ 0.91	\$ 0.71	\$ 2.03	\$ 0.75
Diluted	0.90	0.70	2.00	0.74

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries
Consolidated statements of comprehensive income

(Unaudited)

(Amounts are in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	\$ 43,302	\$ 22,873	\$ 96,176	\$ 23,618
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain in available-for-sale securities, net of tax expenses (benefits) of \$798, \$429, \$(2,654) and \$4,704	2,286	1,209	(9,562)	13,303
Reclassification adjustment for gain on sale of securities included in net income, net of tax expenses of \$2, \$0, \$4 and \$0	(6)	—	(11)	—
Net change in unrealized loss in hedging activities, net of tax expenses (benefits) of \$23, \$(40), \$135 and \$(443)	67	(112)	383	(1,257)
Reclassification adjustment for gain on hedging activities, net of tax expenses of \$0, \$52, \$0 and \$104	—	(148)	—	(295)
Total other comprehensive income (loss), net of tax	2,347	949	(9,190)	11,751
Comprehensive income	45,649	23,822	86,986	35,369
Comprehensive income applicable to noncontrolling interests	8	—	8	—
Comprehensive income applicable to FB Financial Corporation	\$ 45,641	\$ 23,822	\$ 86,978	\$ 35,369

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries
Consolidated statements of changes in shareholders' equity

(Unaudited)

(Amounts are in thousands except per share amounts)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net	Total common shareholders' equity	Noncontrolling interests	Total shareholders' equity
Balance at March 31, 2021	\$ 47,332	\$ 900,521	\$ 365,192	\$ 16,058	\$ 1,329,103	\$ 93	\$ 1,329,196
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—	43,294	—	43,294	8	43,302
Other comprehensive income, net of taxes	—	—	—	2,347	2,347	—	2,347
Stock based compensation expense	2	2,513	—	—	2,515	—	2,515
Restricted stock units vested and distributed, net of shares withheld	27	(252)	—	—	(225)	—	(225)
Shares issued under employee stock purchase program	—	—	—	—	—	—	—
Dividends declared (\$0.11 per share)	—	—	(5,313)	—	(5,313)	—	(5,313)
Noncontrolling interest distribution	—	—	—	—	—	(8)	(8)
Balance at June 30, 2021	\$ 47,361	\$ 902,782	\$ 403,173	\$ 18,405	\$ 1,371,721	\$ 93	\$ 1,371,814
Balance at December 31, 2020	\$ 47,222	\$ 898,847	\$ 317,625	\$ 27,595	\$ 1,291,289	\$ 93	\$ 1,291,382
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—	96,168	—	96,168	8	96,176
Other comprehensive income, net of taxes	—	—	—	(9,190)	(9,190)	—	(9,190)
Stock based compensation expense	5	5,176	—	—	5,181	—	5,181
Restricted stock units vested and distributed, net of shares withheld	112	(2,052)	—	—	(1,940)	—	(1,940)
Shares issued under employee stock purchase program	22	811	—	—	833	—	833
Dividends declared (\$0.22 per share)	—	—	(10,620)	—	(10,620)	—	(10,620)
Noncontrolling interest distribution	—	—	—	—	—	(8)	(8)
Balance at June 30, 2021	\$ 47,361	\$ 902,782	\$ 403,173	\$ 18,405	\$ 1,371,721	\$ 93	\$ 1,371,814

FB Financial Corporation and subsidiaries
Consolidated statements of changes in shareholders' equity

(Unaudited)

(Amounts are in thousands except per share amounts)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net	Total common shareholders' equity	Noncontrolling interests	Total shareholders' equity
Balance at March 31, 2020	\$ 32,067	\$ 460,938	\$ 266,385	\$ 22,940	\$ 782,330	\$ —	\$ 782,330
Net income	—	—	22,873	—	22,873	—	22,873
Other comprehensive loss, net of taxes	—	—	—	949	949	—	949
Stock based compensation expense	6	2,344	—	—	2,350	—	2,350
Restricted stock units vested and distributed, net of shares withheld	28	(352)	—	—	(324)	—	(324)
Dividends declared (\$0.09 per share)	—	—	(2,962)	—	(2,962)	—	(2,962)
Balance at June 30, 2020	\$ 32,101	\$ 462,930	\$ 286,296	\$ 23,889	\$ 805,216	\$ —	\$ 805,216
Balance at December 31, 2019	\$ 31,034	\$ 425,633	\$ 293,524	\$ 12,138	\$ 762,329	\$ —	\$ 762,329
Cumulative effect of change in accounting principle	—	—	(25,018)	—	(25,018)	—	(25,018)
Balance at January 1, 2020	31,034	425,633	268,506	12,138	737,311	—	737,311
Net income	—	—	23,618	—	23,618	—	23,618
Other comprehensive income, net of taxes	—	—	—	11,751	11,751	—	11,751
Common stock issued in connection with acquisition of the FNB Financial Corp., net of registration costs (See Note 2)	955	33,892	—	—	34,847	—	34,847
Stock based compensation expense	11	4,222	—	—	4,233	—	4,233
Restricted stock units vested and distributed, net of shares withheld	89	(1,251)	—	—	(1,162)	—	(1,162)
Shares issued under employee stock purchase program	12	434	—	—	446	—	446
Dividends declared (\$0.18 per share)	—	—	(5,828)	—	(5,828)	—	(5,828)
Balance at June 30, 2020	\$ 32,101	\$ 462,930	\$ 286,296	\$ 23,889	\$ 805,216	\$ —	\$ 805,216

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries

Consolidated statements of cash flows

(Unaudited)

(Amounts are in thousands)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 96,176	\$ 23,618
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets	4,148	3,231
Amortization of core deposit and other intangibles	2,834	2,408
Capitalization of mortgage servicing rights	(22,167)	(20,063)
Net change in fair value of mortgage servicing rights	549	35,076
Stock-based compensation expense	5,181	4,233
Provision for credit losses	(24,517)	52,003
Provision for credit losses on unfunded commitments	(3,176)	3,483
Provision for mortgage loan repurchases	(266)	1,227
Amortization (accretion) of premiums and discounts on acquired loans, net	284	(2,554)
Accretion of discounts and amortization of premiums on securities, net	4,390	2,077
Gain from securities, net	(227)	(35)
Originations of loans held for sale	(3,308,882)	(2,807,047)
Proceeds from sale of loans held for sale	3,355,152	2,739,933
Gain on sale and change in fair value of loans held for sale	(86,031)	(113,888)
Net gain or write-downs of other real estate owned	(473)	(137)
Loss on other assets	15	382
Provision for deferred income taxes	13,538	(16,380)
Changes in:		
Other assets and interest receivable	(14,488)	(102,382)
Accrued expenses and other liabilities	(97,146)	47,077
Net cash used in operating activities	(75,106)	(147,738)
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Maturities, prepayments and calls	147,906	72,360
Purchases	(354,762)	(59,984)
Net change in loans	(4,146)	(196,303)
Sales (purchases) of FHLB stock	1,821	(1,176)
Purchases of premises and equipment	(1,168)	(4,827)
Proceeds from the sale of other real estate owned	4,661	4,150
Net cash paid in business combinations	—	(4,227)
Net cash used in investing activities	(205,688)	(190,007)
Cash flows from financing activities:		
Net increase in demand deposits	900,733	891,237
Net decrease in time deposits	(154,814)	(82,909)
Net increase in securities sold under agreements to repurchase	857	5,795
Payment of subordinated debt	(40,000)	—
Accretion of subordinated debt fair value premium and amortization of issuance costs, net	(176)	—
(Payments on) proceeds from other borrowings	(15,000)	15,000
Share based compensation withholding payments	(1,940)	(1,162)
Net proceeds from sale of common stock under employee stock purchase program	833	446
Dividends paid	(10,492)	(5,751)
Noncontrolling interest distribution	(8)	—
Net cash provided by financing activities	679,993	822,656
Net change in cash and cash equivalents	399,199	484,911
Cash and cash equivalents at beginning of the period	1,317,898	232,681
Cash and cash equivalents at end of the period	\$ 1,717,097	\$ 717,592
Supplemental cash flow information:		
Interest paid	\$ 24,611	\$ 23,081
Taxes paid	45,335	1,590
Supplemental noncash disclosures:		
Transfers from loans to other real estate owned	\$ 4,596	\$ 1,006
Transfers from premises and equipment to other real estate owned	—	841
Loans provided for sales of other real estate owned	533	—
Transfers from loans to loans held for sale	3,709	6,317
Transfers from loans held for sale to loans	29,322	14,358
Stock consideration paid in business combination	—	35,041
Trade date payable - securities	41,722	5,431
Dividends declared not paid on restricted stock units	128	77
Decrease to retained earnings for adoption of new accounting standard	—	25,018
Right-of-use assets obtained in exchange for operating lease liabilities	670	806

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries

Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

Note (1)—Basis of presentation:

Overview and presentation

FB Financial Corporation (the "Company") is a financial holding company headquartered in Nashville, Tennessee. The Company operates through its wholly-owned subsidiary, FirstBank (the "Bank"). As of June 30, 2021, the Bank had 81 full-service branches throughout Tennessee, Alabama, southern Kentucky and north Georgia, and a national mortgage business with office locations across the Southeast, which primarily originates loans to be sold in the secondary market.

The unaudited consolidated financial statements, including the notes thereto, have been prepared in accordance with United States generally accepted accounting principles interim reporting requirements and general banking industry guidelines, and therefore, do not include all information and notes included in the annual consolidated financial statements in conformity with GAAP. These interim consolidated financial statements and notes thereto should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K.

The unaudited consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results for interim periods are not necessarily indicative of results for a full year.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported results of operations for the periods then ended. Actual results could differ significantly from those estimates.

Certain prior period amounts have been reclassified to conform to the current period presentation without any impact on the reported amounts of net income or shareholders' equity.

As of June 30, 2021, the Company continues to qualify as an emerging growth company as defined by the "Jumpstart Our Business Startups Act," however beginning on December 31, 2021, the Company will cease to qualify.

Risks and uncertainties

The COVID-19 health pandemic that arose in 2020 created a crisis resulting in volatility in financial markets, sudden, unprecedented job losses, and disruption in consumer and commercial behavior, resulting in governments in the United States and globally to intervene with varying levels of direct monetary support and fiscal stimulus packages. All industries, municipalities and consumers have been impacted by the health crisis to some degree, including the markets that we serve. In attempts to "flatten the curve," businesses not deemed essential were closed or constrained to capacity limitations, individuals were asked to restrict their movements, observe social distancing and shelter in place. These actions resulted in rapid decreases in commercial and consumer activity, temporary closures of many businesses, leading to a loss of revenues and a rapid increase in unemployment, widening of credit spreads, dislocation of bond markets, disruption of global supply chains and changes in consumer spending behavior. Although most restrictions were lifted and vaccines became widely available during the first half of 2021, during the three months ended June 30, 2021, concern began building regarding the potential impact the new Delta variant of the virus may have on the global economy and the efficacy of available vaccines to protect against widespread infection. As such, there continues to be uncertainty regarding the long term effects on the global economy, which could have a material adverse impact on the Company's business operations, asset valuations, financial condition, and results of operations.

Earnings per share

Basic EPS excludes dilution and is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS includes the dilutive effect of additional potential common shares issuable under the restricted stock units granted but not yet vested and distributable. Diluted EPS is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding for the period, plus an incremental number of common-equivalent shares computed using the treasury stock method.

Unvested share-based payment awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered to participate with common shareholders in undistributed earnings for purposes of computing EPS. Companies that have such participating securities are required to calculate basic and diluted EPS using the two-class method. Certain restricted stock awards granted by the Company include non-forfeitable dividend equivalents and

FB Financial Corporation and subsidiaries

Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

are considered participating securities. Calculations of EPS under the two-class method (i) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (ii) exclude from the denominator the dilutive impact of the participating securities.

The following is a summary of the basic and diluted earnings per common share calculation for each of the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Basic earnings per common share calculation:				
Net income applicable to FB Financial Corporation	\$ 43,294	\$ 22,873	\$ 96,168	\$ 23,618
Dividends paid on and undistributed earnings allocated to participating securities	—	—	—	—
Earnings available to common shareholders	\$ 43,294	\$ 22,873	\$ 96,168	\$ 23,618
Weighted average basic shares outstanding	47,351,969	32,094,274	47,312,312	31,676,004
Basic earnings per common share	\$ 0.91	\$ 0.71	\$ 2.03	\$ 0.75
Diluted earnings per common share:				
Earnings available to common shareholders	\$ 43,294	\$ 22,873	\$ 96,168	\$ 23,618
Weighted average basic shares outstanding	47,351,969	32,094,274	47,312,312	31,676,004
Weighted average diluted shares contingently issuable ⁽¹⁾	641,804	412,143	664,221	433,190
Weighted average diluted shares outstanding	47,993,773	32,506,417	47,976,533	32,109,194
Diluted earnings per common share	\$ 0.90	\$ 0.70	\$ 2.00	\$ 0.74

⁽¹⁾Excludes 164,472 and 250,776 restricted stock units outstanding considered to be antidilutive for the three and six months ended June 30, 2021, respectively and 352,888 for three and six months ended June 30, 2020.

Recently adopted accounting policies:

The Company did not modify or adopt any new accounting policies during the three and six months ended June 30, 2021 that were not disclosed in the Company's 2020 audited consolidated financial statements included on Form 10-K, other than as described below.

As previously disclosed, during the three months March 31, 2021, the Company reevaluated its business segments to align all retail mortgage activities with the Mortgage segment. Previously, the Company assigned retail mortgage activities within the Banking geographical footprint to the Banking segment. See Note 12, "Segment reporting" for additional information on this change.

Recently adopted accounting standards:

Except as set forth below, the Company did not adopt any new accounting standards that were not disclosed in the Company's 2020 audited consolidated financial statements included on Form 10-K.

In January 2021, Financial Accounting Standards Board issued ASU 2021-01, "Reference Rate Reform (Topic 848): Scope". This ASU clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU also amends the expedients and exceptions in Topic 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. The Company early adopted ASU 2021-01 upon issuance effective January 7, 2021. No contract modifications have been made under the new guidance, therefore the adoption of this update did not impact the Company's financial statements or disclosures.

Newly issued not yet effective accounting standards:

The Company has reviewed newly issued not yet effective accounting standards and concluded as of June 30, 2021, there are none that are likely to impact the Company's financial statements or disclosures.

FB Financial Corporation and subsidiaries

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

Note (2)—Mergers and acquisitions:

The following mergers and acquisitions were accounted for pursuant to Accounting Standards Codification 805, "Business Combinations". Accordingly, the purchase price of each acquisition was allocated to the acquired assets and liabilities assumed based on estimated fair values as of the respective acquisition dates. The excess of the purchase price over the net assets acquired was recorded as goodwill.

Franklin Financial Network, Inc. merger

Effective August 15, 2020, the Company completed its previously announced merger with Franklin Financial Network, Inc. and its wholly owned subsidiaries, with FB Financial Corporation continuing as the surviving entity. After consolidating duplicative locations the merger added 10 branches and expanded the Company's footprint in middle Tennessee and the Nashville metropolitan statistical area. Under the terms of the agreement, the Company acquired total assets of \$3.63 billion, loans of \$2.79 billion and assumed total deposits of \$3.12 billion. Total loans acquired includes a non-strategic institutional portfolio with a fair value of \$326,206 the Company classified as held for sale. Franklin common shareholders received 15,058,181 shares of the Company's common stock, net of the equivalent value of 44,311 shares withheld on certain Franklin employee equity awards that vested upon change in control, as consideration in connection with the merger, in addition to \$31,330 in cash consideration. Also included in the purchase price, the Company issued replacement restricted stock units for awards initially granted by Franklin during 2020 that did not vest upon change in control, with a total fair value of \$674 attributed to pre-combination service. Based on the closing price of the Company's common stock on the New York Stock Exchange of \$29.52 on August 15, 2020, the merger consideration represented approximately \$477,830 in aggregate consideration.

Goodwill of \$67,191 recorded in connection with the transaction resulted from the ongoing business contribution, reputation, operating model and expertise of Franklin. The goodwill is not deductible for income tax purposes. Goodwill is included in the Banking segment as substantially all of the operations resulting from the acquisition of Franklin are in alignment with the Company's banking business.

FB Financial Corporation and subsidiaries

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

The following table presents an allocation of the consideration to net assets acquired:

Purchase Price:			
Equity consideration			
Franklin shares outstanding ⁽¹⁾		15,588,337	
Franklin options converted to net shares		62,906	
		<u>15,651,243</u>	
Exchange ratio to FB Financial shares		0.965	
FB Financial shares to be issued as merger consideration ⁽²⁾		15,102,492	
Issuance price as of August 15, 2020	\$	29.52	
Value of FB Financial stock to be issued as merger consideration	\$	445,826	
Less: tax withholding on vested restricted stock awards, units and options ⁽³⁾		(1,308)	
Value of FB Financial stock issued	\$	<u>444,518</u>	
FB Financial shares issued		15,058,181	
Franklin restricted stock units that do not vest on change in control		114,915	
Replacement awards issued to Franklin employees		118,776	
Fair value of replacement awards	\$	3,506	
Fair value of replacement awards attributable to pre-combination service	\$	<u>674</u>	
Cash consideration			
Total Franklin shares and net shares outstanding		15,651,243	
Cash consideration per share	\$	2.00	
Total cash to be paid to Franklin ⁽⁴⁾	\$	<u>31,330</u>	
Total purchase price			\$ 477,830
Fair value of net assets acquired			<u>410,639</u>
Goodwill resulting from merger			\$ 67,191

⁽¹⁾Franklin shares outstanding includes restricted stock awards and restricted stock units that vested upon change in control.

⁽²⁾Only factors in whole share issuance. Cash was paid in lieu of fractional shares.

⁽³⁾Represents the equivalent value of approximately 44,311 shares of FB Financial Corporation stock on August 15, 2020.

⁽⁴⁾Includes \$28 of cash paid in lieu of fractional shares.

FNB Financial Corp. merger

Effective February 14, 2020, the Company completed its previously announced acquisition of FNB Financial Corp. and its wholly owned subsidiary, Farmers National Bank of Scottsville (collectively, "Farmers National"). Following the acquisition, Farmers National was merged into the Company with FB Financial Corporation continuing as the surviving entity. The transaction added four branches and expanded the Company's footprint into Kentucky. Under the terms of the agreement, the Company acquired total assets of \$258,218, loans of \$182,171 and assumed total deposits of \$209,535. Farmers National shareholders received 954,797 shares of the Company's common stock as consideration in connection with the merger, in addition to \$15,001 in cash consideration. Based on the closing price of the Company's common stock on the New York Stock Exchange of \$36.70 on February 14, 2020, the merger consideration represented approximately \$50,042 in aggregate consideration.

Goodwill of \$6,319 recorded in connection with the transaction resulted from the ongoing business contribution of Farmers National and anticipated synergies arising from the combination of certain operational areas of the Company. Goodwill resulting from this transaction is not deductible for income tax purposes. Goodwill is included in the Banking segment as substantially all of the operations resulting from the acquisition of Farmers National are in alignment with the Company's core banking business.

FB Financial Corporation and subsidiaries

Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

The following table presents the total purchase price, fair value of net assets acquired, and the goodwill as of the acquisition date.

Consideration:		
Net shares issued	954,797	
Purchase price per share on February 14, 2020	\$ 36.70	
Value of stock consideration		\$ 35,041
Cash consideration paid		15,001
Total purchase price		\$ 50,042
Fair value of net assets acquired		43,723
Goodwill resulting from merger		\$ 6,319

Net assets acquired

The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the respective acquisition dates:

	As of August 15, 2020	As of February 14, 2020
	Franklin Financial Network, Inc.	FNB Financial Corp.
ASSETS		
Cash and cash equivalents	\$ 284,004	\$ 10,774
Investments	373,462	50,594
Mortgage loans held for sale, at fair value	38,740	—
Commercial loans held for sale, at fair value	326,206	—
Loans held for investment, net of fair value adjustments	2,427,527	182,171
Allowance for credit losses on purchased credit deteriorated loans	(24,831)	(669)
Premises and equipment	45,471	8,049
Operating lease right-of-use assets	23,958	14
Mortgage servicing rights	5,111	—
Core deposit intangible	7,670	2,490
Other assets	124,571	4,795
Total assets	\$ 3,631,889	\$ 258,218
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 505,374	\$ 63,531
Interest-bearing checking	1,783,379	26,451
Money market and savings	342,093	37,002
Customer time deposits	383,433	82,551
Brokered and internet time deposits	107,452	—
Total deposits	3,121,731	209,535
Borrowings	62,435	3,192
Operating lease liabilities	24,330	14
Accrued expenses and other liabilities	12,661	1,754
Total liabilities assumed	3,221,157	214,495
Noncontrolling interests acquired	93	—
Net assets acquired	\$ 410,639	\$ 43,723

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

Purchased credit-deteriorated loans

Under the CECL methodology, the Company is required to determine whether purchased loans held for investment have experienced more-than-insignificant deterioration in credit quality since origination. Loans that have experienced this level of deterioration in credit quality are subject to special accounting at initial recognition and measurement. The Company initially measures the amortized cost of a PCD loan by adding the acquisition date estimate of expected credit losses to the loan's purchase price (i.e. the "gross up" approach). There is no provision for credit loss recognized upon acquisition of a PCD loan because the initial allowance is established through gross-up of the loans' amortized cost.

The Company determined that 27.9% of the Franklin loan portfolio had more-than-insignificant deterioration in credit quality since origination as of the acquisition date. This included deterioration in credit metrics, such as delinquency, nonaccrual status or risk ratings as well as certain loans within designated industries of concern that have been negatively impacted by COVID-19. It was determined that 10.1% of the Farmers National loan portfolio had more-than-insignificant deterioration in credit quality since origination as of the February acquisition date. These were primarily delinquent loans or loans that Farmers National had classified as nonaccrual or troubled debt restructuring prior to the Company's acquisition.

	As of August 15, 2020		As of February 14, 2020	
	Franklin Financial Network, Inc.		FNB Financial Corp.	
Purchased credit-deteriorated loans				
Principal balance	\$	693,999	\$	18,964
Allowance for credit losses at acquisition		(24,831)		(669)
Net premium attributable to other factors		8,810		63
Loans purchased credit-deteriorated fair value	\$	677,978	\$	18,358

Loans recognized through acquisition that have not experienced more-than-insignificant credit deterioration since origination are initially recognized at the purchase price. Expected credit losses are measured under CECL through the provision for credit losses. The Company recorded provisions for credit losses in the amounts of \$52,822 and \$2,885 as of August 15, 2020 and February 14, 2020, respectively, in the income statement related to estimated credit losses on non-PCD loans from Franklin and Farmers National, respectively. Additionally, the Company estimates expected credit losses on off-balance sheet loan commitments that are not accounted for as derivatives. The Company recorded an increase in provision for credit losses from unfunded commitments of \$10,499 as of August 15, 2020 related to the Franklin acquisition.

Pro forma financial information (unaudited)

The results of operations of the acquisitions have been included in the Company's consolidated financial statements prospectively beginning on the date of each acquisition. The acquisitions have been fully integrated with the Company's existing operations. Accordingly, post-acquisition net interest income, total revenues, and net income are not discernible. The following unaudited pro forma condensed consolidated financial information presents the results of operations for the three and six months ended June 30, 2020, as though the Franklin and Farmers National acquisitions had been completed as of January 1, 2019. The unaudited estimated pro forma information combines the historical results of the mergers with the Company's historical consolidated results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the periods presented. Merger expenses are reflected in the period they were incurred. The pro forma information is not indicative of what would have occurred had the transactions taken place on January 1, 2019 and does not include the effect of cost-saving or revenue-enhancing strategies.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020		2020	
Net interest income	\$	84,610	\$	169,352
Total revenues	\$	176,657	\$	310,254
Net income applicable to FB Financial Corporation	\$	32,623	\$	32,149

FB Financial Corporation and subsidiaries

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

Note (3)—Investment securities:

The following tables summarize the amortized cost, allowance for credit losses and fair value of the available-for-sale debt securities and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive income at June 30, 2021 and December 31, 2020:

	June 30, 2021				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses for investments	Fair Value
Investment Securities					
Available-for-sale debt securities					
U.S. government agency securities	\$ 8,255	\$ 1	\$ (1)	\$ —	\$ 8,255
Mortgage-backed securities - residential	1,031,233	9,507	(5,737)	—	1,035,003
Mortgage-backed securities - commercial	14,715	446	—	—	15,161
Municipal securities	314,862	18,088	(67)	—	332,883
U.S. Treasury securities	10,486	48	—	—	10,534
Corporate securities	2,500	42	(6)	—	2,536
Total	\$ 1,382,051	\$ 28,132	\$ (5,811)	\$ —	\$ 1,404,372

	December 31, 2020				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses for investments	Fair Value
Investment Securities					
Available-for-sale debt securities					
U.S. government agency securities	\$ 2,000	\$ 3	\$ —	\$ —	\$ 2,003
Mortgage-backed securities - residential	760,099	14,040	(803)	—	773,336
Mortgage-backed securities - commercial	20,226	1,362	—	—	21,588
Municipal securities	336,543	19,806	(20)	—	356,329
U.S. Treasury securities	16,480	148	—	—	16,628
Corporate securities	2,500	17	(1)	—	2,516
Total	\$ 1,137,848	\$ 35,376	\$ (824)	\$ —	\$ 1,172,400

The components of amortized cost for debt securities on the consolidated balance sheets excludes accrued interest receivable since the Company elected to present accrued interest receivable separately on the consolidated balance sheets. As of June 30, 2021 and December 31, 2020, total accrued interest receivable on debt securities was \$4,630 and \$4,540, respectively.

As of June 30, 2021 and December 31, 2020, the Company had \$4,803 and \$4,591, in marketable equity securities recorded at fair value, respectively.

Securities pledged at June 30, 2021 and December 31, 2020 had carrying amounts of \$998,047 and \$804,821, respectively, and were pledged to secure a Federal Reserve Bank line of credit, public deposits and repurchase agreements.

There were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity during any period presented.

At June 30, 2021 and December 31, 2020, there were no trade date receivables that related to sales settled after period end. At June 30, 2021 and December 31, 2020, there were \$41,722 and \$0 respectively, in trade date payables that related to purchases settled after period end.

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(Dollar amounts are in thousands, except share and per share amounts)

The amortized cost and fair value of debt securities by contractual maturity at June 30, 2021 and December 31, 2020 are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgage underlying the security may be called or repaid without any penalties. Therefore, mortgage-backed securities are not included in the maturity categories in the following maturity summary.

	June 30, 2021		December 31, 2020	
	Available-for-sale		Available-for-sale	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	\$ 18,861	\$ 18,971	\$ 35,486	\$ 35,662
Due in one to five years	21,955	22,387	24,278	24,684
Due in five to ten years	44,248	45,746	40,038	41,332
Due in over ten years	251,039	267,104	257,721	275,798
	336,103	354,208	357,523	377,476
Mortgage-backed securities - residential	1,031,233	1,035,003	760,099	773,336
Mortgage-backed securities - commercial	14,715	15,161	20,226	21,588
Total debt securities	\$ 1,382,051	\$ 1,404,372	\$ 1,137,848	\$ 1,172,400

Sales and other dispositions of available-for-sale securities were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Proceeds from sales	\$ —	\$ —	\$ —	\$ —
Proceeds from maturities, prepayments and calls	86,866	44,703	147,906	72,360
Gross realized gains	8	—	15	—
Gross realized losses	—	—	—	—

Additionally, net unrealized gains on equity securities of \$136 and \$212 were recognized in the three and six months ended June 30, 2021, respectively, and \$28 net loss and \$35 net gain were recognized in the three and six months ended June 30, 2020, respectively.

The following tables show gross unrealized losses for which an allowance for credit losses has not been recorded at June 30, 2021 and December 31, 2020, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	June 30, 2021					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government agency securities	\$ 1,250	\$ (1)	\$ —	\$ —	\$ 1,250	\$ (1)
Mortgage-backed securities - residential	449,834	(5,737)	—	—	449,834	(5,737)
Municipal securities	7,979	(67)	—	—	7,979	(67)
Corporate securities	494	(6)	—	—	494	(6)
Total	\$ 459,557	\$ (5,811)	\$ —	\$ —	\$ 459,557	\$ (5,811)

	December 31, 2020					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized loss
Mortgage-backed securities - residential	\$ 182,012	\$ (803)	\$ —	\$ —	\$ 182,012	\$ (803)
Municipal securities	3,184	(20)	—	—	3,184	(20)
Corporate Securities	499	(1)	—	—	499	(1)
Total	\$ 185,695	\$ (824)	\$ —	\$ —	\$ 185,695	\$ (824)

As of June 30, 2021 and December 31, 2020, the Company's securities portfolio consisted of 508 and 514 securities, 32 and 16 of which were in an unrealized loss position, respectively.

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As of June 30, 2021 and 2020, the Company evaluated available-for-sale debt securities with unrealized losses for expected credit loss and recorded no allowance for credit loss as the majority of the investment portfolio was either government guaranteed or an issuance of a government sponsored entity, was highly rated by major credit rating agencies and have a long history of zero losses. As such, no provision for credit losses was recorded during the three and six months ended June 30, 2021 and 2020.

Note (4)—Loans and allowance for credit losses:

Loans outstanding at June 30, 2021 and December 31, 2020, by class of financing receivable are as follows:

	June 30, 2021	December 31, 2020
Commercial and industrial ⁽¹⁾	\$ 1,238,940	\$ 1,346,122
Construction	1,145,165	1,222,220
Residential real estate:		
1-to-4 family mortgage	1,126,623	1,089,270
Residential line of credit	401,343	408,211
Multi-family mortgage	363,600	175,676
Commercial real estate:		
Owner occupied	923,605	924,841
Non-owner occupied	1,675,214	1,598,979
Consumer and other	324,464	317,640
Gross loans	7,198,954	7,082,959
Less: Allowance for credit losses	(144,663)	(170,389)
Net loans	\$ 7,054,291	\$ 6,912,570

⁽¹⁾Includes \$57,406 and \$212,645 of loans originated as part of the Paycheck Protection Program as of June 30, 2021 and December 31, 2020, respectively. PPP loans are federally guaranteed as part of the CARES Act, provided PPP loan recipients receive loan forgiveness under the SBA regulations. As such, there is minimal credit risk associated with these loans.

As of June 30, 2021 and December 31, 2020, \$1,256,344 and \$1,248,857, respectively, of qualifying residential mortgage loans (including loans held for sale) \$1,542,531 and \$1,532,749, respectively, of qualifying commercial mortgage loans were pledged to the Federal Home Loan Bank of Cincinnati securing advances against the Bank's line of credit. Additionally, as of June 30, 2021 and December 31, 2020, \$2,290,661 and \$2,463,281, respectively, of qualifying loans were pledged to the Federal Reserve Bank under the Borrower-in-Custody program.

The components of amortized cost for loans on the consolidated balance sheet excludes accrued interest receivable as the Company elected to present accrued interest receivable separately on the balance sheet. As of June 30, 2021 and December 31, 2020, total accrued interest receivable on loans held for investment was \$35,892 and \$38,316, respectively.

Allowance for Credit Losses

The Company estimated the allowance for credit losses under a current expected credit loss model as of June 30, 2021 and December 31, 2020. The Company utilizes probability-weighted forecasts, which consider multiple macroeconomic variables from a third-party vendor that are applicable to the type of loan. Each of the Company's loss rate models incorporate forward-looking macroeconomic projections throughout the reasonable and supportable forecast period and the subsequent historical reversion at the macroeconomic variable input level. In order to estimate the life of a loan, the contractual term of the loan is adjusted for estimated prepayments based on market information and the Company's prepayment history.

The Company's loss rate models estimate the lifetime loss rate for pools of loans by combining the calculated loss rate based on each variable within the model (including the macroeconomic variables). The lifetime loss rate for the pool is then multiplied by the loan balances to determine the expected credit losses on the pool.

The Company considers the need to qualitatively adjust its modeled quantitative expected credit loss estimate for information not already captured in the model loss estimation process. These qualitative factor adjustments may increase or decrease the Company's estimate of expected credit losses. The Company reviews the qualitative adjustments so as to validate that information that has already been considered and included in the modeled quantitative loss estimation process is not also included in the qualitative adjustment. The Company considers the qualitative factors that are relevant to the institution as of the reporting date, which may include, but are not limited to: levels of and trends in delinquencies

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(Dollar amounts are in thousands, except share and per share amounts)

and performance of loans; levels of and trends in write-offs and recoveries collected; trends in volume and terms of loans; effects of any changes in reasonable and supportable economic forecasts; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and expertise; available relevant information sources that contradict the Company's own forecast; effects of changes in prepayment expectations or other factors affecting assessments of loan contractual terms; industry conditions; and effects of changes in credit concentrations.

The quantitative models require loan data and macroeconomic variables based on the inherent credit risks in each portfolio to more accurately measure the credit risks associated with each. Each of the quantitative models pools loans with similar risk characteristics and collectively assesses the lifetime loss rate for each pool to estimate its expected credit loss.

When a loan no longer shares similar risk characteristics with other loans in any given pool, the loan is individually assessed. The Company has determined the following circumstances in which a loan may require an individual evaluation: collateral dependent loans; loans for which foreclosure is probable; TDRs and reasonably expected TDRs. A loan is deemed collateral dependent when 1) the borrower is experiencing financial difficulty and 2) the repayment is expected to be primarily through sale or operation of the collateral. The allowance for credit losses for collateral dependent loans as well as loans where foreclosure is probable is calculated as the amount for which the loan's amortized cost basis exceeds fair value. Fair value is determined based on appraisals performed by qualified appraisers and reviewed by qualified personnel. In cases where repayment is to be provided substantially through the sale of collateral, the Company reduces the fair value by the estimated costs to sell. Loans experiencing financial difficulty for which a concession has not yet been provided may be identified as reasonably expected TDRs.

Reasonably expected TDRs use the same methodology as TDRs. In cases where the expected credit loss can only be captured through a discounted cash flow analysis (such as an interest rate modification for a TDR loan), the allowance is measured by the amount which the loan's amortized cost exceeds the discounted cash flow analysis. The allowance for credit losses on a TDR or a reasonably expected TDR is calculated individually using a discounted cash flow methodology, unless the loan is deemed to be collateral dependent or foreclosure is probable.

The Company performed qualitative evaluations within the Company's established qualitative framework, weighting the impact of the current economic outlook, status of federal government stimulus programs, and other considerations, in order to identify specific industries or borrowers seeing credit improvement or deterioration specific to the COVID-19 pandemic. The decrease in estimated required reserve during the three and six months ended June 30, 2021 was a result of improving macroeconomic variables incorporated into the Company's reasonable and supportable forecasts when compared to both March 31, 2021 and December 31, 2020.

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The following provide the changes in the allowance for credit losses by class of financing receivable for the three and six months ended June 30, 2021 and 2020:

	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total
Three Months Ended June 30, 2021									
Beginning balance - March 31, 2021	\$ 14,643	\$ 38,622	\$ 19,572	\$ 9,268	\$ 11,657	\$ 3,609	\$ 50,179	\$ 10,404	\$ 157,954
Provision for credit losses	(579)	(5,784)	75	(2,558)	1,818	972	(7,323)	494	(12,885)
Recoveries of loans previously charged-off	87	—	41	9	—	126	—	190	453
Loans charged off	(360)	—	(16)	(3)	—	—	—	(480)	(859)
Ending balance - June 30, 2021	\$ 13,791	\$ 32,838	\$ 19,672	\$ 6,716	\$ 13,475	\$ 4,707	\$ 42,856	\$ 10,608	\$ 144,663
Six Months Ended June 30, 2021									
Beginning balance - December 31, 2020	\$ 14,748	\$ 58,477	\$ 19,220	\$ 10,534	\$ 7,174	\$ 4,849	\$ 44,147	\$ 11,240	\$ 170,389
Provision for credit losses	(536)	(25,610)	536	(3,815)	6,301	(281)	(1,291)	179	(24,517)
Recoveries of loans previously charged-off	216	—	65	15	—	139	—	385	820
Loans charged off	(637)	(29)	(149)	(18)	—	—	—	(1,196)	(2,029)
Ending balance - June 30, 2021	\$ 13,791	\$ 32,838	\$ 19,672	\$ 6,716	\$ 13,475	\$ 4,707	\$ 42,856	\$ 10,608	\$ 144,663

	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total
Three Months Ended June 30, 2020									
Beginning balance - March 31, 2020	\$ 10,881	\$ 22,842	\$ 13,006	\$ 6,213	\$ 2,328	\$ 9,047	\$ 18,005	\$ 6,819	\$ 89,141
Provision for loan losses	(2,663)	12,624	(446)	595	2,171	(1,630)	12,984	404	24,039
Recoveries of loans previously charged-off	807	151	26	24	—	3	—	103	1,114
Loans charged off	(147)	(18)	(123)	(21)	—	—	(545)	(311)	(1,165)
Ending balance - June 30, 2020	\$ 8,878	\$ 35,599	\$ 12,463	\$ 6,811	\$ 4,499	\$ 7,420	\$ 30,444	\$ 7,015	\$ 113,129
Six Months Ended June 30, 2020									
Beginning balance - December 31, 2019	\$ 4,805	\$ 10,194	\$ 3,112	\$ 752	\$ 544	\$ 4,109	\$ 4,621	\$ 3,002	\$ 31,139
Impact of adopting ASC 326 on non-purchased credit deteriorated loans	5,300	1,533	7,920	3,461	340	1,879	6,822	3,633	30,888
Impact of adopted ASC 326 on purchased credit deteriorated loans	82	150	421	(3)	—	162	184	(438)	558
Provision for loan losses	(834)	23,578	1,218	2,580	3,615	1,408	18,919	1,519	52,003
Recoveries of loans previously charged-off	895	151	50	39	—	17	—	296	1,448
Loans charged off	(1,381)	(18)	(365)	(21)	—	(209)	(545)	(1,037)	(3,576)
Initial allowance on loans purchased with deteriorated credit quality	11	11	107	3	—	54	443	40	669
Ending balance - June 30, 2020	\$ 8,878	\$ 35,599	\$ 12,463	\$ 6,811	\$ 4,499	\$ 7,420	\$ 30,444	\$ 7,015	\$ 113,129

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(Dollar amounts are in thousands, except share and per share amounts)

The following tables provide the amount of the allowance for credit losses by class of financing receivable disaggregated by measurement methodology as of June 30, 2021 and December 31, 2020:

	June 30, 2021									
	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total	
Amount of allowance allocated to:										
Individually evaluated for credit loss	\$ 105	\$ 131	\$ —	\$ 8	\$ —	\$ 23	\$ 676	\$ —	\$ 943	
Collectively evaluated for credit loss	13,073	31,151	18,063	6,467	12,976	4,015	29,020	9,985	124,750	
Purchased credit deteriorated	613	1,556	1,609	241	499	669	13,160	623	18,970	
Ending balance - June 30, 2021	\$ 13,791	\$ 32,838	\$ 19,672	\$ 6,716	\$ 13,475	\$ 4,707	\$ 42,856	\$ 10,608	\$ 144,663	

	December 31, 2020									
	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total	
Amount of allowance allocated to:										
Individually evaluated for credit loss	\$ 373	\$ 95	\$ —	\$ 9	\$ —	\$ 30	\$ 1,531	\$ 1	\$ 2,039	
Collectively evaluated for credit loss	13,493	54,065	17,206	10,031	6,326	4,062	33,706	10,516	149,405	
Purchased credit deteriorated	882	4,317	2,014	494	848	757	8,910	723	18,945	
Ending balance - December 31, 2020	\$ 14,748	\$ 58,477	\$ 19,220	\$ 10,534	\$ 7,174	\$ 4,849	\$ 44,147	\$ 11,240	\$ 170,389	

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(Dollar amounts are in thousands, except share and per share amounts)

The following tables provide the amount of loans by class of financing receivable disaggregated by measurement methodology as of June 30, 2021, and December 31, 2020:

	June 30, 2021									
	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total	
Loans, net of unearned income										
Individually evaluated for credit loss	\$ 15,159	\$ 5,993	\$ 894	\$ 412	\$ —	\$ 9,135	\$ 7,207	\$ 26	\$	\$ 38,826
Collectively evaluated for credit loss	1,176,960	1,097,065	1,038,746	384,698	354,021	822,532	1,368,161	311,481		6,553,664
Purchased credit deteriorated	46,821	42,107	86,983	16,233	9,579	91,938	299,846	12,957		606,464
Ending balance - June 30, 2021	\$ 1,238,940	\$ 1,145,165	\$ 1,126,623	\$ 401,343	\$ 363,600	\$ 923,605	\$ 1,675,214	\$ 324,464	\$	\$ 7,198,954

	December 31, 2020									
	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total	
Loans, net of unearned income										
Individually evaluated for credit loss	\$ 15,578	\$ 4,851	\$ 848	\$ 412	\$ —	\$ 7,846	\$ 8,631	\$ 39	\$	\$ 38,205
Collectively evaluated for credit loss	1,270,058	1,140,634	987,142	387,250	156,447	813,151	1,272,203	302,983		6,329,868
Purchased credit deteriorated	60,486	76,735	101,280	20,549	19,229	103,844	318,145	14,618		714,886
Ending balance - December 31, 2020	\$ 1,346,122	\$ 1,222,220	\$ 1,089,270	\$ 408,211	\$ 175,676	\$ 924,841	\$ 1,598,979	\$ 317,640	\$	\$ 7,082,959

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Credit Quality

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans that share similar risk characteristics collectively. Loans that do not share similar risk characteristics are evaluated individually.

The Company uses the following definitions for risk ratings:

- Pass.** Loans rated Pass include those that are adequately collateralized performing loans which management believes do not have conditions that have occurred or may occur that would result in the loan being downgraded into an inferior category. The Pass category also includes loans rated as Watch, which include those that management believes have conditions that have occurred, or may occur, which could result in the loan being downgraded to an inferior category.
- Special Mention.** Loans rated Special Mention are those that have potential weakness that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date. Management does not believe there will be a loss of principal or interest. These loans require intensive servicing and may possess more than normal credit risk.
- Classified.** Loans included in the Classified category include loans rated as Substandard and Doubtful. Loans rated as Substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Also included in this category are loans classified as Doubtful, which have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weakness or weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable. The total amortized cost of loans rated as Doubtful were insignificant for all periods presented.

Risk ratings are updated on an ongoing basis and are subject to change by continuous loan monitoring processes.

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The following tables present the credit quality of our loan portfolio by year of origination as of June 30, 2021 and December 31, 2020. Revolving loans are presented separately. Management considers the guidance in ASC 310-20 when determining whether a modification, extension, or renewal constitutes a current period origination. Generally, current period renewals of credit are reunderwritten at the point of renewal and considered current period originations for the purposes of the tables below.

As of June 30, 2021								
Term Loans								
Amortized Cost Basis by Origination Year								
	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial and industrial								
Pass	\$ 93,229	\$ 160,243	\$ 162,002	\$ 63,799	\$ 48,206	\$ 66,856	\$ 584,470	\$ 1,178,805
Special Mention	27	278	423	20	468	3,118	15,920	20,254
Classified	660	2,706	2,674	10,426	3,728	6,914	12,773	39,881
Total	93,916	163,227	165,099	74,245	52,402	76,888	613,163	1,238,940
Construction								
Pass	261,384	393,404	205,133	48,972	29,372	84,769	110,748	1,133,782
Special Mention	—	160	—	—	1,209	734	—	2,103
Classified	—	32	2,199	3,967	124	2,757	201	9,280
Total	261,384	393,596	207,332	52,939	30,705	88,260	110,949	1,145,165
Residential real estate:								
1-to-4 family mortgage								
Pass	203,719	241,270	152,228	126,627	130,028	246,202	—	1,100,074
Special Mention	44	1,145	1,201	606	328	2,752	—	6,076
Classified	—	339	1,807	3,374	5,237	9,716	—	20,473
Total	203,763	242,754	155,236	130,607	135,593	258,670	—	1,126,623
Residential line of credit								
Pass	—	—	—	—	—	—	396,297	396,297
Special Mention	—	—	—	—	—	—	344	344
Classified	—	—	—	—	—	—	4,702	4,702
Total	—	—	—	—	—	—	401,343	401,343
Multi-family mortgage								
Pass	143,092	31,127	74,713	7,370	39,365	57,426	10,454	363,547
Special Mention	—	—	—	—	—	—	—	—
Classified	—	—	—	—	—	53	—	53
Total	143,092	31,127	74,713	7,370	39,365	57,479	10,454	363,600
Commercial real estate:								
Owner occupied								
Pass	64,153	138,004	187,870	89,391	90,172	256,949	58,761	885,300
Special Mention	—	—	1,335	3,649	1,464	5,749	288	12,485
Classified	—	—	3,123	2,634	4,157	14,146	1,760	25,820
Total	64,153	138,004	192,328	95,674	95,793	276,844	60,809	923,605
Non-owner occupied								
Pass	226,622	162,080	166,597	300,073	202,577	505,746	54,947	1,618,642
Special Mention	—	—	—	3,500	—	8,278	—	11,778
Classified	—	—	4,136	24,616	1,542	14,455	45	44,794
Total	226,622	162,080	170,733	328,189	204,119	528,479	54,992	1,675,214

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As of June 30, 2021

	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year							
	2021	2020	2019	2018	2017	Prior		
Consumer and other loans								
Pass	56,647	65,973	44,844	36,124	23,731	76,402	14,476	318,197
Special Mention	75	—	14	—	1	522	—	612
Classified	38	144	222	1,023	926	2,865	437	5,655
Total	56,760	66,117	45,080	37,147	24,658	79,789	14,913	324,464
Total Loans								
Pass	1,048,846	1,192,101	993,387	672,356	563,451	1,294,350	1,230,153	6,994,644
Special Mention	146	1,583	2,973	7,775	3,470	21,153	16,552	53,652
Classified	698	3,221	14,161	46,040	15,714	50,906	19,918	150,658
Total	\$ 1,049,690	\$ 1,196,905	\$ 1,010,521	\$ 726,171	\$ 582,635	\$ 1,366,409	\$ 1,266,623	\$ 7,198,954

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As of December 31, 2020

	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year							
	2020	2019	2018	2017	2016	Prior		
Commercial and industrial								
Pass	\$ 339,074	\$ 185,636	\$ 70,549	\$ 59,917	\$ 37,573	\$ 42,685	\$ 540,960	\$ 1,276,394
Special Mention	231	824	561	445	915	2,580	24,826	30,382
Classified	2,501	2,688	11,227	4,425	6,582	1,277	10,646	39,346
Total	341,806	189,148	82,337	64,787	45,070	46,542	576,432	1,346,122
Construction								
Pass	461,715	390,443	86,490	52,942	40,907	62,890	112,004	1,207,391
Special Mention	469	1,485	2,197	1,221	729	13	—	6,114
Classified	573	1,755	3,178	141	—	3,068	—	8,715
Total	462,757	393,683	91,865	54,304	41,636	65,971	112,004	1,222,220
Residential real estate:								
1-to-4 family mortgage								
Pass	283,107	176,711	164,499	157,731	111,194	162,051	—	1,055,293
Special Mention	1,423	1,829	1,209	753	721	3,865	—	9,800
Classified	448	1,428	3,806	5,473	3,622	9,400	—	24,177
Total	284,978	179,968	169,514	163,957	115,537	175,316	—	1,089,270
Residential line of credit								
Pass	—	—	—	—	—	—	400,206	400,206
Special Mention	—	—	—	—	—	—	2,653	2,653
Classified	—	—	—	—	—	—	5,352	5,352
Total	—	—	—	—	—	—	408,211	408,211
Multi-family mortgage								
Pass	29,006	13,446	11,843	46,561	28,330	35,339	11,094	175,619
Special Mention	—	—	—	—	—	—	—	—
Classified	—	—	—	—	—	57	—	57
Total	29,006	13,446	11,843	46,561	28,330	35,396	11,094	175,676
Commercial real estate:								
Owner occupied								
Pass	140,904	179,500	97,577	94,659	76,539	224,108	53,451	866,738
Special Mention	967	1,356	4,251	16,173	6,101	2,466	230	31,544
Classified	44	1,785	2,423	6,074	274	11,226	4,733	26,559
Total	141,915	182,641	104,251	116,906	82,914	237,800	58,414	924,841
Non-owner occupied								
Pass	166,962	229,442	342,640	221,149	290,163	272,184	38,820	1,561,360
Special Mention	—	1,500	6,672	—	207	8,445	—	16,824
Classified	—	2,210	1,502	—	—	17,083	—	20,795
Total	166,962	233,152	350,814	221,149	290,370	297,712	38,820	1,598,979
Consumer and other loans								
Pass	89,625	52,839	39,725	27,201	43,503	37,673	14,817	305,383
Special Mention	281	797	1,588	468	526	1,364	11	5,035
Classified	151	565	1,434	1,161	935	2,308	668	7,222
Total	90,057	54,201	42,747	28,830	44,964	41,345	15,496	317,640

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As of December 31, 2020

	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year							
	2020	2019	2018	2017	2016	Prior		
Total Loans								
Pass	1,510,393	1,228,017	813,323	660,160	628,209	836,930	1,171,352	6,848,384
Special Mention	3,371	7,791	16,478	19,060	9,199	18,733	27,720	102,352
Classified	3,717	10,431	23,570	17,274	11,413	44,419	21,399	132,223
Total	\$ 1,517,481	\$ 1,246,239	\$ 853,371	\$ 696,494	\$ 648,821	\$ 900,082	\$ 1,220,471	\$ 7,082,959

Nonaccrual and Past Due Loans

Nonperforming loans include loans that are no longer accruing interest (nonaccrual loans) and loans past due ninety or more days and still accruing interest.

The following tables represent an analysis of the aging by class of financing receivable as of June 30, 2021 and December 31, 2020:

	30-89 days past due	90 days or more and accruing interest	Non-accrual loans	Loans current on payments and accruing interest	Total
June 30, 2021					
Commercial and industrial	\$ 757	\$ 104	\$ 15,538	\$ 1,222,541	\$ 1,238,940
Construction	1,023	487	5,303	1,138,352	1,145,165
Residential real estate:					
1-to-4 family mortgage	3,753	8,002	5,094	1,109,774	1,126,623
Residential line of credit	716	48	1,189	399,390	401,343
Multi-family mortgage	—	—	53	363,547	363,600
Commercial real estate:					
Owner occupied	1,100	—	8,074	914,431	923,605
Non-owner occupied	737	—	12,016	1,662,461	1,675,214
Consumer and other	2,660	457	3,162	318,185	324,464
Total	\$ 10,746	\$ 9,098	\$ 50,429	\$ 7,128,681	\$ 7,198,954

	30-89 days past due	90 days or more and accruing interest	Non-accrual loans	Loans current on payments and accruing interest	Total
December 31, 2020					
Commercial and industrial	\$ 3,297	\$ 330	\$ 16,005	\$ 1,326,490	\$ 1,346,122
Construction	7,607	573	4,053	1,209,987	1,222,220
Residential real estate:					
1-to-4 family mortgage	7,058	10,470	5,923	1,065,819	1,089,270
Residential line of credit	3,551	239	1,757	402,664	408,211
Multi-family mortgage	—	57	—	175,619	175,676
Commercial real estate:					
Owner occupied	98	—	7,948	916,795	924,841
Non-owner occupied	915	—	12,471	1,585,593	1,598,979
Consumer and other	4,469	2,027	2,603	308,541	317,640
Total	\$ 26,995	\$ 13,696	\$ 50,760	\$ 6,991,508	\$ 7,082,959

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(Dollar amounts are in thousands, except share and per share amounts)

The following tables provide the amortized cost basis of loans on non-accrual status, as well as any related allowance as of June 30, 2021 and December 31, 2020 by class of financing receivable.

	Non-accrual with no related allowance		Non-accrual with related allowance		Related allowance
June 30, 2021					
Commercial and industrial	\$	14,401	\$	1,137	\$ 119
Construction		4,254		1,049	151
Residential real estate:					
1-to-4 family mortgage		1,493		3,601	91
Residential line of credit		830		359	8
Multi-family mortgage		—		53	8
Commercial real estate:					
Owner occupied		7,412		662	43
Non-owner occupied		6,418		5,598	736
Consumer and other		—		3,162	162
Total	\$	34,808	\$	15,621	\$ 1,318

	Non-accrual with no related allowance		Non-accrual with related allowance		Related allowance
December 31, 2020					
Commercial and industrial	\$	13,960	\$	2,045	\$ 383
Construction		3,061		992	131
Residential real estate:					
1-to-4 family mortgage		3,048		2,875	84
Residential line of credit		854		903	31
Multi-family mortgage		—		—	—
Commercial real estate:					
Owner occupied		7,172		776	63
Non-owner occupied		4,566		7,905	1,711
Consumer and other		—		2,603	147
Total	\$	32,661	\$	18,099	\$ 2,550

The following presents interest income recognized on nonaccrual loans during the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Commercial and industrial	\$	219	\$	17	\$	333	\$	169
Construction		16		6		30		33
Residential real estate:								
1-to-4 family mortgage		67		6		85		13
Residential line of credit		27		—		45		1
Multi-family mortgage		1		—		2		—
Commercial real estate:								
Owner occupied		101		43		232		64
Non-owner occupied		141		109		230		128
Consumer and other		55		24		55		24
Total	\$	627	\$	205	\$	1,012	\$	432

Accrued interest receivable written off as an adjustment to interest income amounted to \$132 and \$162 for the three months ended June 30, 2021 and 2020, respectively, and \$597 and \$282 for the six months ended June 30, 2021 and 2020, respectively.

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Troubled debt restructurings

As of June 30, 2021 and December 31, 2020, the Company had a recorded investment in TDRs of \$42,678 and \$15,988, respectively. The modifications included extensions of the maturity date and/or a stated rate of interest to one lower than the current market rate to borrowers experiencing financial difficulty. Of these loans, \$23,608 and \$8,279 were classified as non-accrual loans as of June 30, 2021 and December 31, 2020, respectively. The Company has calculated \$1,285 and \$310 in allowances for credit losses on TDRs as of June 30, 2021 and December 31, 2020, respectively. Unfunded loan commitments related to these loans totaled \$6,153 as of June 30, 2021. There were no commitments to extend any additional funds on troubled debt restructurings as of December 31, 2020.

The following tables present the financial effect of TDRs recorded during the periods indicated.

Three Months Ended June 30, 2021	Number of loans	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Charge offs and specific reserves
Commercial and industrial	4	\$ 13,055	\$ 13,055	\$ —
Commercial real estate:				
Owner occupied	4	3,550	3,550	—
Residential real estate:				
1-to-4 family mortgage	2	811	811	—
Residential line of credit	1	11	11	—
Total	11	\$ 17,427	\$ 17,427	\$ —

Six Months Ended June 30, 2021	Number of loans	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Charge offs and specific reserves
Commercial and industrial	5	\$ 13,162	\$ 13,162	\$ —
Commercial real estate:				
Owner occupied	4	3,550	3,550	—
Non-owner occupied	1	11,997	11,997	—
Residential real estate:				
1-to-4 family mortgage	2	811	811	—
Residential line of credit	1	11	11	—
Total	13	\$ 29,531	\$ 29,531	\$ —

Three Months Ended June 30, 2020	Number of loans	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Charge offs and specific reserves
Commercial and industrial	1	\$ 1,153	\$ 1,153	\$ —
Commercial real estate:				
Owner occupied	1	788	788	—
Residential real estate:				
1-to-4 family mortgage	1	13	13	—
Total	3	\$ 1,954	\$ 1,954	\$ —

Six Months Ended June 30, 2020	Number of loans	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Charge offs and specific reserves
Commercial and industrial	1	\$ 1,153	\$ 1,153	\$ —
Commercial real estate:				
Owner occupied	1	788	788	—
Residential real estate:				
1-4 family mortgage	2	77	77	—
Total	4	\$ 2,018	\$ 2,018	\$ —

There were no loans modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the three and six months ended June 30, 2021 and 2020. A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

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In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy. The terms of certain other loans were modified during the three and six months ended June 30, 2021 and 2020 that did not meet the definition of a TDR. The modification of these loans usually involve either a modification of the terms of a loan to borrowers who are not experiencing financial difficulties or an insignificant delay in payments.

Collateral Dependent Loans

For loans for which the repayment (based on the Company's assessment) is expected to be provided substantially through the operation or sale of collateral and the borrower is experiencing financial difficulty, the following table presents the loans and the corresponding individually assessed allowance for credit losses by class of financing receivable. Significant changes in individually assessed reserves are due to changes in the valuation of the underlying collateral in addition to changes in accrual and past due status.

	June 30, 2021		
	Type of Collateral		Individually assessed allowance for credit loss
	Real Estate	Financial Assets and Equipment	
Commercial and industrial	\$ 696	\$ 14,524	\$ 1
Construction	5,993	—	131
Residential real estate:			
1-to-4 family mortgage	1,615	—	—
Residential line of credit	1,241	—	8
Commercial real estate:			
Owner occupied	10,045	—	23
Non-owner occupied	11,624	—	676
Total	\$ 31,214	\$ 14,524	\$ 839

	December 31, 2020		
	Type of Collateral		Individually assessed allowance for credit loss
	Real Estate	Financial Assets and Equipment	
Commercial and industrial	\$ —	\$ 1,728	\$ 117
Construction	3,877	—	—
Residential real estate:			
1-to-4 family mortgage	226	—	—
Residential line of credit	1,174	—	9
Commercial real estate:			
Owner occupied	3,391	—	30
Non-owner occupied	8,164	—	1,531
Total	\$ 16,832	\$ 1,728	\$ 1,687

Deferrals Program included in COVID-19 Relief

The following table outlines the Company's recorded investment and percentage of loans held for investment by class of financing receivable for executed deferrals remaining on deferral status as of June 30, 2021 or December 31, 2020, in connection with Company's COVID-19 relief programs. These deferrals typically ranged from sixty to ninety days per deferral and the majority were not considered TDRs under the interagency regulatory guidance or CARES Act, issued in March 2020. Section 541 of the Consolidated Appropriations Act (CAA) extended this relief to the earlier of January 1, 2022 or 60 days after the national emergency termination date. As of June 30, 2021 and December 31, 2020, the Company had a recorded investment in loans totaling \$1,355,475 and \$1,399,088 previously deferred that were no longer in deferral status.

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	June 30, 2021		December 31, 2020	
		% of Loans		% of Loans
Commercial and industrial	\$ 13	— %	\$ 7,118	0.5 %
Construction	—	— %	1,918	0.2 %
Residential real estate:				
1-to-4 family mortgage	3,194	0.3 %	19,201	1.8 %
Residential line of credit	—	— %	204	— %
Multi-family mortgage	—	— %	3,305	1.9 %
Commercial real estate:				
Owner occupied	871	0.1 %	19,815	2.1 %
Non-owner occupied	69,587	4.2 %	139,590	8.7 %
Consumer and other	217	0.1 %	11,366	3.6 %
Total	\$ 73,882	1.0 %	\$ 202,517	2.9 %

Note (5)—Other real estate owned

The amount reported as other real estate owned includes property acquired through foreclosure in addition to excess facilities held for sale and is carried at fair value less estimated cost to sell the property. The following table summarizes the other real estate owned for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Balance at beginning of period	\$ 11,177	\$ 17,072	\$ 12,111	\$ 18,939
Transfers from loans	3,201	641	4,596	1,006
Transfers to premises and equipment	—	—	—	(841)
Proceeds from sale of other real estate owned	(2,166)	(2,708)	(4,661)	(4,150)
Gain on sale of other real estate owned	272	170	1,100	345
Loans provided for sales of other real estate owned	(203)	—	(533)	—
Write-downs and partial liquidations	(295)	(84)	(627)	(208)
Balance at end of period	\$ 11,986	\$ 15,091	\$ 11,986	\$ 15,091

Foreclosed residential real estate properties totaled \$774 and \$1,890 as of June 30, 2021 and December 31, 2020, respectively. The recorded investment in residential mortgage loans secured by residential real estate properties for which foreclosure proceedings are in process totaled \$31 and \$167 at June 30, 2021 and December 31, 2020, respectively.

Excess land and facilities held for sale resulting from branch consolidations totaled \$5,498 and \$5,703 as of June 30, 2021 and December 31, 2020, respectively.

Note (6)—Leases:

As of June 30, 2021, the Company was the lessee in 58 operating leases and 1 finance lease of certain branch, mortgage and operations locations, of which 44 operating leases and 1 finance lease currently have remaining terms varying from greater than one year to 34 years. Leases with initial terms of less than one year are not recorded on the consolidated balance sheets. The Company also does not include equipment leases and leases in which the Company is the lessor on the consolidated balance sheets as these are insignificant.

Many leases include one or more options to renew, with renewal terms that can extend the lease up to an additional 20 years or more. Certain lease agreements contain provisions to periodically adjust rental payments for inflation. Renewal options that management is reasonably certain to renew and fixed rent escalations are included in the right-of-use asset and lease liability.

During the year ended December 31, 2020, the Company entered into a lease for a new corporate headquarters building located in downtown Nashville. The building is currently under construction and anticipated to be completed in late 2022.

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Upon commencement, the Company estimates recording a ROU asset and operating lease liability of approximately \$29,000 and \$30,000, respectively, in connection with this lease.

Information related to the Company's leases is presented below as of June 30, 2021 and December 31, 2020:

Classification	June 30,		December 31,	
	2021		2020	
Right-of-use assets:				
Operating leases	Operating lease right-of-use assets	\$ 45,423	\$	49,537
Finance leases	Premises and equipment, net	1,533		1,588
Total right-of-use assets		\$ 46,956	\$	51,125
Lease liabilities:				
Operating leases	Operating lease liabilities	\$ 50,396	\$	55,187
Finance leases	Borrowings	1,555		1,598
Total lease liabilities		\$ 51,951	\$	56,785
Weighted average remaining lease term (in years) - operating				
		12.3		12.2
Weighted average remaining lease term (in years) - finance				
		13.9		14.4
Weighted average discount rate - operating				
		2.72 %		2.65 %
Weighted average discount rate - finance				
		1.76 %		1.76 %

The components of total lease expense included in the consolidated statements of income were as follows:

Classification	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2021	2020	2021	2020	
Operating lease costs:					
Amortization of right-of-use asset	Occupancy and equipment	\$ 2,171	\$ 1,389	\$ 4,110	\$ 2,678
Short-term lease cost	Occupancy and equipment	102	30	189	166
Variable lease cost	Occupancy and equipment	241	160	476	298
Gain on lease modifications and terminations	Occupancy and equipment	(787)	—	(787)	—
Finance lease costs:					
Interest on lease liabilities	Interest expense on borrowings	8	—	14	—
Amortization of right-of-use asset	Occupancy and equipment	27	—	55	—
Total lease cost		\$ 1,762	\$ 1,579	\$ 4,057	\$ 3,142

During the three and six months ended June 30, 2021, the Company recorded a \$787 gain on lease modifications and terminations on certain vacated locations that were consolidated as a result of acquisitions.

The Company does not separate lease and non-lease components and instead elects to account for them as a single lease component. Variable lease cost primarily represents variable payments such as common area maintenance, utilities, and property taxes.

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A maturity analysis of operating and finance lease liabilities and a reconciliation of undiscounted cash flows to the total lease liability as of June 30, 2021 is as follows:

	Operating Leases	Finance Lease
Lease payments due:		
June 30, 2022	\$ 7,734	\$ 115
June 30, 2023	6,759	117
June 30, 2024	5,696	119
June 30, 2025	5,002	121
June 30, 2026	4,675	122
Thereafter	30,976	1,164
Total undiscounted future minimum lease payments	60,842	1,758
Less: imputed interest	(10,446)	(203)
Lease liability	\$ 50,396	\$ 1,555

Note (7)—Mortgage servicing rights:

Changes in the Company's mortgage servicing rights were as follows for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Carrying value at beginning of period	\$ 104,192	\$ 62,581	\$ 79,997	\$ 75,521
Capitalization	10,573	12,267	22,167	20,063
Change in fair value:				
Due to pay-offs/pay-downs	(7,865)	(7,277)	(17,186)	(11,920)
Due to change in valuation inputs or assumptions	(5,285)	(7,063)	16,637	(23,156)
Carrying value at end of period	\$ 101,615	\$ 60,508	\$ 101,615	\$ 60,508

The following table summarizes servicing income and expense, which are included in 'Mortgage banking income' and 'Other noninterest expense', respectively, within the Mortgage segment operating results for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Servicing income:				
Servicing income	\$ 6,788	\$ 5,113	\$ 13,719	\$ 10,131
Change in fair value of mortgage servicing rights	(13,150)	(14,340)	(549)	(35,076)
Change in fair value of derivative hedging instruments	10,005	1,102	(7,859)	15,970
Servicing income	3,643	(8,125)	5,311	(8,975)
Servicing expenses	2,693	1,992	5,225	3,393
Net servicing income (loss) ⁽¹⁾	\$ 950	\$ (10,117)	\$ 86	\$ (12,368)

(1) Excludes benefit of custodial service related noninterest-bearing deposits held by the Bank.

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Data and key economic assumptions related to the Company's mortgage servicing rights as of June 30, 2021 and December 31, 2020 are as follows:

	June 30,		December 31,	
	2021		2020	
Unpaid principal balance	\$	10,527,708	\$	9,787,657
Weighted-average prepayment speed (CPR)		11.07 %		14.07 %
Estimated impact on fair value of a 10% increase	\$	(4,840)	\$	(4,493)
Estimated impact on fair value of a 20% increase	\$	(9,311)	\$	(8,599)
Discount rate		11.05 %		11.49 %
Estimated impact on fair value of a 100 bp increase	\$	(3,981)	\$	(2,942)
Estimated impact on fair value of a 200 bp increase	\$	(7,700)	\$	(5,674)
Weighted-average coupon interest rate		3.35 %		3.58 %
Weighted-average servicing fee (basis points)		28		28
Weighted-average remaining maturity (in months)		329		328

The Company hedges the mortgage servicing rights portfolio with various derivative instruments to offset changes in the fair value of the related mortgage servicing rights. See Note 10, "Derivatives" for additional information on these hedging instruments.

As of June 30, 2021 and December 31, 2020, mortgage escrow deposits totaled to \$166,126 and \$147,957, respectively.

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Note (8)—Income taxes:

An allocation of federal and state income taxes between current and deferred portions is presented below:

	Three Months Ended June 30,	
	2021	2020
Current	\$ 9,541	\$ 15,747
Deferred	3,899	(8,292)
Total	\$ 13,440	\$ 7,455

	Six Months Ended June 30,	
	2021	2020
Current	\$ 15,490	\$ 23,915
Deferred	13,538	(16,380)
Total	\$ 29,028	\$ 7,535

The following table presents a reconciliation of federal income taxes at the statutory federal rate of 21% to the Company's effective tax rates for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			
	2021		2020	
Federal taxes calculated at statutory rate	\$ 11,916	21.0 %	\$ 6,369	21.0 %
Increase (decrease) resulting from:				
State taxes, net of federal benefit	1,879	3.3 %	1,298	4.3 %
(Benefit) expense from equity based compensation	(124)	(0.2)%	22	0.1 %
Municipal interest income, net of interest disallowance	(419)	(0.7)%	(310)	(1.0)%
Bank owned life insurance	(82)	(0.1)%	(17)	(0.1)%
Merger and offering costs	127	0.2 %	32	0.1 %
Section 162(m) limitation	21	— %	—	— %
Other	122	0.2 %	61	0.2 %
Income tax expense, as reported	\$ 13,440	23.7 %	\$ 7,455	24.6 %

	Six Months Ended June 30,			
	2021		2020	
Federal taxes calculated at statutory rate	\$ 26,293	21.0 %	\$ 6,542	21.0 %
Increase (decrease) resulting from:				
State taxes, net of federal benefit	3,629	2.9 %	1,166	3.7 %
(Benefit) expense from equity based compensation	(345)	(0.3)%	161	0.5 %
Municipal interest income, net of interest disallowance	(843)	(0.7)%	(574)	(1.8)%
Bank owned life insurance	(166)	(0.1)%	(35)	(0.1)%
Merger and offering costs	127	0.1 %	163	0.5 %
Section 162(m) limitation	248	0.2 %	—	— %
Other	85	0.1 %	112	0.4 %
Income tax expense, as reported	\$ 29,028	23.2 %	\$ 7,535	24.2 %

As of August 15, 2020, the Company acquired \$8,346 of net operating losses from Franklin. The net operating loss carryforwards can be used to offset taxable income in future periods and reduce income tax liabilities in those future periods. While net operating losses are subject to certain annual utilization limits under IRC Section 382, the Company believes the net operating losses carryforward will be realized based on the projected annual limitation and the length of the net operating loss carryover period. The Company's determination of the realization of the net deferred tax asset is based on its assessment of all available positive and negative evidence. The net operating loss carryforward is set to expire as of December 31, 2029.

The Company is subject to Internal Revenue Code Section 162(m), which limits the deductibility of compensation of certain individuals. The restricted stock unit plans that existed prior to the corporation being public will have payments in 2021 after the reliance period defined in the Section 162 regulations. Under the limitations of IRC Section 162(m), the Company will not be able to realize the deferred tax asset established on certain restricted stock units granted to these

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covered individuals. Therefore, a valuation allowance was established in the first quarter of 2021 for the Company's inability to take the benefit of the exercise of the restricted stock units. It is the Company's policy to apply the IRC Section 162(m) limitations to stock based compensation first; therefore, the first quarter 2021 nondeductible IRC Section 162(m) expense was related to cash compensation and expense on the exercised restricted stock units that were above the limit as defined in IRC Section 162(m).

The components of the net deferred tax assets at June 30, 2021 and December 31, 2020, are as follows:

	June 30,		December 31	
	2021		2020	
Deferred tax assets:				
Allowance for credit losses	\$	40,878	\$	48,409
Operating lease liabilities		13,067		14,496
Federal net operating loss		1,753		1,753
Deferred compensation		8,572		8,872
Unrealized loss on cash flow hedges		364		499
Other		19,817		19,101
Subtotal		84,451		93,130
Deferred tax liabilities:				
FHLB stock dividends	\$	(561)	\$	(561)
Operating leases - right of use assets		(11,831)		(13,197)
Depreciation		(7,088)		(7,491)
Amortization of core deposit intangibles		(349)		(684)
Unrealized gain on equity securities		(3,877)		(17)
Unrealized gain on debt securities		(5,987)		(13,027)
Mortgage servicing rights		(26,435)		(20,803)
Goodwill		(12,522)		(11,301)
Other		(9,828)		(9,653)
Subtotal		(78,478)		(76,734)
Net deferred tax assets	\$	5,973	\$	16,396

Note (9)—Commitments and contingencies:

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates.

Commitments may expire without being used. Off-balance sheet risk of credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

	June 30,		December 31,	
	2021		2020	
Commitments to extend credit, excluding interest rate lock commitments	\$	2,529,697	\$	2,719,996
Letters of credit		68,792		67,598
Balance at end of period	\$	2,598,489	\$	2,787,594

As of June 30, 2021 and December 31, 2020, loan commitments included above with floating interest rates totaled \$1.82 billion and \$1.65 billion, respectively.

The Company estimates expected credit losses on off-balance sheet loan commitments that are not accounted for as derivatives. When applying the CECL methodology to estimate expected credit loss, the Company considers the likelihood that funding will occur, the contractual period of exposure to credit loss, the risk of loss, historical loss experience, and current conditions along with expectations of future economic conditions.

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The table below presents activity within the allowance for credit losses on unfunded commitments for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance at beginning of period	\$ 14,156	\$ 4,618	\$ 16,378	\$ —
Impact of CECL adoption on provision for credit losses on unfunded commitments	—	—	—	2,947
Increase in provision for credit losses from unfunded commitments acquired in business combination	—	—	—	70
Provision for credit losses on unfunded commitments	(954)	1,882	(3,176)	3,483
Balance at end of period	\$ 13,202	\$ 6,500	\$ 13,202	\$ 6,500

In connection with the sale of mortgage loans to third party investors, the Company makes usual and customary representations and warranties as to the propriety of its origination activities. Occasionally, the investors require the Company to repurchase loans sold to them under the terms of the warranties. When this happens, the loans are recorded at fair value with a corresponding charge to a valuation reserve. The total principal amount of loans repurchased (or indemnified for) was \$761 and \$1,469 for the three and six months ended June 30, 2021, respectively and \$1,568 and \$4,367 for the three and six months ended June 30, 2020, respectively. The Company has established a reserve associated with loan repurchases. This reserve is recorded in accrued expenses and other liabilities on the consolidated balance sheets.

The following table summarizes the activity in the repurchase reserve:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance at beginning of period	\$ 6,284	\$ 3,829	\$ 5,928	\$ 3,529
Provision for loan repurchases or indemnifications	(706)	855	(266)	1,227
Losses on loans repurchased or indemnified	(89)	(83)	(173)	(155)
Balance at end of period	\$ 5,489	\$ 4,601	\$ 5,489	\$ 4,601

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Note (10)—Derivatives:

The Company utilizes derivative financial instruments as part of its ongoing efforts to manage its interest rate risk exposure as well as the exposure for its customers. Derivative financial instruments are included in the consolidated balance sheets line item "Other assets" or "Other liabilities" at fair value in accordance with ASC 815, "Derivatives and Hedging."

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate-lock commitments). Under such commitments, interest rates for mortgage loans are typically locked in for between 45 to 90 days with the customer. These interest rate lock commitments are recorded at fair value in the Company's consolidated balance sheets. The Company also enters into best effort or mandatory delivery forward commitments to sell residential mortgage loans to secondary market investors. Gains and losses arising from changes in the valuation of the rate-lock commitments and forward commitments are recognized currently in earnings and are reflected under the line item "Mortgage banking income" on the consolidated statements of income.

The Company enters into forward commitments, futures and options contracts that are not designated as hedging instruments as economic hedges to offset the changes in fair value of Mortgage servicing rights. Gains and losses associated with these instruments are included in earnings and are reflected under the line item "Mortgage banking income" on the consolidated statements of income.

Additionally, the Company enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with customer contracts, the Company enters into an offsetting derivative contract. The Company manages its credit risk, or potential risk of default by its commercial customers through credit limit approval and monitoring procedures.

The Company also maintains two interest rate swap agreements with notional amounts totaling \$30,000 used to hedge interest rate exposure on outstanding subordinated debentures included in long-term debt totaling \$30,930. Under these agreements, the Company receives a variable rate of interest equal to 3-month LIBOR and pays a weighted average fixed rate of interest of 2.08%. The interest rate swap contracts, which mature in June of 2024, are designated as cash flow hedges with the objective of reducing the variability in cash flows resulting from changes in interest rates. As of June 30, 2021 and December 31, 2020, the fair value of these contracts resulted in liability balances of \$1,391 and \$1,909, respectively.

In July 2017, the Company entered into three interest rate swap contracts on floating rate liabilities at the Bank level with notional amounts of \$30,000, \$35,000 and \$35,000 for a period of three, four and five years, respectively. These interest rate swaps were designated as cash flow hedges with the objective of reducing the variability of cash flows associated with \$100,000 of FHLB borrowings. During 2018, these swaps were canceled, locking in a tax-adjusted gain of \$1,564 in other comprehensive income to be accreted over the three, four and five-year terms of the underlying contracts. During the year ended December 31, 2020, the Company did not renew the advances associated with the legacy cash flow hedge, and reclassified the remaining unamortized gain, from accumulated other comprehensive income to earnings.

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The following tables provide details on the Company's derivative financial instruments as of the dates presented:

	June 30, 2021				
	Notional Amount		Asset		Liability
Not designated as hedging:					
Interest rate contracts	\$	650,268	\$	26,355	\$ 26,168
Forward commitments		1,172,717		—	1,401
Interest rate-lock commitments		787,258		13,120	—
Futures contracts		502,500		2,707	—
Total	\$	3,112,743	\$	42,182	\$ 27,569

	December 31, 2020				
	Notional Amount		Asset		Liability
Not designated as hedging:					
Interest rate contracts	\$	606,878	\$	34,547	\$ 34,317
Forward commitments		1,358,328		—	11,633
Interest rate-lock commitments		1,191,621		34,391	—
Futures contracts		375,400		—	383
Total	\$	3,532,227	\$	68,938	\$ 46,333

	June 30, 2021				
	Notional Amount		Asset		Liability
Designated as hedging:					
Interest rate swaps	\$	30,000	\$	—	\$ 1,391

	December 31, 2020				
	Notional Amount		Asset		Liability
Designated as hedging:					
Interest rate swaps	\$	30,000	\$	—	\$ 1,909

Gains (losses) included in the consolidated statements of income related to the Company's derivative financial instruments were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Not designated as hedging instruments (included in mortgage banking income):				
Interest rate lock commitments	\$ 171	\$ 9,541	\$ (21,271)	\$ 30,003
Forward commitments	(19,200)	(13,993)	24,058	(40,450)
Futures contracts	9,104	631	(7,228)	11,542
Total	\$ (9,925)	\$ (3,821)	\$ (4,441)	\$ 1,095

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Designated as hedging:				
Amount of gain reclassified from other comprehensive income and recognized in interest expense on borrowings, net of taxes of \$0, \$52, \$0, and \$104	\$ —	\$ 148	\$ —	\$ 295
Loss included in interest expense on borrowings	(143)	(62)	(280)	(74)
Total	\$ (143)	\$ 86	\$ (280)	\$ 221

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The following discloses the amount included in other comprehensive income, net of tax, for derivative instruments designated as cash flow hedges for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Designated as hedging:				
Amount of gain (loss) recognized in other comprehensive income, net of tax \$23, \$(40), \$135, and \$(443)	\$ 67	\$ (112)	\$ 383	\$ (1,257)

Certain financial instruments, including derivatives, may be eligible for offset in the consolidated balance sheets when the "right of offset" exists or when the instruments are subject to an enforceable master netting agreement, which includes the right of the non-defaulting party or non-affected party to offset recognized amounts, including collateral posted with the counterparty, to determine a net receivable or net payable upon early termination of the agreement. Certain of the Company's derivative instruments are subject to master netting agreements, however the Company has not elected to offset such financial instruments in the consolidated balance sheets. The following table presents the Company's gross derivative positions as recognized in the consolidated balance sheets as well as the net derivative positions, including collateral pledged to the extent the application of such collateral did not reduce the net derivative liability position below zero, had the Company elected to offset those instruments subject to an enforceable master netting agreement:

	Offsetting Derivative Assets		Offsetting Derivative Liabilities	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Gross amounts recognized	\$ 4,466	\$ 3,863	\$ 23,536	\$ 34,051
Gross amounts offset in the consolidated balance sheets	—	—	—	—
Net amounts presented in the consolidated balance sheets	4,466	3,863	23,536	34,051
Gross amounts not offset in the consolidated balance sheets				
Less: financial instruments	3,146	857	3,146	857
Less: financial collateral pledged	—	—	20,390	33,194
Net amounts	\$ 1,320	\$ 3,006	\$ —	\$ —

Most derivative contracts with clients are secured by collateral. Additionally, in accordance with the interest rate agreements with derivatives dealers, the Company may be required to post margin to these counterparties. At June 30, 2021 and December 31, 2020, the Company had minimum collateral posting thresholds with certain derivative counterparties and had collateral posted of \$66,557 and \$57,985, respectively, against its obligations under these agreements. Cash collateral related to derivative contracts is recorded in other assets in the consolidated balance sheets.

Note (11)—Fair value of financial instruments:

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a framework for measuring the fair value of assets and liabilities according to a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that are derived from assumptions based on management's estimate of assumptions that market participants would use in pricing the asset or liability based on the best information available under the circumstances.

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The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for assets or liabilities that are derived from assumptions based on management's estimate of assumptions that market participants would use in pricing the assets or liabilities.

The Company records the fair values of financial assets and liabilities on a recurring and non-recurring basis using the following methods and assumptions:

Investment securities - Investment securities are recorded at fair value on a recurring basis. Fair values for securities are based on quoted market prices, where available. If quoted prices are not available, fair values are based on quoted market prices of similar instruments or are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the pricing relationship or correlation among other benchmark quoted securities. Investment securities valued using quoted market prices of similar instruments or that are valued using matrix pricing are classified as Level 2. When significant inputs to the valuation are unobservable, the available-for-sale securities are classified within Level 3 of the fair value hierarchy.

Where no active market exists for a security or other benchmark securities, fair value is estimated by the Company with reference to discount margins for other high-risk securities.

Loans held for sale - Loans held for sale are carried at fair value. Fair value is determined using current secondary market prices for loans with similar characteristics for the mortgage portfolio, that is, using Level 2 inputs. Commercial loans held for sale at fair value is determined using an income approach with various assumptions including expected cash flows, market discount rates, credit metrics and collateral value when appropriate. As such, these are considered Level 3.

Derivatives - The fair value of the Company's interest rate swaps are based upon fair values provided from entities that engage in interest rate swap activity and is based upon projected future cash flows and interest rates. Fair value of commitments is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments, the difference between current levels of interest rates and the committed rates is also considered. These financial instruments are classified as Level 2.

OREO - OREO is comprised of commercial and residential real estate obtained in partial or total satisfaction of loan obligations and excess land and facilities held for sale. OREO acquired in settlement of indebtedness is recorded at the lower of the carrying amount of the loan or the fair value of the real estate less costs to sell. Fair value is determined on a nonrecurring basis based on appraisals by qualified licensed appraisers and is adjusted for management's estimates of costs to sell and holding period discounts. The valuations are classified as Level 3.

Mortgage servicing rights - MSRs are carried at fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, market discount rates, prepayment speeds, servicing costs, and other factors. As such, MSRs are considered Level 3.

Collateral dependent loans - Collateral dependent loans are loans for which, based on current information and events, the Company has determined foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral and it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Collateral dependent loans are classified as Level 3.

FB Financial Corporation and subsidiaries

Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

The following table contains the estimated fair values and the related carrying values of the Company's financial instruments. Items which are not financial instruments are not included.

June 30, 2021					Fair Value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 1,717,097	\$ 1,717,097	\$ —	\$ —	\$ 1,717,097
Investment securities	1,409,175	—	1,409,175	—	1,409,175
Loans, net	7,054,291	—	—	7,199,111	7,199,111
Loans held for sale	821,529	—	697,407	124,122	821,529
Interest receivable	42,083	72	6,119	35,892	42,083
Mortgage servicing rights	101,615	—	—	101,615	101,615
Derivatives	42,182	—	42,182	—	42,182
Financial liabilities:					
Deposits:					
Without stated maturities	\$ 8,921,516	\$ 8,921,516	\$ —	\$ —	\$ 8,921,516
With stated maturities	1,282,440	—	1,292,720	—	1,292,720
Securities sold under agreement to repurchase and federal funds sold	33,056	33,056	—	—	33,056
Subordinated debt	149,351	—	—	153,631	153,631
Other borrowings	1,555	—	1,555	—	1,555
Interest payable	4,136	169	2,442	1,525	4,136
Derivatives	28,960	—	28,960	—	28,960

December 31, 2020					Fair Value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 1,317,898	\$ 1,317,898	\$ —	\$ —	\$ 1,317,898
Investment securities	1,176,991	—	1,176,991	—	1,176,991
Loans, net	6,912,570	—	—	7,058,693	7,058,693
Loans held for sale	899,173	—	683,770	215,403	899,173
Interest receivable	43,603	33	5,254	38,316	43,603
Mortgage servicing rights	79,997	—	—	79,997	79,997
Derivatives	68,938	—	68,938	—	68,938
Financial liabilities:					
Deposits:					
Without stated maturities	\$ 8,020,783	\$ 8,020,783	\$ —	\$ —	\$ 8,020,783
With stated maturities	1,437,254	—	1,446,605	—	1,446,605
Securities sold under agreement to repurchase and federal funds sold	32,199	32,199	—	—	32,199
Subordinated debt	189,527	—	—	192,149	192,149
Other borrowings	16,598	—	16,598	—	16,598
Interest payable	6,772	327	4,210	2,235	6,772
Derivatives	48,242	—	48,242	—	48,242

FB Financial Corporation and subsidiaries

Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

The balances and levels of the assets measured at fair value on a recurring basis at June 30, 2021 are presented in the following table:

At June 30, 2021	Quoted prices in active markets for identical assets (liabilities) (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Recurring valuations:				
Financial assets:				
Available-for-sale securities:				
U.S. government agency securities	\$ —	\$ 8,255	\$ —	\$ 8,255
Mortgage-backed securities - residential	—	1,035,003	—	1,035,003
Mortgage-backed securities - commercial	—	15,161	—	15,161
Municipal securities	—	332,883	—	332,883
Treasury securities	—	10,534	—	10,534
Corporate securities	—	2,536	—	2,536
Equity securities	—	4,803	—	4,803
Total securities	\$ —	\$ 1,409,175	\$ —	\$ 1,409,175
Loans held for sale	—	697,407	124,122	821,529
Mortgage servicing rights	—	—	101,615	101,615
Derivatives	—	42,182	—	42,182
Financial Liabilities:				
Derivatives	—	28,960	—	28,960

The balances and levels of the assets measured at fair value on a non-recurring basis at June 30, 2021 are presented in the following table:

At June 30, 2021	Quoted prices in active markets for identical assets (liabilities) (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Non-recurring valuations:				
Financial assets:				
Other real estate owned	\$ —	\$ —	\$ 6,927	\$ 6,927
Collateral dependent loans:				
Commercial and industrial	\$ —	\$ —	\$ 15,220	\$ 15,220
Construction	—	—	5,993	5,993
Residential real estate:				
1-4 family mortgage	—	—	1,615	1,615
Residential line of credit	—	—	1,241	1,241
Commercial real estate:				
Owner occupied	—	—	10,045	10,045
Non-owner occupied	—	—	11,624	11,624
Total collateral dependent loans	\$ —	\$ —	\$ 45,738	\$ 45,738

FB Financial Corporation and subsidiaries
Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

The balances and levels of the assets measured at fair value on a recurring basis at December 31, 2020 are presented in the following table:

At December 31, 2020	Quoted prices in active markets for identical assets (liabilities) (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Recurring valuations:				
Financial assets:				
Available-for-sale securities:				
U.S. government agency securities	\$ —	\$ 2,003	\$ —	\$ 2,003
Mortgage-backed securities - residential	—	773,336	—	773,336
Mortgage-backed securities - commercial	—	21,588	—	21,588
Municipals, tax-exempt	—	356,329	—	356,329
Treasury securities	—	16,628	—	16,628
Corporate securities	—	2,516	—	2,516
Equity securities	—	4,591	—	4,591
Total securities	\$ —	\$ 1,176,991	\$ —	\$ 1,176,991
Loans held for sale	\$ —	\$ 683,770	\$ 215,403	\$ 899,173
Mortgage servicing rights	—	—	79,997	79,997
Derivatives	—	68,938	—	68,938
Financial Liabilities:				
Derivatives	—	48,242	—	48,242

FB Financial Corporation and subsidiaries

Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

The balances and levels of the assets measured at fair value on a non-recurring basis at December 31, 2020 are presented in the following table:

At December 31, 2020	Quoted prices in active markets for identical assets (liabilities) (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Non-recurring valuations:				
Financial assets:				
Other real estate owned	\$ —	\$ —	\$ 6,662	\$ 6,662
Collateral dependent loans:				
Commercial and industrial	\$ —	\$ —	\$ 1,728	\$ 1,728
Construction	—	—	3,877	3,877
Residential real estate:				
1-4 family mortgage	—	—	226	226
Residential line of credit	—	—	1,174	1,174
Commercial real estate:				
Owner occupied	—	—	3,391	3,391
Non-owner occupied	—	—	8,164	8,164
Total collateral dependent loans	\$ —	\$ —	\$ 18,560	\$ 18,560

The following tables present information as of June 30, 2021 and December 31, 2020 about significant unobservable inputs (Level 3) used in the valuation of assets measured at fair value on a nonrecurring basis:

As of June 30, 2021

Financial instrument	Fair Value	Valuation technique	Significant Unobservable inputs	Range of inputs
Collateral dependent loans	\$ 45,738	Valuation of collateral	Discount for comparable sales	0%-30%
Other real estate owned	\$ 6,927	Appraised value of property less costs to sell	Discount for costs to sell	0%-15%

As of December 31, 2020

Financial instrument	Fair Value	Valuation technique	Significant Unobservable inputs	Range of inputs
Collateral dependent loans	\$ 18,560	Valuation of collateral	Discount for comparable sales	0%-30%
Other real estate owned	\$ 6,662	Appraised value of property less costs to sell	Discount for costs to sell	0%-15%

For collateral dependent loans, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. Fair value of the loan's collateral is determined by third-party appraisals, which are then adjusted for the estimated selling and closing costs related to liquidation of the collateral. Collateral dependent loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on changes in market conditions from the time of valuation and management's knowledge of the client and client's business. Other real estate owned acquired in settlement of indebtedness is recorded at fair value of the real estate less estimated costs to sell. Subsequently, it may be necessary to record nonrecurring fair value adjustments for declines in fair value. Any write-downs based on the asset's fair value at the date of foreclosure are charged to the allowance for credit losses. Appraisals for both collateral dependent loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the lending administrative department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry wide statistics. Collateral dependent loans that are dependent on recovery through sale of equipment, such as farm equipment, automobiles and aircrafts are generally valued based on public source pricing or subscription services while more complex assets are valued through leveraging brokers who have expertise in the collateral involved.

FB Financial Corporation and subsidiaries

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

Fair value option

The following table summarizes the Company's loans held for sale, at fair value, as of the dates presented:

	June 30, 2021	December 31, 2020
Commercial and industrial	\$ 124,122	\$ 215,403
Residential real estate:		
1-4 family mortgage	697,407	683,770
Total loans held for sale	\$ 821,529	\$ 899,173

Mortgage loans held for sale

The Company measures mortgage loans originated for sale at fair value under the fair value option as permitted under ASC 825, "Financial Instruments" ("ASC 825"). Electing to measure these assets at fair value reduces certain timing differences and more accurately matches the changes in fair value of the loans with changes in the fair value of derivative instruments used to economically hedge them.

Net gains (losses) of \$9,730 and \$(10,986) resulting from fair value changes of mortgage loans were recorded in income during the three and six months ended June 30, 2021, respectively, compared to net gains of \$8,048 and \$13,866 during the three and six months ended June 30, 2020, respectively. The amount does not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans. The change in fair value of both loans held for sale and the related derivative instruments are recorded in Mortgage Banking Income in the consolidated statements of income. Election of the fair value option allows the Company to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at the lower of cost or fair value and the derivatives at fair value.

Government National Mortgage Association (GNMA) optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing and was the original transferor. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100 percent of the remaining principal balance of the loan. Under FASB ASC Topic 860, "Transfers and Servicing," this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When the Company is deemed to have regained effective control over these loans under the unconditional buy-back option, the loans can no longer be reported as sold and must be brought back onto the balance sheet, regardless of whether the Company intends to exercise the buy-back option if the buyback option provides the transferor a more-than-trivial benefit. As of June 30, 2021, and December 31, 2020, there were \$120,880 and \$151,184, respectively, of delinquent GNMA loans previously sold that the Company did not record on its consolidated balance sheets as the Company determined there not to be a more-than-trivial benefit based on an analysis of interest rates and an assessment of potential reputational risk associated with these loans.

The Company's valuation of mortgage loans held for sale incorporates an assumption for credit risk; however, given the short-term period that the Company holds these mortgage loans held for sale, valuation adjustments attributable to instrument-specific credit risk is nominal.

Commercial loans held for sale

The Company also has a portfolio of shared national credits and institutional healthcare loans that were acquired during 2020 in the acquisition of Franklin. These commercial loans are also being measured under the fair value option. As such, these loans are excluded from the allowance for credit losses. The following table sets forth the changes in fair value associated with this portfolio.

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

	Three Months Ended June 30, 2021		
	Principal Balance	Fair Value Discount	Fair Value
Carrying value at beginning of period	\$ 197,490	\$ (22,506)	\$ 174,984
Change in fair value:			
Pay-downs and pay-offs	(52,226)	—	(52,226)
Write-offs to discount	(9,292)	9,292	—
Changes in valuation included in other noninterest income	—	1,364	1,364
Carrying value at end of period	\$ 135,972	\$ (11,850)	\$ 124,122

	Six Months Ended June 30, 2021		
	Principal Balance	Fair Value Discount	Fair Value
Carrying value at beginning of period	\$ 239,063	\$ (23,660)	\$ 215,403
Change in fair value:			
Pay-downs and pay-offs	(91,792)	—	(91,792)
Write-offs to discount	(11,299)	11,299	—
Changes in valuation included in other noninterest income	—	511	511
Carrying value at end of period	\$ 135,972	\$ (11,850)	\$ 124,122

Interest income on loans held for sale measured at fair value is accrued as it is earned based on contractual rates and is reflected in loan interest income in the consolidated statements of income.

The following table summarizes the differences between the fair value and the principal balance for loans held for sale and nonaccrual loans measured at fair value as of June 30, 2021 and December 31, 2020:

	Aggregate fair value	Aggregate Unpaid Principal Balance	Difference
June 30, 2021			
Mortgage loans held for sale measured at fair value	\$ 697,407	\$ 676,510	\$ 20,897
Commercial loans held for sale measured at fair value	118,278	124,846	(6,568)
Nonaccrual loans	5,844	11,126	(5,282)
December 31, 2020			
Mortgage loans held for sale measured at fair value	\$ 683,770	\$ 651,887	\$ 31,883
Commercial loans held for sale measured at fair value	208,914	226,867	(17,953)
Past due loans of 90 days or more	83	163	(80)
Nonaccrual loans	6,406	12,033	(5,627)

Note (12)—Segment reporting:

The Company and the Bank are engaged in the business of banking and provide a full range of financial services. The Company determines reportable segments based on the significance of the segment's operating results to the overall Company, the products and services offered, customer characteristics, processes and service delivery of the segments and the regular financial performance review and allocation of resources by the Chief Executive Officer, the Company's chief operating decision maker. The Company has identified two distinct reportable segments—Banking and Mortgage. The Company's primary segment is Banking, which provides a full range of deposit and lending products and services to corporate, commercial and consumer customers. The Company offers full-service conforming residential mortgage products, including conforming residential loans and services through two distinct delivery channels: retail and ConsumerDirect. Additionally, the Mortgage segment includes the servicing of residential mortgage loans and the packaging and securitization of loans to governmental agencies. The Company's mortgage division represents a distinct reportable segment which differs from the Company's primary business of commercial and retail banking.

As previously reported, on March 31, 2021, the Company re-evaluated its business segments and revised to align all mortgage activities with the Mortgage segment. Previously, the Company had attributed retail mortgage activities originating from geographical locations within the footprint of the Company's branches to the Banking segment. Results for the comparable prior period have been revised to reflect this realignment. The impact of this change on previously reported segment results was the reclassification of mortgage retail footprint total net contribution of \$5,398 and \$8,874 from the Banking segment to the Mortgage segment for the three and six months ended June 30, 2020, respectively.

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

The financial performance of the Mortgage segment is assessed based on results of operations reflecting direct revenues and expenses and allocated expenses. This approach gives management a better indication of the operating performance of the segment. When assessing the Banking segment's financial performance, the CEO utilizes reports with indirect revenues and expenses including but not limited to the investment portfolio, electronic delivery channels and areas that primarily support the banking segment operations. Therefore, these are included in the results of the Banking segment. Other indirect revenue and expenses related to general administrative areas are also included in the internal financial results reports of the Banking segment utilized by the CEO for analysis and are thus included for Banking segment reporting. The Mortgage segment utilizes funding sources from the Banking segment in order to fund mortgage loans that are ultimately sold on the secondary market. The Mortgage segment uses the proceeds from loan sales to repay obligations due to the Banking segment.

The following tables provide segment financial information for three and six months ended June 30, 2021 and 2020 as follows:

Three months ended June 30, 2021	Banking		Mortgage		Consolidated
Net interest income	\$	86,553	\$	10	\$ 86,563
Provisions for credit losses ⁽¹⁾		(13,839)		—	(13,839)
Mortgage banking income ⁽²⁾		—		38,644	38,644
Change in fair value of mortgage servicing rights, net of hedging ⁽²⁾		—		(3,145)	(3,145)
Other noninterest income		14,002		(201)	13,801
Depreciation and amortization		1,618		344	1,962
Amortization of intangibles		1,394		—	1,394
Other noninterest expense		55,182		34,422	89,604
Income before income taxes	\$	56,200	\$	542	\$ 56,742
Income tax expense					13,440
Net income applicable to FB Financial Corporation and noncontrolling interest					43,302
Net income applicable to noncontrolling interest ⁽³⁾					8
Net income applicable to FB Financial Corporation					\$ 43,294
Total assets	\$	10,908,107	\$	1,010,260	\$ 11,918,367
Goodwill		242,561		—	242,561

(1) Included \$(954) in provision for credit losses on unfunded commitments.

(2) Change in fair value of mortgage servicing rights, net of hedging is included in mortgage banking income in the Company's consolidated statements of income.

(3) Banking segment includes noncontrolling interest.

Three months ended June 30, 2020	Banking		Mortgage		Consolidated
Net interest income	\$	55,350	\$	(13)	\$ 55,337
Provisions for credit losses ⁽¹⁾		25,921		—	25,921
Mortgage banking income ⁽²⁾		—		85,406	85,406
Change in fair value of mortgage servicing rights, net of hedging ⁽²⁾		—		(13,238)	(13,238)
Other noninterest income		9,323		—	9,323
Depreciation and amortization		1,503		247	1,750
Amortization of intangibles		1,205		—	1,205
Other noninterest expense ⁽³⁾		39,332		38,292	77,624
(Loss) income before income taxes	\$	(3,288)	\$	33,616	\$ 30,328
Income tax expense					7,455
Net income applicable to FB Financial Corporation and noncontrolling interest					22,873
Net income applicable to noncontrolling interest ⁽⁴⁾					—
Net income applicable to FB Financial Corporation					\$ 22,873
Total assets	\$	6,632,506	\$	623,030	\$ 7,255,536
Goodwill		175,441		—	175,441

(1) Included \$1,882 in provision for credit losses on unfunded commitments.

(2) Change in fair value of mortgage servicing rights, net of hedging is included in mortgage banking income in the Company's consolidated statements of income.

(3) Included \$1,586 of merger costs in the Banking Segment primarily related to the integration of Farmers National

(4) Banking segment includes noncontrolling interest.

FB Financial Corporation and subsidiaries

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(Dollar amounts are in thousands, except share and per share amounts)

Six Months Ended June 30, 2021	Banking	Mortgage	Consolidated
Net interest income	\$ 169,150	\$ (11)	\$ 169,139
Provisions for credit losses ⁽¹⁾	(27,693)	—	(27,693)
Mortgage banking income ⁽²⁾	—	99,239	99,239
Change in fair value of mortgage servicing rights, net of hedging ⁽²⁾	—	(8,408)	(8,408)
Other noninterest income	25,400	(201)	25,199
Depreciation and amortization	3,476	672	4,148
Amortization of intangibles	2,834	—	2,834
Other noninterest expense	107,619	73,057	180,676
Income before income taxes	\$ 108,314	\$ 16,890	\$ 125,204
Income tax expense			29,028
Net income applicable to FB Financial Corporation and noncontrolling interest			96,176
Net income applicable to noncontrolling interest ⁽³⁾			8
Net income applicable to FB Financial Corporation			\$ 96,168
Total assets	\$ 10,908,107	\$ 1,010,260	\$ 11,918,367
Goodwill	242,561	—	242,561

(1) Includes \$(3,176) in provision for credit losses on unfunded commitments.

(2) Change in fair value of mortgage servicing rights, net of hedging is included in mortgage banking income in the Company's consolidated statements of income.

(3) Banking segment includes noncontrolling interest.

Six Months Ended June 30, 2020	Banking	Mortgage	Consolidated
Net interest income	\$ 111,583	\$ 3	\$ 111,586
Provisions for credit losses ⁽¹⁾	55,486	—	55,486
Mortgage banking income ⁽²⁾	—	124,019	124,019
Change in fair value of mortgage servicing rights, net of hedging ⁽²⁾	—	(19,106)	(19,106)
Other noninterest income	19,278	—	19,278
Depreciation and amortization	2,995	497	3,492
Amortization of intangibles	2,408	—	2,408
Other noninterest expense ⁽³⁾	80,454	62,784	143,238
(Loss) income before income taxes	\$ (10,482)	\$ 41,635	\$ 31,153
Income tax expense			7,535
Net income applicable to FB Financial Corporation and noncontrolling interest			23,618
Net income applicable to noncontrolling interest ⁽⁴⁾			—
Net income applicable to FB Financial Corporation			\$ 23,618
Total assets	\$ 6,632,506	\$ 623,030	\$ 7,255,536
Goodwill	175,441	—	175,441

(1) Includes \$3,483 in provision for credit losses on unfunded commitments.

(2) Change in fair value of mortgage servicing rights, net of hedging is included in mortgage banking income in the Company's consolidated statements of income.

(3) Includes \$4,636 of merger costs in the Banking segment related to the Farmers National acquisition and the Franklin merger.

(4) Banking segment includes noncontrolling interest.

Our Banking segment provides our Mortgage segment with a warehouse line of credit that is used to fund mortgage loans held for sale. The warehouse line of credit, which is eliminated in consolidation, had a prime interest rate of 3.25% as of June 30, 2021 and 2020, and is limited based on interest income earned by the Mortgage segment. The amount of interest paid by our Mortgage segment to our Banking segment under this warehouse line of credit is recorded as interest income to our Banking segment and as interest expense to our Mortgage segment, both of which are included in the calculation of net interest income for each segment. The amount of interest paid by our Mortgage segment to our Banking segment under this warehouse line of credit was \$6,110 and \$3,335 for the three months ended June 30, 2021 and 2020, respectively, and \$11,510 and \$5,710 for the six months ended June 30, 2021 and 2020, respectively.

FB Financial Corporation and subsidiaries

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

Note (13)—Minimum capital requirements:

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Under regulatory guidance for non-advanced approaches institutions, the Bank and Company are required to maintain minimum capital ratios as outlined in the table below. Additionally, under U.S. Basel III Capital Rules, the decision was made to opt out of including accumulated other comprehensive income in regulatory capital. As of June 30, 2021 and December 31, 2020, the Bank and Company met all capital adequacy requirements to which they are subject.

In March 2020, the OCC, the Board of Governors of the Federal Reserve System, and the FDIC announced a final rule to delay the estimated impact on regulatory capital stemming from the implementation of CECL. The final rule maintains the three-year transition option in the previous rule and provides banks the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company adopted the capital transition relief over the permissible five-year period.

Actual and required capital amounts and ratios are included below as of the dates indicated.

	Actual		Minimum Capital adequacy with capital buffer		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2021						
Total Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,383,471	14.9 %	\$ 974,690	10.5 %	N/A	N/A
FirstBank	1,317,759	14.2 %	971,072	10.5 %	\$ 924,831	10.0 %
Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,177,609	12.7 %	\$ 789,034	8.5 %	N/A	N/A
FirstBank	1,131,897	12.2 %	786,106	8.5 %	\$ 739,865	8.0 %
Tier 1 Capital (to average assets)						
FB Financial Corporation	\$ 1,177,609	10.1 %	\$ 466,866	4.0 %	N/A	N/A
FirstBank	1,131,897	9.7 %	465,961	4.0 %	\$ 582,451	5.0 %
Common Equity Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,147,609	12.4 %	\$ 649,793	7.0 %	N/A	N/A
FirstBank	1,131,897	12.2 %	647,382	7.0 %	\$ 601,140	6.5 %

	Actual		Minimum Capital adequacy with capital buffer		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020						
Total Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,358,897	15.0 %	\$ 952,736	10.5 %	N/A	N/A
FirstBank	1,353,279	14.9 %	951,327	10.5 %	\$ 906,026	10.0 %
Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,090,364	12.0 %	\$ 771,262	8.5 %	N/A	N/A
FirstBank	1,142,548	12.6 %	770,122	8.5 %	\$ 724,820	8.0 %
Tier 1 Capital (to average assets)						
FB Financial Corporation	\$ 1,090,364	10.0 %	\$ 435,064	4.0 %	N/A	N/A
FirstBank	1,142,548	10.5 %	435,279	4.0 %	\$ 544,098	5.0 %
Common Equity Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,060,364	11.7 %	\$ 635,157	7.0 %	N/A	N/A
FirstBank	1,142,548	12.6 %	634,218	7.0 %	\$ 588,917	6.5 %

FB Financial Corporation and subsidiaries
Notes to consolidated financial statements

(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

Note (14)—Stock-Based Compensation

Restricted Stock Units

The Company grants restricted stock units under compensation arrangements for the benefit of employees, executive officers, and directors. Restricted stock unit grants are subject to time-based vesting. The total number of restricted stock units granted represents the maximum number of restricted stock units eligible to vest based upon the service conditions set forth in the grant agreements.

The following table summarizes information about the changes in restricted stock units as of the dates indicated:

	2021		Six Months Ended June 30, 2020	
	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance at beginning of period	1,047,071	\$ 26.06	826,263	\$ 23.76
Granted	193,760	43.06	132,605	33.92
Vested	(159,114)	32.63	(132,203)	32.52
Forfeited	(29,639)	27.36	(14,826)	34.24
Balance at end of period	1,052,078	\$ 27.73	811,839	\$ 24.84

The total fair value of restricted stock units vested and released was \$828 and \$5,192 for the three and six months ended June 30, 2021, respectively, and \$1,048 and \$4,299 for the three and six months ended June 30, 2020, respectively.

The compensation cost related to stock grants and vesting of restricted stock units was \$2,193 and \$4,659 for the three and six months ended June 30, 2021, respectively, and \$2,015 and \$3,817 for the three and six months ended June 30, 2020, respectively. This included \$142 and \$299 paid to Company directors during the three and six months ended June 30, 2021, respectively, and \$231 and \$378 during the three and six months ended June 30, 2020, related to director grants and compensation elected to be settled in stock.

As of June 30, 2021 and December 31, 2020, there was \$16,091 and \$13,436 of total unrecognized compensation cost related to unvested restricted stock units which is expected to be recognized over a weighted-average period of 2.7 years and 2.5 years, respectively. As of June 30, 2021 and December 31, 2020, there were 2,158,408 and 2,240,434 shares available for issuance under the 2016-LTIP plan, respectively. At June 30, 2021 and December 31, 2020, there was \$741 and \$613, respectively, accrued in other liabilities related to dividends declared to be paid upon vesting and distribution of the underlying restricted stock units.

Performance Based Restricted Stock Units

The following table summarizes information about the changes in performance stock units as of and for the six months ended June 30, 2021 and 2020.

	2021		Six Months Ended June 30, 2020	
	Performance Stock Units Outstanding	Weighted Average Grant Date Fair Value	Performance Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance at beginning of period (unvested)	53,147	\$ 36.21	—	\$ —
Granted	65,304	43.20	53,147	36.21
Vested	—	—	—	—
Forfeited or expired	(2,319)	36.73	—	—
Balance at end of period (unvested)	116,132	\$ 40.13	53,147	\$ 36.21

The Company awards performance-based restricted stock units to executives and other officers and employees. Under the terms of the award, the number of units that will vest and convert to shares of common stock will be based on the extent to which the Company achieves specified performance criteria during the fixed three-year performance period. The

FB Financial Corporation and subsidiaries

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(Dollar amounts are in thousands, except share and per share amounts)

number of shares issued upon vesting will range from 0% to 200% of the PSUs granted. The PSUs vest at the end of a three-year period based on average adjusted return on tangible equity as reported, adjusted for unusual gains/losses, merger expenses, and other items as approved by the compensation committee of the Company's board of directors. Compensation expense for the PSUs will be estimated each period based on the fair value of the stock at the grant date and the most probable outcome of the performance condition, adjusted for the passage of time within the vesting period of the awards.

The Company recorded compensation cost of \$322 and \$522 during the three and six months ended June 30, 2021 respectively, and \$335 and \$416 for the three and six months ended June 30, 2020, respectively. As of June 30, 2021, the Company determined the probability of meeting the performance criteria for each grant, and recorded compensation cost associated with a 140.0% (related to shares granted in 2020) and 102.5% (related to shares granted in 2021) vesting, when factoring in the conversion of PSUs to shares of common stock. As of June 30, 2021, maximum unrecognized compensation cost at 200% payout related to the unvested PSUs was \$7,829, and the remaining performance period over which the cost could be recognized was 2.4 years.

Employee Stock Purchase Plan:

The Company maintains an employee stock purchase plan under which employees, through payroll deductions, are able to purchase shares of Company common stock. The purchase price is 95% of the lower of the market price on the first or last day of the offering period. The maximum number of shares issuable during any offering period is 200,000 shares and a participant may not purchase more than 725 shares during any offering period (and, in any event, no more than \$25 worth of common stock in any calendar year). There were no shares issued under ESPP during the three months ended June 30, 2021 and 2020, respectively. During the six months ended June 30, 2021 and 2020, there were 21,566 and 12,145 shares of common stock issued under the ESPP, respectively. As of June 30, 2021 and December 31, 2020, there were 2,357,440 and 2,379,006 shares available for issuance under the ESPP, respectively.

Note (15)—Related party transactions:

(A) Loans:

The Bank has made and expects to continue to make loans to the directors, certain management and executive officers of the Company and their affiliates in the ordinary course of business, in compliance with regulatory requirements.

An analysis of loans to executive officers, certain management, and directors of the Bank and their affiliates is presented below:

Loans outstanding at January 1, 2021	\$	24,675
New loans and advances		1,687
Change in related party status		(98)
Repayments		(4,933)
Loans outstanding at June 30, 2021	\$	21,331

Unfunded commitments to certain executive officers, certain management and directors and their associates totaled \$20,465 and \$23,059 at June 30, 2021 and December 31, 2020, respectively.

(B) Deposits:

The Bank held deposits from related parties totaling \$303,900 and \$245,084 as of June 30, 2021 and December 31, 2020, respectively.

(C) Leases:

The Bank leases various office spaces from entities owned by certain directors of the Company under varying terms. The Company had \$21 and \$53 in unamortized leasehold improvements related to these leases at June 30, 2021 and December 31, 2020, respectively. These improvements are being amortized over a term not to exceed the length of the lease. Lease expense for these properties totaled \$132 and \$260 for the three and six months ended June 30, 2021, respectively, and \$128 and \$256 for the three and six months ended June 30, 2020.

FB Financial Corporation and subsidiaries

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(Unaudited)

(Dollar amounts are in thousands, except share and per share amounts)

(D) Aviation time sharing agreement:

The Company is a participant to aviation time sharing agreements with entities owned by a certain director of the Company. During the three and six months ended June 30, 2021, the Company made payments of \$21 and \$32, respectively, and \$58 and \$91 during the three and six months ended June 30, 2020, respectively, under these agreements.

(E) Registration rights agreement:

The Company is party to a registration rights agreement with its former majority shareholder entered into in connection with the 2016 IPO, under which the Company is responsible for payment of expenses (other than underwriting discounts and commissions) relating to sales to the public by the shareholder of shares of the Company's common stock beneficially owned by him. Such expenses include registration fees, legal and accounting fees, and printing costs payable by the Company and expensed when incurred. During the three and six months ended June 30, 2021, the Company paid \$605 under this agreement related to the secondary offering completed during the second quarter of 2021. No such expenses were incurred during the three and six months ended June 30, 2020.

ITEM 2 – Management’s discussion and analysis of financial condition and results of operations

The following is a discussion of our financial condition at June 30, 2021 and December 31, 2020, and our results of operations for the three and six months ended June 30, 2021 and 2020, and should be read in conjunction with our audited consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2020, that was filed with the Securities and Exchange Commission on March 12, 2021 (our "Annual Report"), and with the accompanying unaudited notes to the consolidated financial statements set forth in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (this "Report").

Forward-looking statements

This quarterly report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding the projected impact of the COVID-19 global pandemic on our business operations, statements relating to the benefits, costs, and synergies of the merger with Franklin Financial Network, Inc. ("Franklin") (the "merger"), and FB Financial's future plans, results, strategies, and expectations.

These statements can generally be identified by the use of the words and phrases "may," "will," "should," "could," "would," "goal," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target," "aim," "predict," "continue," "seek," "projection," and other variations of such words and phrases and similar expressions. These forward-looking statements are not historical facts, and are based upon management's current expectations, estimates, and projections, many of which, by their nature, are inherently uncertain and beyond FB Financial's control. The inclusion of these forward-looking statements should not be regarded as a representation by FB Financial or any other person that such expectations, estimates, and projections will be achieved. Accordingly, FB Financial cautions shareholders and investors that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, and uncertainties that are difficult to predict. Actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from those contemplated by the forward-looking statements including, without limitation, (1) current and future economic conditions, including the effects of inflation, interest rate fluctuations, changes in the economy or supply-demand imbalances affecting local real estate prices, and high unemployment rates in the local or regional economies in which we operate and/or the US economy generally, (2) the effects of the COVID-19 pandemic, including the magnitude and duration of the pandemic and its impact on the economy, financial markets, and on our business and our customers' business, results of operations, asset quality and financial condition, as well as the efficacy, distribution, and public adoption of vaccines and the impact of the Delta variant of the coronavirus or the emergence of other new variants of the coronavirus, (3) changes in government interest rate policies and its impact on our business, net interest margin, and mortgage operations, (4) our ability to effectively manage problem credits, (5) the risk that the cost savings and any revenue synergies from the merger or another acquisition may not be realized or may take longer than anticipated to be realized, (6) the ability of FB Financial to effectively integrate and manage the larger and more complex operations of the combined company following the merger, (7) FB Financial's ability to successfully execute its various business strategies, (8) the impact of the recent change in the U.S. presidential administration and Congress and any resulting impact on economic policy, capital markets, federal regulation, and the response to the COVID-19 pandemic; (9) the potential impact of the proposed phase-out of the LIBOR or other changes involving LIBOR (10) the effectiveness of our cyber security controls and procedures to prevent and mitigate attempted intrusions; (11) the Company's dependence on information technology systems of third party service providers and the risk of systems failures, interruptions, or breaches of security, (12) general competitive, economic, political, and market conditions. Further information regarding FB Financial and factors which could affect the forward-looking statements contained herein can be found in FB Financial's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and in any of FB Financial's subsequent filings with the Securities and Exchange Commission (the "SEC"). Many of these factors are beyond FB Financial's ability to control or predict. If one or more events related to these or other risks or uncertainties materialize, or if the underlying assumptions prove to be incorrect, actual results may differ materially from the forward-looking statements. Accordingly, shareholders and investors should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this filing, and FB Financial undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for FB Financial to predict their occurrence or how they will affect the company.

FB Financial qualifies all forward-looking statements by these cautionary statements.

Critical accounting policies

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles and general practices within the banking industry. Within our financial statements, certain financial information contains approximate measurements of financial effects of transactions and impacts at the consolidated balance sheet dates and our results of operations for the reporting periods. We monitor the status of proposed and newly issued accounting standards to evaluate the impact on our financial condition and results of operations. Our accounting policies, including the impact of any newly issued accounting standards, are discussed in further detail in Note 1, "Basis of presentation," in the notes to our consolidated financial statements in this Report.

Selected historical consolidated financial data

The following table presents certain selected historical consolidated financial data as of the dates or for the periods indicated:

(dollars in thousands, except per share data and %)	As of or for the three months ended		As of or for the six months ended		As of or for the
	June 30,		June 30,		year ended
	2021	2020	2021	2020	December 31,
					2020
Statement of Income Data					
Total interest income	\$ 96,329	\$ 65,607	\$ 191,114	\$ 135,281	\$ 314,644
Total interest expense	9,766	10,270	21,975	23,695	48,986
Net interest income	86,563	55,337	169,139	111,586	265,658
Provisions for credit losses	(13,839)	25,921	(27,693)	55,486	107,967
Total noninterest income	49,300	81,491	116,030	124,191	301,855
Total noninterest expense	92,960	80,579	187,658	149,138	377,085
Income before income taxes	56,742	30,328	125,204	31,153	82,461
Income tax expense	13,440	7,455	29,028	7,535	18,832
Net income applicable to FB Financial Corporation and noncontrolling interest	43,302	22,873	96,176	23,618	63,629
Net income applicable to noncontrolling interest	8	—	8	—	8
Net income applicable to FB Financial Corporation	\$ 43,294	\$ 22,873	\$ 96,168	\$ 23,618	\$ 63,621
Net interest income (tax—equivalent basis)	\$ 87,321	\$ 55,977	\$ 170,689	\$ 112,761	\$ 268,497
Per Common Share					
Basic net income	\$ 0.91	\$ 0.71	\$ 2.03	\$ 0.75	\$ 1.69
Diluted net income	0.90	0.70	2.00	0.74	1.67
Book value ⁽¹⁾	28.96	25.08	28.96	25.08	27.35
Tangible book value ⁽⁴⁾	23.43	19.07	23.43	19.07	21.73
Cash dividends declared	0.11	0.09	0.22	0.18	0.36
Selected Balance Sheet Data					
Cash and cash equivalents	\$ 1,717,097	\$ 717,592	\$ 1,717,097	\$ 717,592	\$ 1,317,898
Loans held for investment	7,198,954	4,827,023	7,198,954	4,827,023	7,082,959
Allowance for credit losses ⁽⁵⁾	(144,663)	(113,129)	(144,663)	(113,129)	(170,389)
Loans held for sale, at fair value	821,529	435,479	821,529	435,479	899,173
Investment securities, at fair value	1,409,175	751,767	1,409,175	751,767	1,176,991
Other real estate owned, net	11,986	15,091	11,986	15,091	12,111
Total assets	11,918,367	7,255,536	11,918,367	7,255,536	11,207,330
Customer deposits	10,163,056	5,937,373	10,163,056	5,937,373	9,396,478
Brokered and internet time deposits	40,900	15,428	40,900	15,428	61,559
Total deposits	10,203,956	5,952,801	10,203,956	5,952,801	9,458,037
Borrowings	183,962	328,662	183,962	328,662	238,324
Total common shareholders' equity	1,371,721	805,216	1,371,721	805,216	1,291,289

(dollars in thousands, except per share data and %)	As of or for the three months ended		As of or for the six months ended		As of or for the
	2021	2020	2021	2020	year ended
		June 30,		June 30,	December 31,
					2020
Selected Ratios					
Return on average:					
Assets ⁽²⁾	1.46 %	1.30 %	1.66 %	0.70 %	0.75 %
Shareholders' equity ⁽²⁾	13.0 %	11.6 %	14.7 %	6.07 %	6.58 %
Tangible common equity ⁽⁴⁾	16.1 %	15.3 %	18.3 %	8.04 %	8.54 %
Average shareholders' equity to average assets	11.3 %	11.2 %	11.3 %	11.6 %	11.5 %
Net interest margin (tax-equivalent basis)	3.18 %	3.50 %	3.18 %	3.70 %	3.46 %
Efficiency ratio	68.4 %	58.9 %	65.8 %	63.3 %	66.4 %
Adjusted efficiency ratio (tax-equivalent basis) ⁽⁴⁾	68.9 %	57.5 %	65.8 %	60.9 %	59.2 %
Loans held for investment to deposit ratio	70.6 %	81.1 %	70.6 %	81.1 %	74.9 %
Yield on interest-earning assets	3.53 %	4.14 %	3.59 %	4.48 %	4.09 %
Cost of interest-bearing liabilities	0.49 %	0.94 %	0.57 %	1.11 %	0.94 %
Cost of total deposits	0.31 %	0.65 %	0.36 %	0.79 %	0.62 %
Credit Quality Ratios					
Allowance for credit losses to loans, net of unearned income ⁽⁵⁾	2.01 %	2.34 %	2.01 %	2.34 %	2.41 %
Allowance for credit losses to nonperforming loans ⁽⁵⁾	243.0 %	324.8 %	243.0 %	324.8 %	264.3 %
Nonperforming loans to loans, net of unearned income	0.83 %	0.72 %	0.83 %	0.72 %	0.91 %
Capital Ratios (Company)					
Total common shareholders' equity to assets	11.5 %	11.1 %	11.5 %	11.1 %	11.5 %
Tier 1 capital (to average assets)	10.1 %	9.7 %	10.1 %	9.7 %	10.0 %
Tier 1 capital (to risk-weighted assets) ⁽³⁾	12.7 %	12.1 %	12.7 %	12.1 %	12.0 %
Total capital (to risk-weighted assets) ⁽³⁾	14.9 %	13.4 %	14.9 %	13.4 %	15.0 %
Tangible common equity to tangible assets ⁽⁴⁾	9.52 %	8.67 %	9.52 %	8.67 %	9.38 %
Common Equity Tier 1 (to risk-weighted assets) (CET1) ⁽³⁾	12.4 %	11.6 %	12.4 %	11.6 %	11.7 %
Capital Ratios (Bank)					
Total common Shareholders' equity to assets	11.4 %	11.6 %	11.4 %	11.6 %	12.3 %
Tier 1 capital (to average assets)	9.72 %	9.70 %	9.72 %	9.70 %	10.5 %
Tier 1 capital (to risk-weighted assets) ⁽³⁾	12.2 %	12.3 %	12.2 %	12.3 %	12.6 %
Total capital to (risk-weighted assets) ⁽³⁾	14.2 %	13.5 %	14.2 %	13.5 %	14.9 %
Common Equity Tier 1 (to risk-weighted assets) (CET1) ⁽³⁾	12.2 %	12.3 %	12.2 %	12.3 %	12.6 %

(1) Book value per share equals our total shareholders' equity as of the date presented divided by the number of shares of our common stock outstanding as of the date presented. The number of shares of our common stock outstanding was 47,360,950, 32,101,108, and 47,220,743 as of June 30, 2021, June 30, 2020 and December 31, 2020, respectively.

(2) We have calculated our return on average assets and return on average equity for a period by dividing annualized net income for that period by our average assets and average equity, as the case may be, for that period. We calculate our average assets and average equity for a period by dividing the sum of our total asset balance or total stockholder's equity balance, as the case may be, as of the close of business on each day in the relevant period and dividing by the number of days in the period.

(3) We calculate our risk-weighted assets using the standardized method of the Basel III Framework.

(4) These measures are not measures recognized under generally accepted accounting principles (United States), and are therefore considered to be non-GAAP financial measures. See "GAAP reconciliation and management explanation of non-GAAP financial measures" for a reconciliation of these measures to their most comparable GAAP measures.

(5) Excludes reserve for credit losses on unfunded commitments.

GAAP reconciliation and management explanation of non-GAAP financial measures

We identify certain financial measures discussed in this Report as being "non-GAAP financial measures." The non-GAAP financial measures presented in this Report are adjusted efficiency ratio (tax equivalent basis), tangible book value per common share, tangible common equity to tangible assets and return on average tangible equity.

In accordance with the SEC's rules, we classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP as in effect from time to time in the United States in our statements of income, balance sheets or statements of cash flows.

The non-GAAP financial measures that we discuss in this Report should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Moreover, the manner in which we calculate the non-GAAP financial measures that we discuss in our selected historical consolidated financial data may differ from that of other companies reporting measures with similar names. You should understand how such other banking organizations calculate their financial measures similar or with names similar to the non-GAAP financial measures we have discussed in our selected historical consolidated financial data when comparing such non-GAAP financial measures. The following reconciliation tables provide a more detailed analysis of, and reconciliations for, each of these non-GAAP financial measures.

Adjusted Efficiency ratio (tax equivalent basis)

The adjusted efficiency ratio (tax equivalent basis) is a non-GAAP measure that excludes certain gains (losses), merger and conversion, offering, and mortgage restructuring expenses and other selected items. Our management uses this measure in its analysis of our performance. Our management believes this measure provides a greater understanding of ongoing operations and enhances comparability of results with prior periods, as well as demonstrates the effects of significant gains or losses and changes. The most directly comparable financial measure calculated in accordance with GAAP is the efficiency ratio.

The following table presents, as of the dates set forth below, a reconciliation of our adjusted efficiency ratio (tax-equivalent basis) to our efficiency ratio:

<i>(In Thousands, Except Share Data and %)</i>	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended
	2021	2020	2021	2020	December 31,
					2020
Adjusted efficiency ratio (tax-equivalent basis)					
Total noninterest expense	\$ 92,960	\$ 80,579	\$ 187,658	\$ 149,138	\$ 377,085
Less merger and conversion and offering expenses	605	1,586	605	4,636	34,879
Less gain on lease terminations	(787)	—	(787)	—	—
Less FHLB prepayment penalties	—	—	—	—	6,838
Adjusted noninterest expense	\$ 93,142	\$ 78,993	\$ 187,840	\$ 144,502	\$ 335,368
Net interest income (tax-equivalent basis)	\$ 87,321	\$ 55,977	\$ 170,689	\$ 112,761	\$ 268,497
Total noninterest income	49,300	81,491	116,030	124,191	301,855
Less gain on change in fair value on commercial loans held for sale	1,364	—	511	—	3,228
Less cash life insurance benefit	—	—	—	—	715
Less (loss) gain on sales or write-downs of other real estate owned and other assets	(23)	86	473	137	(1,491)
Less loss on other assets	(4)	(54)	(15)	(382)	(90)
Less gain (loss) from securities, net	144	(28)	227	35	1,631
Adjusted noninterest income	\$ 47,819	\$ 81,487	\$ 114,834	\$ 124,401	\$ 297,862
Adjusted operating revenue	\$ 135,140	\$ 137,464	\$ 285,523	\$ 237,162	\$ 566,359
Efficiency ratio (GAAP)	68.4 %	58.9 %	65.8 %	63.3 %	66.4 %
Adjusted efficiency ratio (tax-equivalent basis)	68.9 %	57.5 %	65.8 %	60.9 %	59.2 %

Tangible book value per common share and tangible common equity to tangible assets

Tangible book value per common share and tangible common equity to tangible assets are non-GAAP measures that exclude the impact of goodwill and other intangibles used by the Company's management to evaluate capital adequacy. Because intangible assets such as goodwill and other intangibles vary extensively from company to company, we believe that the presentation of this information allows investors to more easily compare the Company's capital position to other companies. The most directly comparable financial measure calculated in accordance with GAAP is book value per common share and our total shareholders' equity to total assets.

The following table presents, as of the dates set forth below, tangible common equity compared with total shareholders' equity, tangible book value per common share compared with our book value per common share and common equity to tangible assets compared to total shareholders' equity to total assets:

(In Thousands, Except Share Data and %)	As of June 30,		As of December 31,
	2021	2020	2020
Tangible Assets			
Total assets	\$ 11,918,367	\$ 7,255,536	\$ 11,207,330
Adjustments:			
Goodwill	(242,561)	(175,441)	(242,561)
Core deposit and other intangibles	(19,592)	(17,671)	(22,426)
Tangible assets	\$ 11,656,214	\$ 7,062,424	\$ 10,942,343
Tangible Common Equity			
Total common shareholders' equity	\$ 1,371,721	\$ 805,216	\$ 1,291,289
Adjustments:			
Goodwill	(242,561)	(175,441)	(242,561)
Core deposit and other intangibles	(19,592)	(17,671)	(22,426)
Tangible common equity	\$ 1,109,568	\$ 612,104	\$ 1,026,302
Common shares outstanding	47,360,950	32,101,108	47,220,743
Book value per common share	\$ 28.96	\$ 25.08	\$ 27.35
Tangible book value per common share	\$ 23.43	\$ 19.07	\$ 21.73
Total common shareholders' equity to total assets	11.5 %	11.1 %	11.5 %
Tangible common equity to tangible assets	9.52 %	8.67 %	9.38 %

Return on average tangible common equity

Return on average tangible common equity is a non-GAAP measure that uses average shareholders' equity and excludes the impact of goodwill and other intangibles. This measurement is also used by the Company's management to evaluate capital adequacy. The following table presents, as of the dates set forth below, reconciliations of total average tangible common equity to average shareholders' equity and return on average tangible common equity to return on average shareholders' equity:

(In Thousands, Except %)	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended
	2021	2020	2021	2020	December 31,
					2020
Return on average tangible common equity					
Total average common shareholders' equity	\$ 1,339,938	\$ 795,705	\$ 1,321,947	\$ 782,475	\$ 966,336
Adjustments:					
Average goodwill	(242,561)	(175,150)	(242,561)	(173,294)	(199,104)
Average intangibles, net	(20,253)	(18,209)	(20,970)	(18,223)	(22,659)
Average tangible common equity	\$ 1,077,124	\$ 602,346	\$ 1,058,416	\$ 590,958	\$ 744,573
Net income applicable to FB Financial Corporation	\$ 43,294	\$ 22,873	\$ 96,168	\$ 23,618	\$ 63,621
Return on average common shareholders' equity	13.0 %	11.6 %	14.7 %	6.07 %	6.58 %
Return on average tangible common equity	16.1 %	15.3 %	18.3 %	8.04 %	8.54 %

Overview

We are a financial holding company headquartered in Nashville, Tennessee. We operate primarily through our wholly owned bank subsidiary, FirstBank, the third largest bank headquartered in Tennessee, based on total assets. FirstBank provides a comprehensive suite of commercial and consumer banking services to clients in select markets in Tennessee, Kentucky, Alabama and North Georgia, and mortgage offices across the Southeast. As of June 30, 2021, our footprint included 81 full-service branches serving the following Tennessee Metropolitan Statistical Areas: Nashville, Chattanooga (including North Georgia), Knoxville, Memphis, and Jackson in addition to Bowling Green, Kentucky and Florence and Huntsville, Alabama. We also provide banking services to 16 community markets throughout Tennessee and North Georgia. FirstBank also provides mortgage banking services utilizing its bank branch network and mortgage banking offices strategically located throughout the southeastern United States in addition to a national internet delivery channel.

We operate through two segments, Banking and Mortgage. We generate most of our revenue in our Banking segment from interest on loans and investments, loan-related fees, trust and investment services and deposit-related fees. Our primary source of funding for our loans is customer deposits, and, to a lesser extent, unsecured credit lines, FHLB advances, brokered and internet deposits, and other borrowings. We generate most of our revenue in our Mortgage segment from origination fees and gains on sales in the secondary market of mortgage loans that we originate through our retail and online ConsumerDirect channels, as well as from mortgage servicing revenues.

Pandemic Update

During 2020, the COVID-19 health pandemic created a crisis resulting in volatility in financial markets, sudden, unprecedented job losses, and disruption in consumer and commercial behavior, resulting in governments in the United States and globally to intervene with varying levels of direct monetary support and fiscal stimulus packages. All industries, municipalities and consumers have been impacted by the health crisis to some degree, including the markets that we serve. In attempts to “flatten the curve”, businesses not deemed essential were closed or constrained to capacity limitations, individuals were asked to restrict their movements, observe social distancing and shelter in place. These actions resulted in rapid decreases in commercial and consumer activity, temporary closures of many businesses, leading to a loss of revenues and a rapid increase in unemployment, widening of credit spreads, dislocation of bond markets, disruption of global supply chains and changes in consumer spending behavior. As certain restrictions began lifting and more businesses were allowed to open their doors in late 2020, we began to experience a slow improvement in commerce through much of our footprint, which continued into the first half of 2021 with further easing of restrictions and increasing availability of vaccinations. Despite the pickup in economic activity, commercial and consumer activity has not returned to pre-pandemic levels. Although most restrictions were lifted and vaccines became widely available during the first half of 2021, during the three months ended June 30, 2021, concern began building regarding the potential impact the new Delta variant of the virus may have on the global economy and the efficacy of available vaccines to protect against widespread infection. As such, there continues to be uncertainty regarding the long term effects on the global economy, which could have a material adverse impact on the Company's business operations, asset valuations, financial condition, and results of operations.

The Company has taken several actions to offer various forms of support to our customers and communities impacted by the virus. In addition, the Company continues to take deliberate actions to ensure the continued health and strength of its balance sheet, including increases in liquidity and managing assets and liabilities in order to maintain a strong capital position.

Mergers and acquisitions

Franklin Financial Network, Inc.

On August 15, 2020, the Company completed its previously announced merger with Franklin Financial Network, Inc, and its wholly owned subsidiaries, with FB Financial Corporation continuing as the surviving entity. Under the terms of the agreement, the Company acquired total assets of \$3.63 billion, loans of \$2.79 billion and assumed total deposits of \$3.12 billion. Total loans acquired included a non-strategic institutional portfolio with a fair value of \$326.2 million the Company classified as held for sale. Franklin common shareholders received 15,058,181 shares of the Company's common stock, net of the equivalent value of 44,311 shares withheld on certain Franklin employee equity awards that vested upon change in control, as consideration in connection with the merger, in addition to \$31.3 million in cash consideration. The Company also issued replacement restricted stock units to replace those initially granted by Franklin in 2020 that did not vest upon change in control, with a total fair value of \$0.7 million attributed to pre-combination service. Based on the

closing price of the Company's common stock on the New York Stock Exchange of \$29.52 on August 15, 2020, the merger consideration represented approximately \$477.8 million in aggregate consideration.

The merger resulted in goodwill of \$67.2 million being recorded based on the fair value of total assets acquired and liabilities assumed in the transaction.

The transaction added a new subsidiary to the Company, FirstBank Risk Management, which provides risk management services to the Company in the form of enhanced insurance coverages. It also added a new subsidiary to the Bank, FirstBank Investments of Tennessee, Inc., which provides investment services to the Bank. FBIT has a wholly owned subsidiary, FirstBank Investments of Nevada, Inc. to provide investment services to FBIT. FBIN has a controlling interest in a subsidiary, FirstBank Preferred Capital, Inc., which serves as a real estate investment trust, to allow the Bank to sell real estate loans to the REIT to obtain a tax benefit.

FNB Financial Corp. merger

On February 14, 2020, the Company completed its previously announced acquisition of FNB Financial Corp. and its wholly owned subsidiary, Farmers National Bank of Scottsville (collectively, "Farmers National"). Following the acquisition, Farmers National was merged into the Company with FB Financial Corporation continuing as the surviving entity. The Company acquired total assets of \$258.2 million, loans of \$182.2 million and deposits of \$209.5 million. The consideration is valued at approximately \$50.0 million based on 954,797 shares of the Company's common stock (utilizing the Company's market price of \$36.70 on February 14, 2020) and \$15.0 million in cash consideration. The acquisition resulted in \$6.3 million of goodwill.

Overview of recent financial performance

Results of operations

Three months ended June 30, 2021 compared to the three months ended June 30, 2020

Our net income increased during the three months ended June 30, 2021 to \$43.3 million, up from \$22.9 million for the three months ended June 30, 2020. Diluted earnings per common share was \$0.90 and \$0.70 for the three months ended June 30, 2021 and 2020, respectively. Our net income represented a return on average assets, or ROAA, of 1.46% and 1.30% for the three months ended June 30, 2021 and 2020, respectively and a return on average shareholders' equity, or ROAE, of 13.0% and 11.6% for the same periods. Our ratio of return on average tangible common equity, or ROATCE for the three months ended June 30, 2021 and 2020 was 16.1% and 15.3%, respectively.

During the three months ended June 30, 2021, net interest income before the provision for credit losses increased to \$86.6 million compared with \$55.3 million for the three months ended June 30, 2020. Our net interest margin, on a tax-equivalent basis, decreased to 3.18% for the three months ended June 30, 2021, compared with 3.50% for the three months ended June 30, 2020. The decrease was the combined result of sustained lower interest rates on newly issued loans for three months ended June 30, 2021 and a change in balance sheet composition which was illustrated by an increase in excess liquidity, which negatively impacted our NIM by approximately 37 basis points for the three months ended June 30, 2021. Whereas, for the three months ended June 30, 2020, excess liquidity negatively impacted our NIM by approximately 7 basis points. We estimate our excess liquidity to be interest-bearing deposits with other financial institutions in excess of 5% of average tangible assets.

We incurred a decrease in noninterest income of \$32.2 million to \$49.3 million for the three months ended June 30, 2021, compared with \$81.5 million for the same period in the prior year. The decrease in mortgage banking income was the primary driver for the downward movement in noninterest income, which was a result of lower interest rate lock volumes during the three months ended June 30, 2021 when compared with the three months ended June 30, 2020. This decrease was partially offset by reversals in provisions for credit losses of \$13.8 million (including a reversal of provision for credit losses on unfunded commitments of \$1.0 million) for the three months ended June 30, 2021 compared to recognition of provisions for credit losses of \$25.9 million (including a recognition of provision for credit losses on unfunded commitments of \$1.9 million) for the three months ended June 30, 2020.

Noninterest expense increased to \$93.0 million for the three months ended June 30, 2021, compared with \$80.6 million for the three months ended June 30, 2020. The increase in noninterest expense is reflective of the increases in salaries, commissions and personnel-related costs from the incremental head count associated with our growth, including the impact of our acquisition of Franklin.

Six months ended June 30, 2021 compared to the six months ended June 30, 2020

Our net income increased during the six months ended June 30, 2021 to \$96.2 million from \$23.6 million for the six months ended June 30, 2020. Diluted earnings per common share was \$2.00 and \$0.74 for the six months ended June 30, 2021 and 2020, respectively. Our net income represented a return on average assets of 1.66% and 0.70% for the six months ended June 30, 2021 and 2020, respectively, and a return on average equity of 14.7% and 6.07% for the same periods. Our ratio of return on average tangible common equity for the six months ended June 30, 2021 and 2020 was 18.3% and 8.04%, respectively.

These results were significantly impacted by the improvement in economic forecasts incorporated in our current expected credit losses loss rate model, leading to a reversal in our provisions for credit losses and unfunded commitments amounting to \$27.7 million for the six months ended June 30, 2021 compared with provision expenses of \$55.5 million for the six months ended June 30, 2020. Our results were also impacted by our acquisition of Farmers National during the six months ended June 30, 2020, resulting in merger expenses of \$4.6 million during the first half of 2020. There were no business combinations during the six months ended June 30, 2021.

During the six months ended June 30, 2021, net interest income before provisions for credit losses increased to \$169.1 million compared with \$111.6 million in the six months ended June 30, 2020. Our net interest margin, on a tax-equivalent basis, decreased to 3.18% for the six months ended June 30, 2021 as compared to 3.70% for the six months ended June 30, 2020, influenced by a sustained low interest rate environment. Our NIM was also influenced by a change in balance sheet composition which was illustrated by an increase in excess liquidity, which negatively impacted our NIM by approximately 35 basis points for the six months ended June 30, 2021 compared to 4 basis points for the six months ended June 30, 2020.

Noninterest income for the six months ended June 30, 2021 decreased by \$8.2 million to \$116.0 million, down from \$124.2 million for prior year period. The decrease in noninterest income was primarily driven by a decrease in mortgage banking income of \$14.1 million to \$90.8 million, which was partially offset by increases in both ATM and interchange fee income and investment services and trust income, reflecting the increase in commerce during the six months ended June 30, 2021 compared with the six months ended June 30, 2020.

Noninterest expense increased to \$187.7 million for the six months ended June 30, 2021, compared with \$149.1 million for the six months ended June 30, 2020. The increase in noninterest expense is reflective of the increases in salaries, commissions and personnel-related costs from the incremental head count increase associated with our growth, including the impact of our business combination with Franklin in the last half of 2020.

Financial condition

Our total assets increased by 6.34% to \$11.92 billion as of June 30, 2021, as compared to \$11.21 billion as of December 31, 2020. This increase reflects increased liquidity in the form of cash and cash equivalents of \$399.2 million to \$1.72 billion as of June 30, 2021 from \$1.32 billion as of December 31, 2020, in addition to an increase of available-for-sale debt securities of \$232.0 million to \$1.40 billion as of June 30, 2021 from \$1.17 billion as of December 31, 2020.

Business segment highlights

We operate our business in two business segments: Banking and Mortgage. As previously reported, on March 31, 2021, the Company re-evaluated its business segments and revised to align all mortgage activities with the Mortgage segment. Previously, the Company had attributed retail mortgage activities originating from geographical locations within the footprint of the Company's branches to the Banking segment. Previously disclosed results for the three and six months ended June 30, 2020 have been revised to reflect this realignment. See Note 12, "Segment reporting" in the notes to our consolidated financial statements for a description of these business segments.

Banking

Income before taxes from the Banking segment increased for the three months ended June 30, 2021 to \$56.2 million, compared to a loss of \$3.3 million for the three months ended June 30, 2020. These results were primarily driven by reversals in provisions for credit losses of \$13.8 million (including a reversal of provision for credit losses on unfunded commitments of \$1.0 million) for the three months ended June 30, 2021 compared to provisions for credit losses expense of \$25.9 million (including a provision for credit losses on unfunded commitments of \$1.9 million) for the three months ended June 30, 2020. Noninterest income increased to \$14.0 million in the three months ended June 30, 2021 as compared to \$9.3 million in the three months ended June 30, 2020. Noninterest expense increased \$16.2 million to \$58.2 million for three months ended June 30, 2021, primarily due to our overall growth, including increased salaries,

commissions and employee benefits expenses associated with incremental headcount following our acquisition of Franklin.

Income before taxes from the Banking segment increased for the six months ended June 30, 2021 to \$108.3 million, compared to a loss of \$10.5 million for the six months ended June 30, 2020. These results were primarily driven by increases in net interest income of \$57.6 million to \$169.2 million during the six months ended June 30, 2021 compared to \$111.6 million during the six months ended June 30, 2020. Our provisions for credit losses on loans held for investment and unfunded loan commitments resulted in a reversal of \$27.7 million of provision during the six months ended June 30, 2021 compared to expense of \$55.5 million in the same period in the previous year. Noninterest income increased to \$25.4 million in the six months ended June 30, 2021 as compared to \$19.3 million in the six months ended June 30, 2020. Noninterest expense increased \$28.1 million to \$113.9 million for six months ended June 30, 2021 due to increases in salaries, commissions and employee benefits associated with our growth, including the impact of additional headcount resulting from our acquisition of Franklin and investment in additional revenue producers in our markets.

Mortgage

Income before taxes from the Mortgage segment decreased to \$0.5 million for the three months ended June 30, 2021, compared with \$33.6 million for the three months ended June 30, 2020; the result of lower volumes impacted by the rising interest rate environment and a decrease in refinancing activity. Noninterest income decreased \$36.9 million to \$35.3 million for the three months ended June 30, 2021, compared with \$72.2 million the three months ended June 30, 2020.

Noninterest expense for the three months ended June 30, 2021 and 2020 was \$34.8 million and \$38.5 million, respectively. Lower noninterest expenses were mainly attributable to decreased mortgage commissions and other costs associated with the lower volume during the three months ended June 30, 2021 compared with the three months ended June 30, 2020.

Income before taxes from the Mortgage segment decreased to \$16.9 million for the six months ended June 30, 2021 as compared to \$41.6 million for the six months ended June 30, 2020. There was a decrease in mortgage banking income of \$14.1 million to \$90.8 million during the six months ended June 30, 2021 compared to \$104.9 million for the six months ended June 30, 2020. This was a result of a 15.4% decrease in interest rate lock volume during the six months ended June 30, 2021 compared with the same period in the prior year. Generally, mortgage volume increases in lower interest rate environments and robust housing markets and decreases in rising interest rate environments and slower housing markets. This slowdown in interest rate lock volume during the six months ended June 30, 2021 reflects the slow down experienced across the industry compared with the same period in the prior year, which benefited from historically low interest rates pre-empted by the COVID-19 Pandemic.

Noninterest expense for the six months ended June 30, 2021 and 2020 was \$73.7 million and \$63.3 million, respectively. This increase during the six months ended June 30, 2021 is mainly attributable to additional hiring which was driven by the increased volume our business lines were experiencing. Headcount also increased following our 2020 acquisitions.

Further discussion on the components of mortgage banking income is included under the subheading 'Noninterest income' included within this management's discussion and analysis.

Results of operations

Throughout the following discussion of our operating results, we present our net interest income, net interest margin and efficiency ratio on a fully tax-equivalent basis. The fully tax-equivalent basis adjusts for the tax-favored status of net interest income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income, which enhances comparability of net interest income arising from taxable and tax-exempt sources.

The adjustment to convert certain income to a tax-equivalent basis consists of dividing tax exempt income by one minus the combined federal and blended state statutory income tax rate of 26.06% for the three and six months ended June 30, 2021 and 2020.

Net interest income

Net interest income is the most significant component of our earnings, generally comprising over 50% of our total revenues in a given period. Net interest income and margin are shaped by many factors, primarily the volume, term structure and mix of earning assets, funding mechanisms, and interest rate fluctuations. Other factors include accretion income on purchased loans, prepayment risk on mortgage and investment-related assets, and the composition and maturity of earning assets and interest-bearing liabilities. Loans typically generate more interest income than investment securities with similar maturities. Funding from client deposits generally costs less than wholesale funding sources.

Factors such as general economic activity, Federal Reserve monetary policy, and price volatility of competing alternative investments, can also exert significant influence on our ability to optimize the mix of assets and funding, net interest income, and margin.

In response to economic uncertainty related to the COVID-19 pandemic, short term interest rates have been at historic lows. The Federal Funds Target Rate range was 0% - 0.25% as of June 30, 2020 and maintained this rate as of June 30, 2021. According to the Chair of the Board of Governors of the Federal Reserve, the Federal Funds Target Rate is not likely to drop below this range. However, the Federal Reserve does have other tools available that it can employ and has expressed an intention to do so in order to maintain a targeted level of liquidity. Furthermore, the Federal Reserve has indicated it expects only slight rate increases over the next 24 months and expects a Federal Funds Target range of 0.50% to 0.75% by 2023. Additionally, the Federal Reserve maintained their commitment to open-ended purchases of Treasury securities and agency mortgage-backed securities. During the first half of 2021, the US Treasury yield curve steepened as long-term rates rose and short-term rates remained constant. During the first half of 2020, the US Treasury curve flatten as long-term and short-term decreased significantly.

Three months ended June 30, 2021 compared to three months ended June 30, 2020

Net interest income increased 56.4% to \$86.6 million for the three months ended June 30, 2021 compared to \$55.3 million in the three months ended June 30, 2020. On a tax-equivalent basis, net interest income increased \$31.3 million to \$87.3 million for the three months ended June 30, 2021 as compared to \$56.0 million for the three months ended June 30, 2020. The increase in tax-equivalent net interest income for the three months ended June 30, 2021 was primarily driven by an increase in the volume in loans held for investment combined with a decrease in our cost of funding, specifically our borrowing rate on customer time deposits, which decreased to 0.63% for the three months ended June 30, 2021 compared to 1.78% for the three months ended June 30, 2020.

Interest income, on a tax-equivalent basis, was \$97.1 million for the three months ended June 30, 2021, compared to \$66.2 million for the three months ended June 30, 2020, an increase of \$30.8 million. Interest income on loans held for investment, on a tax-equivalent basis, increased \$25.2 million to \$83.4 million for the three months ended June 30, 2021 from \$58.2 million for the three months ended June 30, 2020 primarily due to an increase in average balances of loans held for investment of \$2.31 billion. The increase in the average loan balances period over period reflects the \$2.43 billion loan portfolio acquired in the Franklin merger offset by a decrease of \$116.9 million in average PPP loans during the three months ended June 30, 2021 from an average balance of \$234.3 million for the three months ended June 30, 2020.

The tax-equivalent yield on loans held for investment was 4.72% for the three months ended June 30, 2021, down 18 basis points from the three months ended June 30, 2020. The decrease in yield was primarily due to sustained low contractual interest rates during the three months ended June 30, 2021 compared with the contractual rates of loans paid off or refinanced during the period. Contractual loan interest rates yielded 4.31% in the three months ended June 30, 2021 compared with 4.57% in the three months ended June 30, 2020. Excluding PPP loans, which have a 1% contractual loan yield, our contractual loan yield would have been 6 basis points higher for the three months ended June 30, 2021 compared to 18 points higher for the same period of the prior year.

Our NIM, on a tax-equivalent basis, decreased to 3.18% during the three months ended June 30, 2021 from 3.50% in the three months ended June 30, 2020, driven by loans issued in a declining interest rate environment and a change in balance sheet mix. The components of our loan yield, a key driver to our NIM for the three months ended June 30, 2021 and 2020, were as follows:

(dollars in thousands)	Three Months Ended June 30,			
	2021		2020	
	Interest income	Average yield	Interest income	Average yield
Loan yield components:				
Contractual interest rate on loans held for investment ⁽¹⁾⁽²⁾	\$ 76,127	4.31 %	\$ 54,233	4.57 %
Origination and other loan fee income ⁽²⁾	6,928	0.39 %	2,823	0.24 %
(Amortization) accretion on purchased loans	(226)	(0.01) %	976	0.08 %
Nonaccrual interest collections	535	0.03 %	169	0.01 %
Total loan yield	\$ 83,364	4.72 %	\$ 58,201	4.90 %

(1) Includes tax-equivalent adjustment.

(2) Includes \$0.3 million and \$0.6 million of loan contractual interest and \$1.1 million and \$0.6 million of loan fees related to PPP loans for three months ended June 30, 2021 and 2020, respectively.

Accretion on purchased loans lowered the NIM by 1 basis point for the three months ended June 30, 2021 and contributed 6 basis points to the NIM for the three months ended June 30, 2020. The decrease in accretion is due in part to the continued impact of purchase accounting resulting from our merger with Franklin, which after grossing up the amortized cost of purchased credit deteriorated loans, contributed a net premium of \$11.3 million recorded as of August 15, 2020, to be amortized as a reduction to loan interest income. Excluding PPP loans, which have a contractual interest rate of 1%, our NIM would have been 5 and 11 basis points higher for the three months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, we anticipate recognizing an estimated \$0.4 million in deferred origination fees, net of third party costs and deferred salaries, over the remaining life of the PPP loan portfolio.

Interest expense was \$9.8 million for the three months ended June 30, 2021, a decrease of \$0.5 million as compared to the three months ended June 30, 2020. The primary driver was the decrease in interest expense on time deposits of \$3.0 million to \$2.4 million for the three months ended June 30, 2021, compared to \$5.4 million for the three months ended June 30, 2020 which was partially offset by an increase in interest expense on subordinated debt of \$1.4 for the same period. The average rate on customer time deposits decreased 115 basis points from 1.78% for the three months ended June 30, 2020 to 0.63% for the three months ended June 30, 2021 as more costly deposits with higher interest rates matured or renewed and repriced at lower interest rates. Total cost of deposits was 0.31% for the three months ended June 30, 2021 compared to 0.65% for the three months ended June 30, 2020. Average subordinated debt outstanding increased to \$149.2 million for the three months ended June 30, 2021 from \$30.9 million for the three months ended June 30, 2020 as a result of our \$100.0 million issuance in the last half of 2020 and additional subordinated debt we assumed in the Franklin merger.

Average balance sheet amounts, interest earned and yield analysis

The table below shows the average balances, income and expense and yield and rates of each of our interest-earning assets and interest-bearing liabilities on a tax equivalent basis, if applicable, for the periods indicated.

(dollars in thousands on tax-equivalent basis)	Three Months Ended June 30,					
	2021			2020		
	Average balances ⁽¹⁾	Interest income/expense	Average yield/rate	Average balances ⁽¹⁾	Interest income/expense	Average yield/rate
Interest-earning assets:						
Loans ⁽²⁾⁽⁴⁾	\$ 7,085,300	\$ 83,364	4.72 %	\$ 4,775,229	\$ 58,201	4.90 %
Loans held for sale- mortgage	726,782	4,948	2.73 %	358,108	2,947	3.31 %
Loans held for sale-commercial	152,699	1,626	4.27 %	—	—	— %
Securities:						
Taxable	976,170	3,844	1.58 %	494,987	2,619	2.13 %
Tax-exempt ⁽⁴⁾	323,902	2,614	3.24 %	236,161	2,174	3.70 %
Total Securities ⁽⁴⁾	1,300,072	6,458	1.99 %	731,148	4,793	2.64 %
Federal funds sold and reverse repurchase agreements ¹	106,257	41	0.15 %	50,402	10	0.08 %
Interest-bearing deposits with other financial institutions	1,614,106	494	0.12 %	509,283	194	0.15 %
FHLB stock	31,731	156	1.97 %	16,871	102	2.43 %
Total interest earning assets ⁽⁴⁾	11,016,947	97,087	3.53 %	6,441,041	66,247	4.14 %
Noninterest Earning Assets:						
Cash and due from banks	134,501			58,304		
Allowance for credit losses	(157,990)			(91,196)		
Other assets ⁽³⁾	906,992			666,463		
Total noninterest earning assets	883,503			633,571		
Total assets	\$ 11,900,450			\$ 7,074,612		
Interest-bearing liabilities:						
Interest bearing deposits:						
Interest-bearing checking	\$ 3,027,435	\$ 2,689	0.36 %	\$ 1,161,593	\$ 1,717	0.59 %
Money market ⁽⁵⁾	2,960,264	2,816	0.38 %	1,422,344	2,179	0.62 %
Savings deposits	411,711	57	0.06 %	254,357	41	0.06 %
Customer time deposits ⁽⁵⁾	1,291,125	2,016	0.63 %	1,197,960	5,292	1.78 %
Brokered and internet time deposits ⁽⁵⁾	39,860	341	3.43 %	16,844	80	1.91 %
Time deposits	1,330,985	2,357	0.71 %	1,214,804	5,372	1.78 %
Total interest-bearing deposits	7,730,395	7,919	0.41 %	4,053,098	9,309	0.92 %
Other interest-bearing liabilities:						
Securities sold under agreements to repurchase and federal funds purchased	32,543	21	0.26 %	32,451	50	0.62 %
Federal Home Loan Bank advances	—	—	— %	250,000	405	0.65 %
Subordinated debt ⁽⁶⁾	149,155	1,819	4.89 %	30,930	399	5.19 %
Other borrowings	1,569	7	1.79 %	15,000	107	2.87 %
Total other interest-bearing liabilities	183,267	1,847	4.04 %	328,381	961	1.18 %
Total Interest-bearing liabilities	7,913,662	9,766	0.49 %	4,381,479	10,270	0.94 %
Noninterest bearing liabilities:						
Demand deposits	2,484,176			1,728,343		
Other liabilities	162,581			169,085		
Total noninterest-bearing liabilities	2,646,757			1,897,428		
Total liabilities	10,560,419			6,278,907		
FB Financial Corporation common shareholders' equity	1,339,938			795,705		
Noncontrolling interest	93			—		
Shareholders' equity	1,340,031			795,705		
Total liabilities and shareholders' equity	\$ 11,900,450			\$ 7,074,612		
Net interest income (tax-equivalent basis)		\$ 87,321			\$ 55,977	
Interest rate spread (tax-equivalent basis)			3.04 %			3.20 %
Net interest margin (tax-equivalent basis) ⁽⁷⁾			3.18 %			3.50 %
Cost of total deposits			0.31 %			0.65 %
Average interest-earning assets to average interest-bearing liabilities			139.2 %			147.0 %

(1) Calculated using daily averages.

(2) Average balances of nonaccrual loans are included in average loan balances. Loan fees of \$6.9 million and \$2.8 million, net (amortization) accretion of \$(0.2) million and \$1.0 million, and nonaccrual interest collections of \$0.5 million and \$0.2 million are included in interest income in the three months ended June 30, 2021 and 2020, respectively.

(3) Includes investments in premises and equipment, other real estate owned, interest receivable, MSRs, core deposit and other intangibles, goodwill and other miscellaneous assets.

- (4) Interest income includes the effects of taxable-equivalent adjustments using a U.S. federal income tax rate and, where applicable, state income tax to increase tax-exempt interest income to a tax-equivalent basis. The net taxable-equivalent adjustment amounts included in the above table were \$0.8 million and \$0.6 million for the three months ended June 30, 2021 and 2020, respectively.
- (5) Includes \$0.9 million of interest rate premium accretion on money market deposits, \$0.6 million of interest rate premium accretion on customer time deposits and \$0.1 million of interest rate premium accretion on brokered and internet deposits for the three months ended June 30, 2021. Amounts in the prior year comparable period are not significant.
- (6) Includes \$0.1 million and \$0 of interest rate premium accretion on subordinated debt for the three months ended June 30, 2021 and June 30, 2020, respectively.
- (7) The NIM is calculated by dividing annualized net interest income, on a tax-equivalent basis, by average total earning assets.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

On a tax-equivalent basis, net interest income increased \$57.9 million to \$170.7 million for the six months ended June 30, 2021 as compared to \$112.8 million for the six months ended June 30, 2020. The increase in tax-equivalent net interest income in the six months ended June 30, 2021 was primarily driven by an increase in the volume of loans held for investment outstanding as a result of the Franklin merger, coupled with a decrease in overall cost of deposits, which declined to 0.36% for the six months ended June 30, 2021, a 43 basis point reduction from the same period in 2020.

Interest income, on a tax-equivalent basis, was \$192.7 million for the six months ended June 30, 2021, compared to \$136.5 million for the six months ended June 30, 2020, an increase of \$56.2 million. Interest income on loans held for investment, on a tax-equivalent basis, increased \$46.4 million to \$166.4 million for the six months ended June 30, 2021 from \$120.0 million for the six months ended June 30, 2020 primarily due to increased loan volume driven by growth in average loan held for investment balances of \$2.41 billion.

The tax-equivalent yield on loans held for investment was 4.77%, down 44 basis points from the six months ended June 30, 2020. The decrease in yield was primarily due to the addition of new loans which were originated in a lower interest rate environment while higher yielding loans were paid off and refinanced at lower rates. Contractual loan interest rates yielded 4.35% in the six months ended June 30, 2021 compared with 4.85% in the six months ended June 30, 2020. Excluding PPP loans, which have a 1% contractual loan yield, our contractual loan yield would have been 7 basis points higher for the six months ended June 30, 2021 compared to 10 points higher for the same period in the prior year.

Overall, our NIM, on a tax-equivalent basis, decreased to 3.18% for the six months ended June 30, 2021 from 3.70% for the six months ended June 30, 2020, driven by the sustained low interest rate environment and change in balance sheet mix, partially attributable to our acquisition of Franklin and impact of excess liquidity carried on our balance sheet. The components of our loan yield, a key driver to our net interest margin for the six months ended June 30, 2021 and 2020 were as follows:

(dollars in thousands)	Six Months Ended June 30,			
	2021		2020	
	Interest income	Average yield	Interest income	Average yield
Loan yield components:				
Contractual interest rate on loans held for investment ⁽¹⁾⁽²⁾	\$ 151,955	4.35 %	\$ 111,615	4.85 %
Origination and other loan fee income ⁽²⁾	13,568	0.39 %	5,412	0.23 %
(Amortization) Accretion on purchased loans	(284)	(0.01) %	2,554	0.11 %
Nonaccrual interest collections	1,192	0.04 %	437	0.02 %
Total loan yield	\$ 166,431	4.77 %	\$ 120,018	5.21 %

(1) Includes tax-equivalent adjustment.

(2) Includes \$0.7 million and \$0.6 million of loan contractual interest and \$2.7 million and \$0.6 million of loan fees related to PPP loans for the six months ended June 30, 2021 and 2020, respectively.

Accretion on purchased loans lowered the NIM 1 basis point and contributed 8 basis points to the NIM for the six months ended June 30, 2021 and 2020, respectively. The decrease in accretion is due to the continued impact of purchase accounting resulting from our mergers, which can fluctuate based on volume of early pay-offs. Excluding PPP loans, our NIM would have been 6 and 5 basis points higher for the six months ended June 30, 2021 and 2020, respectively.

Interest expense was \$22.0 million for the six months ended June 30, 2021, a decrease of \$1.7 million as compared to the six months ended June 30, 2020. The decrease was largely attributed to a reduction of interest rates on customer time deposits partially offset by an increase in volume on subordinated debt. Interest expense on customer time deposits decreased to \$5.1 million for the six months ended June 30, 2021 from \$11.1 million for the six months ended June 30, 2020. This primary driver of decrease was due to the average rate on customer time deposits, which decreased 111 basis points from 1.87% for the six months ended June 30, 2020 to 0.76% for the six months ended June 30, 2021.

The decrease in interest expense from customer deposits was partially offset by an increase in interest expense on subordinated debt of \$3.4 million associated with the increase in volume from our \$100.0 million subordinated note offering and additional subordinated notes acquired from Franklin.

Average balance sheet amounts, interest earned and yield analysis

The table below shows the average balances, income and expense and yield and rates of each of our interest-earning assets and interest-bearing liabilities on a tax equivalent basis, if applicable, for the periods indicated.

	2021			Six Months Ended June 30, 2020		
	Average balances ⁽¹⁾	Interest income/expense	Average yield/rate	Average balances ⁽¹⁾	Interest income/expense	Average yield/rate
(dollars in thousands on tax-equivalent basis)						
Interest-earning assets:						
Loans ⁽²⁾⁽⁴⁾	\$ 7,043,092	\$ 166,431	4.77 %	\$ 4,631,577	\$ 120,018	5.21 %
Loans held for sale-mortgage	687,635	9,238	2.71 %	286,129	4,937	3.47 %
Loans held for sale-commercial	175,135	3,783	4.36 %	—	—	— %
Securities:						
Taxable	903,830	6,663	1.49 %	503,493	5,675	2.27 %
Tax-exempt ⁽⁴⁾	329,074	5,260	3.22 %	216,496	4,089	3.80 %
Total Securities ⁽⁴⁾	1,232,904	11,923	1.95 %	719,989	9,764	2.73 %
Federal funds sold and reverse repurchase agreements	119,959	61	0.10 %	78,785	255	0.65 %
Interest-bearing deposits with other financial institutions	1,521,162	915	0.12 %	398,330	1,276	0.64 %
FHLB stock	31,597	313	2.00 %	16,539	206	2.50 %
Total interest earning assets ⁽⁴⁾	10,811,484	192,664	3.59 %	6,131,349	136,456	4.48 %
Noninterest Earning Assets:						
Cash and due from banks	153,523			61,303		
Allowance for credit losses	(164,648)			(77,128)		
Other assets ⁽³⁾	900,592			622,499		
Total noninterest earning assets	889,467			606,674		
Total assets	\$ 11,700,951			\$ 6,738,023		
Interest-bearing liabilities:						
Interest bearing deposits:						
Interest bearing checking	\$ 2,887,671	\$ 5,707	0.40 %	\$ 1,116,633	\$ 3,896	0.70 %
Money market deposits ⁽⁷⁾	2,939,177	6,431	0.44 %	1,400,394	6,150	0.88 %
Savings deposits	390,772	110	0.06 %	236,475	120	0.10 %
Customer time deposits ⁽⁷⁾	1,332,868	5,052	0.76 %	1,200,080	11,135	1.87 %
Brokered and internet time deposits ⁽⁷⁾	40,060	445	2.24 %	18,600	176	1.90 %
Time deposits	1,372,928	5,497	0.81 %	1,218,680	11,311	1.87 %
Total interest bearing deposits	7,590,548	17,745	0.47 %	3,972,182	21,477	1.09 %
Other interest-bearing liabilities:						
Securities sold under agreements to repurchase and federal funds purchased	31,946	57	0.36 %	29,641	107	0.73 %
Federal Home Loan Bank advances	—	—	— %	250,000	1,119	0.90 %
Subordinated debt ⁽⁶⁾	168,965	4,160	4.96 %	30,930	820	5.33 %
Other borrowings	3,734	13	0.70 %	11,374	172	3.04 %
Total other interest-bearing liabilities	204,645	4,230	4.17 %	321,945	2,218	1.39 %
Total interest-bearing liabilities	7,795,193	21,975	0.57 %	4,294,127	23,695	1.11 %
Noninterest bearing liabilities:						
Demand deposits	2,416,869			1,520,954		
Other liabilities	166,849			140,467		
Total noninterest-bearing liabilities	2,583,718			1,661,421		
Total liabilities	10,378,911			5,955,548		
FB Financial Corporation common shareholders' equity	1,321,947			782,475		
Noncontrolling interest	93			—		
Shareholders' equity	1,322,040			782,475		
Total liabilities and shareholders' equity	\$ 11,700,951			\$ 6,738,023		
Net interest income (tax-equivalent basis)		\$ 170,689			\$ 112,761	
Interest rate spread (tax-equivalent basis)			3.02 %			3.37 %
Net interest margin (tax-equivalent basis) ⁽⁵⁾			3.18 %			3.70 %
Cost of total deposits			0.36 %			0.79 %
Average interest-earning assets to average interest-bearing liabilities			138.7 %			142.8 %

(1) Calculated using daily averages.

(2) Average balances of nonaccrual loans are included in average loan balances. Loan fees of \$13.6 million and \$5.4 million, net (amortization) accretion of \$(0.3) million and \$2.6 million, and nonaccrual interest collections of \$1.2 million and \$0.4 million are included in interest income for the six months ended June 30, 2021 and 2020, respectively.

- (3) Includes investments in premises and equipment, other real estate owned, interest receivable, mortgage servicing rights, core deposit and other intangibles, goodwill and other miscellaneous assets.
- (4) Interest income includes the effects of taxable-equivalent adjustments using a U.S. federal income tax rate and, where applicable, state income tax to increase tax-exempt interest income to a tax-equivalent basis. The net taxable-equivalent adjustment amounts included in the above table were \$1.6 million and \$1.2 million for the six months ended June 30, 2021 and 2020, respectively.
- (5) The NIM is calculated by dividing annualized net interest income, on a tax-equivalent basis, by average total earning assets.
- (6) Includes \$0.4 million and \$0 of accretion on subordinated debt fair value mark for the six months ended June 30, 2021 and 2020, respectively.
- (7) Includes \$1.9 million of interest rate premium accretion on money market deposits, \$1.4 million on customer time deposits and \$0.3 million on brokered and internet time deposits for the six months ended June 30, 2021. Amounts in the prior year comparable period are not significant.

Rate/volume analysis

The tables below present the components of the changes in net interest income for the three and six months ended June 30, 2021 and 2020. For each major category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes due to average volumes and changes due to rates, with the changes in both volumes and rates allocated to these two categories based on the proportionate absolute changes in each category.

Three months ended June 30, 2021 compared to three months ended June 30, 2020

(in thousands on a tax-equivalent basis)	Three months ended June 30, 2021 compared to three months ended June 30, 2020 due to changes in		
	Volume	Rate	Net increase (decrease)
Interest-earning assets:			
Loans ⁽¹⁾⁽²⁾	\$ 27,180	\$ (2,017)	\$ 25,163
Loans held for sale - residential	2,510	(509)	2,001
Loans held for sale - commercial	1,626	—	1,626
Securities available-for-sale and other securities:			
Taxable	1,895	(670)	1,225
Tax Exempt ⁽²⁾	708	(268)	440
Federal funds sold and reverse repurchase agreements	22	9	31
Time deposits in other financial institutions	338	(38)	300
FHLB stock	73	(19)	54
Total interest income ⁽²⁾	34,352	(3,512)	30,840
Interest-bearing liabilities:			
Interest-bearing checking	1,657	(685)	972
Money market ⁽³⁾	1,463	(826)	637
Savings deposits	22	(6)	16
Customer time deposits ⁽³⁾	145	(3,421)	(3,276)
Brokered and internet time deposits ⁽³⁾	197	64	261
Securities sold under agreements to repurchase and federal funds purchased	—	(29)	(29)
Federal Home Loan Bank advances	(405)	—	(405)
Subordinated debt ⁽⁴⁾	1,442	(22)	1,420
Other borrowings	(60)	(40)	(100)
Total interest expense	4,461	(4,965)	(504)
Change in net interest income ⁽²⁾	\$ 29,891	\$ 1,453	\$ 31,344

(1) Average loans are gross, including nonaccrual loans and overdrafts (before deduction of allowance for credit losses). Loan fees of \$6.9 million and \$2.8 million, (amortization) accretion of \$(0.2) million and \$1.0 million and nonaccrual interest collections of \$0.5 million and \$0.2 million are included in interest income for the three months ended June 30, 2021 and 2020, respectively.

(2) Interest income includes the effects of the tax-equivalent adjustments to increase tax-exempt interest income to a tax-equivalent basis.

(3) Includes \$0.9 million and \$0 of interest rate premium accretion on money market deposits, \$0.6 million and \$0.2 million of interest rate premium accretion on customer time deposits and \$0.1 million and \$0 of interest rate premium accretion (amortization) on brokered and internet deposits for the three months ended June 30, 2021 and 2020, respectively.

(4) Includes \$0.1 million and \$0 of interest rate premium accretion on subordinated debt for the three months ended June 30, 2021 and 2020, respectively.

Six Months Ended June 30, 2021 compared to Six Months Ended June 30, 2020

(dollars in thousands on a tax-equivalent basis)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 due to changes in		
	Volume	Rate	Net increase (decrease)
Interest-earning assets:			
Loans ⁽¹⁾	\$ 56,985	\$ (10,572)	\$ 46,413
Loans held for sale - residential	5,394	(1,093)	4,301
Loans held for sale - commercial	3,783	—	3,783
Securities available-for-sale and other securities:			
Taxable	2,951	(1,963)	988
Tax Exempt ⁽²⁾	1,799	(628)	1,171
Federal funds sold and reverse repurchase agreements	21	(215)	(194)
Time deposits in other financial institutions	675	(1,036)	(361)
FHLB stock	149	(42)	107
Total interest income ⁽²⁾	71,757	(15,549)	56,208
Interest-bearing liabilities:			
Interest bearing checking	3,500	(1,689)	1,811
Money market deposits ⁽⁴⁾	3,367	(3,086)	281
Savings deposits	43	(53)	(10)
Customer time deposits ⁽⁴⁾	503	(6,586)	(6,083)
Brokered and internet time deposits ⁽⁴⁾	238	31	269
Securities sold under agreements to repurchase and federal funds purchased	4	(54)	(50)
Federal Home Loan Bank advances	(1,119)	—	(1,119)
Subordinated debt ⁽³⁾	3,398	(58)	3,340
Other borrowings	(27)	(132)	(159)
Total interest expense	9,907	(11,627)	(1,720)
Change in net interest income ⁽²⁾	\$ 61,850	\$ (3,922)	\$ 57,928

(1) Average loans are gross, including nonaccrual loans and overdrafts (before deduction of allowance for loan losses). Loan fees of \$13.6 million and \$5.4 million, (amortization) accretion of \$(0.3) million and \$2.6 million, and nonaccrual interest collections of \$1.2 million and \$0.4 million, are included in interest income for the six months ended June 30, 2021 and 2020, respectively.

(2) Interest income includes the effects of the tax-equivalent adjustments to increase tax-exempt interest income to a tax-equivalent basis.

(3) Includes \$0.4 million of accretion on subordinated debt fair value mark for the six months ended June 30, 2021.

(4) Includes \$1.9 million of interest rate premium accretion on money market deposits, \$1.4 million on customer time deposits and \$0.3 million on brokered and internet time deposits for the six months ended June 30, 2021. Amounts in the prior year comparable period were not significant.

Provision for credit losses

The provision for credit losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for credit losses at an appropriate level under the current expected credit loss model. The provision for credit losses recorded represents the amount needed to maintain the appropriate level of the allowance for credit losses based on management's quarterly estimates.

Three months ended June 30, 2021 compared to three months ended June 30, 2020

We recognized a reversal of provision for credit losses on loans held for investment for the three months ended June 30, 2021 of \$12.9 million as compared to an expense of \$24.0 million for the three months ended June 30, 2020. This reversal resulted from management's best estimate of losses over the life of loans in our portfolio in accordance with the CECL approach, given an improvement in economic outlook and forecasts. Although the portfolio benefited from improving economic forecasts during the three months ended June 30, 2021, there is much uncertainty surrounding the impact of the COVID-19 pandemic and the Delta variant, which may continue to lead to increased volatility in forecasted macroeconomic variables, a key input to our calculated level of allowance for credit losses. These evaluations weighed the impact of the current economic outlook, status of federal government stimulus programs, and geographical and demographic considerations, among other factors. See further discussion under the subheading "Allowance for credit losses."

The Company estimates expected credit losses on off-balance sheet loan commitments that are not accounted for as derivatives. When applying the CECL methodology to estimate expected credit loss, the Company considers the likelihood that funding will occur, the contractual period of exposure to credit loss, the risk of loss, historical loss experience, and current conditions along with expectations of future economic conditions. As such, the Company recorded a release in the provision for credit losses on unfunded commitments of \$1.0 million for the three months ended June 30, 2021 compared to a provision expense of \$1.9 million for the three months ended June 30, 2020.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

We recognized a reversal of provision for credit losses on loans held for investment for the six months ended June 30, 2021 of \$24.5 million as compared to a expense of \$52.0 million for the six months ended June 30, 2020. The reversal in total provision for credit losses was primarily the result of improving economic forecasts allowing for a reduction of our reserves, as discussed above. Additionally, the Company recorded a release to the provision for credit losses on unfunded commitments of \$3.2 million for the six months ended June 30, 2021 compared to a provision of \$3.5 million for the six months ended June 30, 2020.

As of June 30, 2021 and 2020, we determined that all available-for-sale debt securities that experienced a decline in fair value below amortized cost basis were due to noncredit-related factors. Therefore, there was no provision for credit losses recognized on available-for-sale debt securities during the three and six months ended June 30, 2021 and 2020.

Noninterest income

Our noninterest income includes gains on sales of mortgage loans, unrealized change in fair value of loans held for sale and derivatives, fees on mortgage loan originations, loan servicing fees, hedging results, fees generated from deposit services, investment services and trust income, gains and losses on securities, other real estate owned and other assets and other miscellaneous noninterest income.

The following table sets forth the components of noninterest income for the periods indicated:

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Mortgage banking income	\$ 35,499	\$ 72,168	\$ 90,831	\$ 104,913
Service charges on deposit accounts	2,266	1,858	4,605	4,421
ATM and interchange fees	5,381	3,606	9,722	6,740
Investment services and trust income	2,999	1,368	5,007	3,065
Gain (loss) from securities, net	144	(28)	227	35
(Loss) gain on sales or write-downs of other real estate owned	(23)	86	473	137
Loss from other assets	(4)	(54)	(15)	(382)
Other	3,038	2,487	5,180	5,262
Total noninterest income	\$ 49,300	\$ 81,491	\$ 116,030	\$ 124,191

Three months ended June 30, 2021 compared to three months ended June 30, 2020

Noninterest income amounted to \$49.3 million for the three months ended June 30, 2021, a decrease of \$32.2 million, or 39.5%, as compared to \$81.5 million for the three months ended June 30, 2020. Changes in selected components of noninterest income in the above table are discussed below.

Mortgage banking income primarily includes origination fees and realized gains and losses on the sale of mortgage loans, unrealized change in fair value of mortgage loans and derivatives, and mortgage servicing fees, which includes net change in fair value of MSR and related derivatives. Mortgage banking income is initially driven by the recognition of interest rate lock commitments (IRLCs) at fair value at inception of the IRLCs. This is subsequently adjusted for changes in the overall interest rate environment offset by derivative contracts entered into to mitigate the interest rate exposure. Upon sale of the loan, the net fair value gain is reclassified as a realized gain on sale. Mortgage banking income was \$35.5 million and \$72.2 million for the three months ended June 30, 2021 and 2020, respectively.

During the three months ended June 30, 2021, the Bank's mortgage operations had sales of \$1,681.5 million which generated a sales margin of 2.94%. This compares to \$1,595.4 million and 2.85% for the three months ended June 30, 2020. The industry benefited greatly from declining interest rates during the three months ended June 30, 2020, causing an increase in interest rate lock commitment volume, which has slowed in the three months ended June 30, 2021 across the industry. Mortgage banking income from gains on sale and related fair value changes decreased to \$31.9 million during the three months ended June 30, 2021 compared to \$80.3 million for the three months ended June 30, 2020. Total interest rate lock volume decreased \$464.6 million, or 20.7%, during the three months ended June 30, 2021 over the same period in the previous year.

Our mortgage banking business is directly impacted by the interest rate environment, increased regulations, consumer demand, economic conditions, and investor demand for mortgage securities. Mortgage production, especially refinance activity, declines in rising interest rate environments. Our interest rate lock volume during three months ended June 30, 2021 was composed of 58.2% refinancing activity compared with 79.8% during the same period in the previous year. We continue to see margin compression and reduced volumes due to excess capacity in the industry, refinance fatigue and a shortage of housing in our markets. Our interest rate lock volume is expected to be materially and adversely impacted by rising interest rates and housing shortage, and we expect to see further declines in refinance activity within the mortgage industry when rates rise.

Income from mortgage servicing of \$6.8 million and \$5.1 million for three months ended June 30, 2021 and 2020, respectively, was partially offset by losses on changes in fair value of MSR and related hedging activity of \$3.1 million and \$13.2 million in the three months ended June 30, 2021 and 2020, respectively.

The components of mortgage banking income for three months ended June 30, 2021 and 2020 were as follows:

(in thousands)	Three Months Ended June 30,	
	2021	2020
Mortgage banking income:		
Origination and sales of mortgage loans	\$ 49,435	\$ 45,515
Net change in fair value of loans held for sale and derivatives	(17,579)	34,778
Change in fair value on MSR's	(3,145)	(13,238)
Mortgage servicing income	6,788	5,113
Total mortgage banking income	\$ 35,499	\$ 72,168
Interest rate lock commitment volume by line of business:		
Consumer direct	\$ 914,163	\$ 1,480,878
Retail	860,370	758,228
Total	\$ 1,774,533	\$ 2,239,106
Interest rate lock commitment volume by purpose (%):		
Purchase	41.9 %	20.2 %
Refinance	58.2 %	79.8 %
Mortgage sales	\$ 1,681,509	\$ 1,595,413
Mortgage sale margin	2.94 %	2.85 %
Closing volume	\$ 1,550,950	\$ 1,709,375
Outstanding principal balance of mortgage loans serviced	\$ 10,527,708	\$ 7,700,862

Income from ATM and interchange fees includes debit card interchange, ATM and other consumer fees. During the three months ended June 30, 2021, these fees increased \$1.8 million to \$5.4 million compared to \$3.6 million during the three months ended June 30, 2020. This increase is attributable to our growth in deposits and increased volume of transactions, which is partially attributed to our acquisition of Franklin completed in 2020.

Investment services and trust income increased \$1.6 million to \$3.0 million during the three months ended June 30, 2021 compared to \$1.4 million during the three months ended June 30, 2020. This increase is primarily due to our growth and increase in wealth management commissions.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

Noninterest income amounted to \$116.0 million for the six months ended June 30, 2021, a decrease of \$8.2 million, or 6.6%, as compared to \$124.2 million for the six months ended June 30, 2020. Changes in selected components of noninterest income in the above table are discussed below.

Mortgage banking income was \$90.8 million and \$104.9 million for the six months ended June 30, 2021 and 2020, respectively, representing a 13.4% decrease year-over-year.

During the six months ended June 30, 2021, our mortgage operations had sales of \$3,253.6 million which generated a gain on sales margin of 3.30%. This compares to \$2,636.9 million and 2.88% for the six months ended June 30, 2020. The increase in gain on sales margin is a result of productive market conditions. The industry benefited greatly from declining interest rates in 2020, causing a sharp increase in interest rate lock commitment volume. It is anticipated that sales will slow in the second half of 2021 as interest rates rise and housing inventory remains low in some of our markets. Mortgage banking income from gains on sale and related fair value changes increased to \$85.5 million during the six months ended June 30, 2021 compared to \$113.9 million for the six months ended June 30, 2020. Total interest rate lock volume decreased \$669.3 million, or 15.4%, during the six months ended June 30, 2021 compared to the previous year. The volume mix of refinances and purchases also shifted during six months ended June 30, 2021 to 62.4% refinance volume compared with 79.2% during the same period in the previous year.

Our mortgage banking business is directly impacted by the interest rate environment, regulatory environment, consumer demand, economic conditions, and investor demand for mortgage securities. Mortgage production, especially refinance activity, declines in rising interest rate environments. Mortgage production volume is expected to decline in the second half of 2021 as interest rates rise, which could materially and adversely impact the profitability of our mortgage business.

Income from mortgage servicing of \$13.7 million and \$10.1 million for six months ended June 30, 2021 and 2020, respectively, was offset by declines in fair value of MSR's and related hedging activity of \$8.4 million and \$19.1 million in the six months ended June 30, 2021 and 2020, respectively.

The components of mortgage banking income for the six months ended June 30, 2021 and 2020 were as follows:

(dollars in thousands)	Six Months Ended June 30,	
	2021	2020
Mortgage banking income		
Origination and sales of mortgage loans	\$ 107,328	\$ 75,905
Net change in fair value of loans held for sale and derivatives	(21,808)	37,983
Change in fair value on MSRs	(8,408)	(19,106)
Mortgage servicing income	13,719	10,131
Total mortgage banking income	\$ 90,831	\$ 104,913
Interest rate lock commitment volume by line of business:		
Consumer direct	\$ 1,863,350	\$ 2,795,503
Retail	1,800,233	1,537,383
Total	\$ 3,663,583	\$ 4,332,886
Interest rate lock commitment volume by purpose (%):		
Purchase	37.6 %	20.8 %
Refinance	62.4 %	79.2 %
Mortgage sales	\$ 3,253,579	\$ 2,636,889
Mortgage sale margin	3.30 %	2.88 %
Closing volume	\$ 3,308,882	\$ 2,807,047
Outstanding principal balance of mortgage loans serviced	\$ 10,527,708	\$ 7,700,862

ATM and interchange fees increased \$3.0 million to \$9.7 million during the six months ended June 30, 2021 as compared to \$6.7 million for the six months ended June 30, 2020. This increase is attributable to our growth in deposits and increased volume of transactions, which is partially attributed to our acquisitions completed in 2020. Though we have not yet experienced a decline, our interchange fee income is expected to decline in 2022 as a result of the Durbin amendment, which limits interchange fees banking institutions with asset sizes greater than \$10 billion are permitted to charge.

Noninterest expense

Our noninterest expense includes primarily salaries and employee benefits expense, occupancy expense, legal and professional fees, data processing expense, regulatory fees and deposit insurance assessments, advertising and promotion and other real estate owned expense, among others. We monitor the ratio of noninterest expense to the sum of net interest income plus noninterest income, which is commonly known as the efficiency ratio.

The following table sets forth the components of noninterest expense for the periods indicated:

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Salaries, commissions and employee benefits	\$ 62,367	\$ 55,258	\$ 126,938	\$ 98,880
Occupancy and equipment expense	5,356	4,096	11,205	8,274
Legal and professional fees	2,090	1,952	4,524	3,510
Data processing	2,542	2,782	4,861	5,235
Merger costs	—	1,586	—	4,636
Amortization of core deposit and other intangibles	1,394	1,205	2,834	2,408
Advertising	3,559	2,591	5,812	4,980
Other expense	15,652	11,109	31,484	21,215
Total noninterest expense	\$ 92,960	\$ 80,579	\$ 187,658	\$ 149,138

Three months ended June 30, 2021 compared to three months ended June 30, 2020

Noninterest expense increased by \$12.4 million during the three months ended June 30, 2021 to \$93.0 million as compared to \$80.6 million in the three months ended June 30, 2020. Changes in selected components of noninterest expense in the above table are discussed below.

Salaries, commissions and employee benefits expense was the largest component of noninterest expenses representing 67.1% and 68.6% of total noninterest expense in the three months ended June 30, 2021 and 2020, respectively. During the three months ended June 30, 2021, salaries and employee benefits expense increased \$7.1 million, or 12.9%, to \$62.4 million as compared to \$55.3 million for the three months ended June 30, 2020. This increase was mainly driven by an increase of \$8.4 million in salaries due to the impact of our headcount increase resulting from our acquisition of Franklin and investment in additional revenue producers in our markets, which included a \$4.0 million decrease in salaries in the Mortgage segment, reflective of the slowdown in production during the period.

Costs resulting from our equity compensation grants during the three months ended June 30, 2021 and 2020 amounted \$2.5 million and \$2.3 million, respectively. These grants comprise restricted stock units that were granted in conjunction with our 2016 IPO to all full-time associates and extended to new associates each year, in addition to annual performance grants. Additionally, this expense includes costs related to performance-based restricted stock units granted during 2021 and 2020 which resulted in \$0.3 million of expense during both the three months ended June 30, 2021 and 2020.

There were no merger costs for the three months ended June 30, 2021 compared to \$1.6 million in merger cost for the three months ended June 30, 2020. Merger costs during the three months ended June 30, 2020 include costs associated with the conversion related to our acquisition of Farmers National that was completed during the first quarter 2020.

Other noninterest expense primarily includes mortgage servicing expenses, regulatory fees and deposit insurance assessments, software license and maintenance fees and various other miscellaneous expenses. Other noninterest expense increased \$4.5 million during the three months ended June 30, 2021 to \$15.7 million compared to \$11.1 million during the three months ended June 30, 2020. This increase includes \$2.1 million increase in software license and maintenance fees, \$0.7 million increase in mortgage servicing expenses, \$0.6 million in offering costs under our registration rights agreement from the secondary offering completed during the period, and additional overall increase in miscellaneous and other costs associated with our growth, including the impact of our acquisitions.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

Noninterest expense increased by \$38.5 million during the six months ended June 30, 2021 to \$187.7 million as compared to \$149.1 million in the six months ended June 30, 2020. Changes in selected components of noninterest expense in the above table are discussed below.

Salaries, commissions and employee benefits expense was the largest component of noninterest expenses representing 67.6% and 66.3% of total noninterest expense in the six months ended June 30, 2021 and 2020, respectively. During the six months ended June 30, 2021, salaries and employee benefits expense increased \$28.1 million, or 28.4%, to \$126.9 million as compared to \$98.9 million for the six months ended June 30, 2020. The largest components of the \$28.1 million increase was an increase of \$5.5 million in commissions and \$16.8 million employee salaries. These increases were mainly driven by our increase in headcount as a result of our mergers. Our full-time equivalent employees increased to 1,945 as of June 30, 2021 from 1,506 as of June 30, 2020.

Costs resulting from our equity compensation grants during the six months ended June 30, 2021 and 2020 amounted to \$5.2 million and \$4.2 million, respectively. Additionally, during 2020 we began granting performance-based stock units, which resulted in \$0.5 million and \$0.4 million in expense during the six months ended June 30, 2021 and 2020, respectively.

Occupancy and equipment expense increased \$2.9 million to \$11.2 million during the six months ended June 30, 2021 as compared to \$8.3 million in the six months ended June 30, 2020. This increase is related to increased leased property and maintenance costs which increased as a result of our merger activity and additional locations.

Merger costs amounted to \$4.6 million for the six months ended June 30, 2020 related to our acquisition and conversion of Farmers National, which closed February 14, 2020. There was no such merger activity during six months ended June 30, 2021.

Other noninterest expense primarily includes mortgage servicing expenses, regulatory fees and deposit insurance assessments, software license and maintenance fees and various other miscellaneous expenses. Other noninterest expense increased \$10.3 million during the six months ended June 30, 2021 to \$31.5 million compared to \$21.2 million during the six months ended June 30, 2020. The increase reflects a \$4.1 million increase in software licenses and maintenance fees, a \$1.2 million increase in regulatory fees and increased other costs associated with our growth, including the impact of our 2020 acquisitions.

Efficiency ratio

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. We calculate this ratio by dividing noninterest expense by the sum of net interest income and noninterest income. For an adjusted efficiency ratio, we exclude certain gains, losses and expenses we do not consider core to our business.

Our efficiency ratio was 68.4% and 65.8% for the three and six months ended June 30, 2021, respectively, and 58.9% and 63.3% for the three and six months ended June 30, 2020, respectively. Our adjusted efficiency ratio, on a tax-equivalent basis, was 68.9% and 65.8% for the three and six months ended June 30, 2021, respectively, and 57.5% and 60.9% for the three and six months ended June 30, 2020, respectively. See “GAAP reconciliation and management explanation of non-GAAP financial measures” in this Report for a discussion of the adjusted efficiency ratio.

Return on equity and assets

The following table sets forth our ROAA, ROAE, dividend payout ratio and average shareholders' equity to average assets ratio for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,		Year ended
	2021	2020	2021	2020	December 31,
					2020
Return on average total assets	1.46 %	1.30 %	1.66 %	0.70 %	0.75 %
Return on average shareholders' equity	13.0 %	11.6 %	14.7 %	6.07 %	6.58 %
Dividend payout ratio	12.3 %	12.9 %	11.0 %	24.7 %	22.8 %
Average shareholders' equity to average assets	11.3 %	11.2 %	11.3 %	11.6 %	11.5 %

As previously discussed, during the three and six months ended June 30, 2021, we recognized a reversal in our provisions for credit losses of \$13.8 million and \$27.7 million, respectively, which contributed to an improvement in return on average total assets of 1.46% and 1.66% for the three and six months ended June 30, 2021, respectively. This compares to provisions for credit losses of \$25.9 million and \$55.5 million for the three and six months ended June 30, 2020 as a result of the onset of COVID-19 and impact on the macroeconomic forecasts included in our CECL model, which resulted in a return on average assets of 1.30% and 0.70%, respectively. Our return on average shareholders' equity was 13.0% and 14.7% for the three and six months ended June 30, 2021, respectively, as compared to 11.6% and 6.07% for the three and six months ended June 30, 2020, respectively.

Income taxes

Income tax expense was \$13.4 million and \$7.5 million for the three months ended June 30, 2021 and 2020, respectively, and \$29.0 million and \$7.5 million for the six months ended June 30, 2021 and 2020, respectively. This represents effective tax rates of 23.7% and 24.6% for the three months ended June 30, 2021 and 2020, respectively, and 23.2% and 24.2% for the six months ended June 30, 2021 and 2020, respectively. The primary differences from the enacted rates are applicable state income taxes reduced for non-taxable income and tax credits, and additional deductions for equity-based compensation upon the distribution of RSUs.

We are subject to Internal Revenue Code Section 162(m), which limits the deductibility of compensation of certain individuals. The restricted stock unit plans that existed prior to coming a public company will have payments in 2021 after the reliance period defined in the Section 162 regulations. Under the limitations of IRC Section 162(m), we will not be able to realize the deferred tax asset established on certain restricted stock units granted to these covered individuals. Therefore, a valuation allowance was established in the first quarter of 2021 related to our inability to take the benefit of the exercise of the restricted stock units. It is our policy to apply the IRC Section 162(m) limitations to stock based compensation first; therefore, the 2021 nondeductible IRC Section 162(m) expense was related to cash compensation and expense on the exercised restricted stock units that were above the limit as defined in IRC Section 162(m).

Financial condition

The following discussion of our financial condition compares balances as of June 30, 2021 with December 31, 2020.

Total assets

Our total assets were \$11.92 billion at June 30, 2021, compared to total assets of \$11.21 billion as of December 31, 2020. This increase included increased levels of liquidity as we held cash and cash equivalents of \$1.72 billion at June 30, 2021, an increase of \$0.40 billion from \$1.32 billion as of December 31, 2020. Also included in the increase in total assets from December 31, 2020 was an increase of \$232.0 million in available-for-sale debt securities.

Loan portfolio

Our loan portfolio is our most significant earning asset, comprising 60.4% and 63.2% of our total assets as of June 30, 2021 and December 31, 2020, respectively. Our strategy is to grow our loan portfolio by originating quality commercial and consumer loans that comply with our credit policies and that produce revenues consistent with our financial objectives. Our overall lending approach is primarily focused on providing credit to our customers directly rather than purchasing loan syndications and loan participations from other banks (collectively, "participated loans"). At June 30, 2021 and December 31, 2020, loans held for investment included approximately \$194.6 million and \$206.8 million, respectively, related to purchased participation loans. We believe our loan portfolio is well-balanced, which provides us with the opportunity to grow while monitoring our loan concentrations.

Loans by type

The following table sets forth the balance and associated percentage of each class of financing receivable in our loan portfolio as of the dates indicated:

(dollars in thousands)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Loan Type:				
Commercial and industrial ⁽¹⁾	\$ 1,238,940	17 %	\$ 1,346,122	19 %
Construction	1,145,165	16 %	1,222,220	17 %
Residential real estate:				
1-to-4 family	1,126,623	16 %	1,089,270	15 %
Line of credit	401,343	6 %	408,211	6 %
Multi-family	363,600	5 %	175,676	2 %
Commercial real estate:				
Owner-Occupied	923,605	13 %	924,841	13 %
Non-Owner Occupied	1,675,214	23 %	1,598,979	23 %
Consumer and other	324,464	4 %	317,640	5 %
Total loans	\$ 7,198,954	100 %	\$ 7,082,959	100 %

⁽¹⁾Includes \$57.4 million and \$212.6 million of loans originated as part of the PPP as of June 30, 2021 and December 31, 2020, respectively.

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. At June 30, 2021 and December 31, 2020, there were no concentrations of loans exceeding 10% of total loans other than the categories of loans disclosed in the table above. We believe our loan portfolio is diversified relative to industry concentrations across the various loan portfolio categories. While most industries have been adversely impacted as a result of COVID-19, certain industries are more sensitive and for that reason present greater risk than other industries. The following presents industry loan categories considered to be “of concern” in relation to our total portfolio as of June 30, 2021 and December 31, 2020.

Industry	Description of components	Approximate % of total loans	
		June 30, 2021	December 31, 2020
Retail lending	Includes non-owner occupied CRE, automobile, recreational vehicle and boat dealers, gas stations and convenience stores, pharmacies and drug stores, and sporting goods.	8.0 %	8.7 %
Healthcare	Includes assisted living, nursing and continuing care, medical practices, social assistance, mental health and substance abuse centers.	4.3 %	4.9 %
Hotel	Vast majority of hotel exposure is built around long-term successful hotel operators and strong flags located within our banking footprint.	4.6 %	4.9 %
Other leisure	Includes marinas, recreational vehicle parks and campgrounds, fitness and recreational sports centers, sports teams and clubs, historical sites, and theaters.	1.7 %	1.7 %
Transportation	Includes trucking exposure made up of truckload operators, equipment lessors to owner/operators, and local franchisees of major national trucking companies. Also includes air travel (no commercial airlines) and support and to a lesser extent, consumer charter and transportation and warehousing.	1.7 %	1.6 %
Restaurants	Majority made up of full service restaurants with no major concentration by operator or brand. Also includes limited service restaurants and bars.	2.2 %	2.0 %

Banking regulators have established thresholds of less than 100% of tier 1 capital plus allowance for credit losses in construction lending and less than 300% of tier 1 capital plus allowance for credit losses in commercial real estate lending that management monitors as part of the risk management process. The construction concentration ratio is a percentage of the outstanding construction and land development loans to total tier 1 capital plus allowance for credit losses. The commercial real estate concentration ratio is a percentage of the outstanding balance of non-owner occupied commercial real estate, multifamily, and construction and land development loans to tier 1 capital plus allowance for credit losses. Management strives to operate within the thresholds set forth above.

When a company's ratios are in excess of one or both of these guidelines, banking regulators generally require an increased level of monitoring in these lending areas by management.

The table below shows concentration ratios for the Bank and Company as of June 30, 2021 and December 31, 2020, which both were within the stated thresholds.

	As a percentage (%) of tier 1 capital plus allowance for credit losses	
	FirstBank	FB Financial Corporation
June 30, 2021		
Construction	89.7 %	86.6 %
Commercial real estate	250.8 %	242.1 %
December 31, 2020		
Construction	93.1 %	96.9 %
Commercial real estate	228.3 %	237.7 %

Loan categories

The principal categories of our loans held for investment portfolio are discussed below:

Commercial and industrial loans. We provide a mix of variable and fixed rate commercial and industrial loans. Our commercial and industrial loans are typically made to small and medium-sized manufacturing, wholesale, retail and service businesses for working capital and operating needs and business expansions, including the purchase of capital equipment and loans made to farmers relating to their operations. This category also includes loans secured by manufactured housing receivables. Commercial and industrial loans generally include lines of credit and loans with maturities of five years or less. This category also includes the loans we originated as part of the PPP, established by the Coronavirus Aid, Relief and Economic Security Act. The PPP is administered by the SBA, and loans we originated as part of the PPP may be forgiven by the SBA under a set of defined rules. These federally guaranteed loans were intended to provide up to 24 weeks of payroll and other operating costs as a source of aid to small- and medium-sized businesses. Commercial and industrial loans are generally made with operating cash flows as the primary source of repayment, but may also include collateralization by inventory, accounts receivable, equipment and personal guarantees. We plan to continue to make commercial and industrial loans an area of emphasis in our lending operations in the future. Excluding PPP loans totaling \$57.4 million and \$212.6 million as of June 30, 2021 and December 31, 2020, respectively, our commercial and industrial loans comprised \$1.18 billion, or 17%, and \$1.13 billion, or 16%, respectively, of our loans held for investment.

Commercial real estate owner-occupied loans. Our commercial real estate owner-occupied loans include loans to finance commercial real estate owner occupied properties for various purposes including use as offices, warehouses, production facilities, health care facilities, retail centers, restaurants, churches and agricultural based facilities. Commercial real estate owner-occupied loans are typically repaid through the ongoing business operations of the borrower, and hence are dependent on the success of the underlying business for repayment and are more exposed to general economic conditions.

Commercial real estate non-owner occupied loans. Our commercial real estate non-owner occupied loans include loans to finance commercial real estate non-owner occupied investment properties for various purposes including use as offices, warehouses, health care facilities, hotels, mixed-use residential/commercial, manufactured housing communities, retail centers, multifamily properties, assisted living facilities and agricultural based facilities. Commercial real estate non-owner occupied loans are typically repaid with the funds received from the sale of the completed property or rental proceeds from such property, and are therefore more sensitive to adverse conditions in the real estate market, which can also be affected by general economic conditions.

Residential real estate 1-4 family mortgage loans. Our residential real estate 1-4 family mortgage loans are primarily made with respect to and secured by single family homes, including manufactured homes with real estate, which are both owner-occupied and investor owned. We intend to continue to make residential 1-4 family housing loans at a similar pace, so long as housing values in our markets do not deteriorate from current prevailing levels and we are able to make such loans consistent with our current credit and underwriting standards. First lien residential 1-4 family mortgages may be affected by unemployment or underemployment and deteriorating market values of real estate.

Residential line of credit loans. Our residential line of credit loans are primarily revolving, open-end lines of credit secured by 1-4 family residential properties. We intend to continue to make residential line of credit loans if housing values in our markets do not deteriorate from current prevailing levels and we are able to make such loans consistent with our current credit and underwriting standards. Residential line of credit loans may be affected by unemployment or underemployment and deteriorating market values of real estate.

Multi-family residential loans. Our multi-family residential loans are primarily secured by multi-family properties, such as apartments and condominium buildings. These loans may be affected by unemployment or underemployment and deteriorating market values of real estate.

Construction loans. Our construction loans include commercial construction, land acquisition and land development loans and single-family interim construction loans to small- and medium-sized businesses and individuals. These loans are generally secured by the land or the real property being built and are made based on our assessment of the value of the property on an as-completed basis. We expect to continue to make construction loans at a similar pace so long as demand continues and the market for and values of such properties remain stable or continue to improve in our markets. These loans can carry risk of repayment when projects incur cost overruns, have an increase in the price of building materials, encounter zoning and environmental issues, or encounter other factors that may affect the completion of a

project on time and on budget. Additionally, repayment risk may be negatively impacted when the market experiences a deterioration in the value of real estate.

Consumer and other loans. Consumer and other loans include consumer loans made to individuals for personal, family and household purposes, including car, boat and other recreational vehicle loans and personal lines of credit. Consumer loans are generally secured by vehicles and other household goods. The collateral securing consumer loans may depreciate over time. The company seeks to minimize these risks through its underwriting standards. Other loans also include loans to states and political subdivisions in the U.S. These loans are generally subject to the risk that the borrowing municipality or political subdivision may lose a significant portion of its tax base or that the project for which the loan was made may produce inadequate revenue. None of these categories of loans represents a significant portion of our loan portfolio.

Loan maturity and sensitivities

The following tables present the contractual maturities of our loan portfolio as of June 30, 2021 and December 31, 2020. Loans with scheduled maturities are reported in the maturity category in which the payment is due. Demand loans with no stated maturity and overdrafts are reported in the “due in 1 year or less” category. Loans that have adjustable rates are shown as amortizing to final maturity rather than when the interest rates are next subject to change. The tables do not include prepayment assumptions or scheduled repayments. As of June 30, 2021 and December 31, 2020, the Company had \$22.0 million and \$22.4 million, respectively, in fixed-rate loans in which the Company has entered into variable rate swap contracts.

Loan type (dollars in thousands)	Maturing in one year or less		Maturing in one to five years		Maturing after five years		Total
As of June 30, 2021							
Commercial and industrial	\$	507,749	\$	567,998	\$	163,193	\$ 1,238,940
Commercial real estate:							
Owner occupied		100,825		482,077		340,703	923,605
Non-owner occupied		95,109		804,332		775,773	1,675,214
Residential real estate:							
1-to-4 family		76,140		365,486		684,997	1,126,623
Line of credit		33,996		77,182		290,165	401,343
Multi-family		4,879		234,280		124,441	363,600
Construction		579,896		416,833		148,436	1,145,165
Consumer and other		39,883		79,647		204,934	324,464
Total (\$)	\$	1,438,477	\$	3,027,835	\$	2,732,642	\$ 7,198,954
Total (%)		20.0 %		42.0 %		38.0 %	100.0 %

Loan type (dollars in thousands)	Maturing in one year or less		Maturing in one to five years		Maturing after five years		Total
As of December 31, 2020							
Commercial and industrial	\$	225,384	\$	955,847	\$	164,891	\$ 1,346,122
Commercial real estate:							
Owner occupied		114,993		453,426		356,422	924,841
Non-owner occupied		134,846		770,849		693,284	1,598,979
Residential real estate:							
1-to-4 family		78,600		361,804		648,866	1,089,270
Line of credit		27,970		82,084		298,157	408,211
Multi-family		6,291		74,139		95,246	175,676
Construction		613,153		384,124		224,943	1,222,220
Consumer and other		29,051		77,398		211,191	317,640
Total (\$)	\$	1,230,288	\$	3,159,671	\$	2,693,000	\$ 7,082,959
Total (%)		17.4 %		44.6 %		38.0 %	100.0 %

For loans due after one year or more, the following tables present the sensitivities to changes in interest rates as of June 30, 2021 and December 31, 2020.

Loan type (dollars in thousands)	Fixed interest rate		Floating interest rate		Total
As of June 30, 2021					
Commercial and industrial	\$	356,868	\$	374,323	\$ 731,191
Commercial real estate:					
Owner occupied		548,249		274,531	822,780
Non-owner occupied		664,951		915,154	1,580,105
Residential real estate:					
1-to-4 family		843,282		207,201	1,050,483
Line of credit		2,004		365,343	367,347
Multi-family		115,881		242,840	358,721
Construction		165,149		400,120	565,269
Consumer and other		266,727		17,854	284,581
Total (\$)	\$	2,963,111	\$	2,797,366	\$ 5,760,477
Total (%)		51.4 %		48.6 %	100.0 %

Loan type (dollars in thousands)	Fixed interest rate		Floating interest rate		Total
As of December 31, 2020					
Commercial and industrial	\$	577,567	\$	543,171	\$ 1,120,738
Commercial real estate:					
Owner occupied		534,035		275,813	809,848
Non-owner occupied		609,100		855,033	1,464,133
Residential real estate:					
1-to-4 family		809,012		201,658	1,010,670
Line of credit		4,647		375,594	380,241
Multi-family		86,232		83,153	169,385
Construction		182,761		426,306	609,067
Consumer and other		267,263		21,326	288,589
Total (\$)	\$	3,070,617	\$	2,782,054	\$ 5,852,671
Total (%)		52.5 %		47.5 %	100.0 %

The following table presents the contractual maturities of our loan portfolio segregated into fixed and floating interest rate loans as of June 30, 2021 and December 31, 2020.

(dollars in thousands)	Fixed interest rate		Floating interest rate		Total
As of June 30, 2021					
One year or less	\$	590,905	\$	847,572	\$ 1,438,477
One to five years		1,713,193		1,314,642	3,027,835
More than five years		1,249,918		1,482,724	2,732,642
Total (\$)	\$	3,554,016	\$	3,644,938	\$ 7,198,954
Total (%)		49.4 %		50.6 %	100.0 %

(dollars in thousands)	Fixed interest rate		Floating interest rate		Total
As of December 31, 2020					
One year or less	\$	321,315	\$	908,973	\$ 1,230,288
One to five years		1,906,319		1,253,352	3,159,671
More than five years		1,164,298		1,528,702	2,693,000
Total (\$)	\$	3,391,932	\$	3,691,027	\$ 7,082,959
Total (%)		47.9 %		52.1 %	100.0 %

Of the loans shown above with floating interest rates, many have interest rate floors as follows:

Loans with interest rate floors (dollars in thousands)	Maturing in one year or less	Weighted average level of support (bps)	Maturing in one to five years	Weighted average level of support (bps)	Maturing after five years	Weighted average level of support (bps)	Total	Weighted average level of support (bps)
As of June 30, 2021								
Loans with current rates above floors:								
1-25 bps	\$ 57,399	22.48	\$ 232,419	13.94	\$ 191,048	14.30	\$ 480,866	15.10
26-50 bps	10,965	50.00	3,096	49.26	16,897	47.95	30,958	48.81
51-75 bps	805	47.99	4,299	74.41	14,161	73.08	19,265	73.46
76-100 bps	1,202	100.00	819	95.14	4,760	95.43	6,781	96.21
101-125 bps	431	120.82	142	125.00	1,867	122.01	2,440	121.98
126-150 bps	48	150.00	11,174	135.73	3,187	147.35	14,409	138.35
151-200 bps	223	177.24	1,653	178.53	5,515	177.56	7,391	177.77
201-250 bps	—	—	268	247.40	924	239.72	1,192	241.45
251 bps and above	813	321.36	696	282.23	2,753	300.93	4,262	301.77
Total loans with current rates above floors	\$ 71,886	33.09	\$ 254,566	23.11	\$ 241,112	32.18	\$ 567,564	28.22
Loans with current rates below floors:								
1-25 bps	\$ 78,804	22.30	\$ 121,389	19.65	\$ 75,951	16.45	\$ 276,144	19.53
26-50 bps	61,034	48.37	86,743	44.16	107,435	47.62	255,212	46.63
51-75 bps	99,323	73.82	88,026	69.38	128,092	68.15	315,441	70.28
76-100 bps	65,676	96.03	121,595	88.87	96,707	93.00	283,978	91.93
101-125 bps	32,334	124.03	50,163	120.59	74,484	118.01	156,981	120.07
126-150 bps	22,963	142.85	43,805	139.30	83,427	139.85	150,195	140.15
151-200 bps	38,580	182.10	64,207	179.83	92,951	178.50	195,738	179.65
201-250 bps	23,197	233.12	20,097	223.34	48,562	223.75	91,856	226.03
251 bps and above	18,709	362.36	35,703	287.92	47,842	308.50	102,254	311.16
Total loans with current rates below floors	\$ 440,620	101.79	\$ 631,728	97.50	\$ 755,451	114.85	\$ 1,827,799	105.71

Asset quality

In order to operate with a sound risk profile, we focus on originating loans that we believe to be of high quality. We have established loan approval policies and procedures to assist us in maintaining the overall quality of our loan portfolio. When delinquencies in our loans exist, we rigorously monitor the levels of such delinquencies for any negative or adverse trends. From time to time, we may modify loans to extend the term or make other concessions, including extensions or interest rate modifications, to help a borrower with a deteriorating financial condition stay current on their loan and to avoid foreclosure. Furthermore, we are committed to collecting on all of our loans, which can result in us carrying higher nonperforming assets. We believe this practice leads to higher recoveries in the long-term.

Nonperforming assets

Our nonperforming assets consist of nonperforming loans, other real estate owned and other miscellaneous non-earning assets. Nonperforming loans are those on which the accrual of interest has stopped, as well as loans that are contractually 90 days past due on which interest continues to accrue. Generally, the accrual of interest is discontinued when the full collection of principal or interest is in doubt or when the payment of principal or interest has been contractually 90 days past due, unless the obligation is both well secured and in the process of collection. In our loan review process, we seek to identify and proactively address nonperforming loans. Accrued interest receivable written off as an adjustment to interest income amounted to \$0.1 million and \$0.2 million for the three months ended June 30, 2021 and 2020, respectively, and \$0.6 million and \$0.3 million for the six months ended June 30, 2021 and 2020, respectively. Additionally, we had net interest recoveries on nonperforming assets previously charged off of \$0.5 million and \$0.2 million for the three months ended June 30, 2021 and 2020, respectively, and \$1.2 million and \$0.4 million for the six months ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 and December 31, 2020, we had \$78.2 million and \$84.2 million, respectively, in nonperforming assets. In addition to loans held for investment, nonperforming assets included commercial loans held for sale that were past due 90 days or more or not accruing interest. These nonperforming commercial loans held for sale represent a pool of shared national credits and institutional healthcare loans that were acquired during 2020 in our acquisition of Franklin and amounted to \$5.8 million and \$6.5 million as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, other real estate owned included \$5.5 million and \$5.7 million, respectively, of excess land and facilities held for sale resulting from our acquisitions. Other nonperforming assets included other repossessed non-real estate amounting to \$0.8 million and \$1.2 million as of June 30, 2021 and December 31, 2020, respectively.

Government National Mortgage Association optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing and was the original transferor. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100 percent of the remaining principal balance of the loan. Under FASB ASC Topic 860, "Transfers and Servicing," this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When the Company is deemed to have regained effective control over these loans under the unconditional buy-back option, the loans can no longer be reported as sold and must be brought back onto the balance sheet, regardless of whether the Company intends to exercise the buy-back option if the buyback option provides the transferor a more-than-trivial benefit. At June 30, 2021 and December 31, 2020, there were \$120.9 million and \$151.2 million of delinquent GNMA loans that had previously been sold; however, we determined there not to be a more-than-trivial benefit of rebooking based on an analysis of interest rates and an assessment of potential reputational risk associated with these loans. As such, these were not recorded on our balance sheets as of June 30, 2021 or December 31, 2020.

The following table provides details of our nonperforming assets, the ratio of such loans and other nonperforming assets to total assets, and certain other related information as of the dates presented:

(dollars in thousands)	As of June 30,		As of December 31,
	2021	2020	2020
Loan Type			
Commercial and industrial	\$ 15,642	\$ 2,419	\$ 16,335
Construction	5,790	1,947	4,626
Residential real estate:			
1-to-4 family mortgage	13,096	10,104	16,393
Residential line of credit	1,237	981	1,996
Multi-family mortgage	53	—	57
Commercial real estate:			
Owner occupied	8,074	2,644	7,948
Non-owner occupied	12,016	13,339	12,471
Consumer and other	3,619	3,391	4,630
Total nonperforming loans held for investment	59,527	34,825	64,456
Loans held for sale	5,844	—	6,489
Other real estate owned	11,986	15,091	12,111
Other	816	1,306	1,170
Total nonperforming assets	\$ 78,173	\$ 51,222	\$ 84,226
Total nonperforming loans held for investment as a percentage of total loans held for investment	0.83 %	0.72 %	0.91 %
Total nonperforming assets as a percentage of total assets	0.66 %	0.71 %	0.75 %
Total accruing loans over 90 days delinquent as a percentage of total assets	0.08 %	0.09 %	0.12 %
Loans restructured as troubled debt restructurings	\$ 42,678	\$ 13,277	\$ 15,988
Troubled debt restructurings as a percentage of total loans held for investment	0.59 %	0.28 %	0.23 %

We have evaluated our nonperforming loans held for investment and believe all nonperforming loans have been adequately reserved for in the allowance for credit losses as of June 30, 2021. Management also continually monitors past due loans for potential credit quality deterioration. Loans not considered nonperforming include loans 30-89 days past due amounting to \$10.7 million at June 30, 2021 as compared to \$27.0 million at December 31, 2020.

Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure in addition to excess facilities held for sale resulting from the consolidation of our facilities resulting from our mergers. These properties are carried at the lower of cost or fair value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for credit losses. Reductions in the carrying value subsequent to foreclosure are charged to earnings and are included in "(Loss) gain on sales or write-downs of other real estate owned" in the accompanying consolidated statements of income. During the three and six months ended June 30, 2021, other real estate owned included write-downs and partial liquidations of \$0.3 million and \$0.6 million, respectively, which combined with gains on sales of other real estate, resulted in a net loss of \$23 thousand and net gain of \$0.5 million, respectively. During the three and six months ended June 30, 2020, other real estate owned included write-downs and partial liquidations of \$0.1 million and \$0.2 million, respectively, which combined with net gains on sales of other real estate owned, resulted in net gains \$0.1 million and \$0.1 million, respectively.

Loan Modifications due to COVID-19

On March 22, 2020, a statement was issued by our banking regulators and titled the "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" (the "Interagency Statement") that encourages financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations due to the effects of COVID-19. Additionally, Section 4013 of the CARES Act further stipulated that a qualified loan modification was exempt by law from classification as a troubled debt restructuring, from the period beginning March 1, 2020 until the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 pandemic is terminated. Section 541 of the CAA extended this relief to the earlier of January 1, 2022 or 60 days after the national emergency termination date. The Interagency Statement was subsequently revised in April 2020 to clarify the interaction of the original guidance with Section 4013 of the CARES Act, as well as setting forth the banking regulators' views on consumer protection considerations.

We have numerous customers that have experienced financial distress as a direct result of COVID-19, and in response we offered financial relief in the form of a payment deferral program to assist our customers through these unprecedented times. The majority of these modifications were consistent with the "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" and the CARES Act and did not qualify as TDRs. As of June 30, 2021 and December 31, 2020, the total amortized cost of loans deferred as part of this program that were no longer in deferral status amounted to \$1.36 billion and \$1.40 billion, respectively. As of June 30, 2021 and December 31, 2020, recorded balances in total loans remaining in deferral status under this program amounted to \$73.9 million and \$202.5 million, respectively. Additionally, we service mortgages on behalf of Fannie Mae, Freddie Mac and Ginnie Mae, and as of June 30, 2021 and December 31, 2020, approximately 2% and 6%, respectively, of customers serviced on behalf of the aforementioned companies were receiving forbearance assistance. The payment deferrals program differs from forbearance, in that all deferred payments are not normally due at the end of the deferral period. Instead, the payment due date is advanced to a future time period. Generally, interest continues to accrue on loans during the deferral period, unless the loan is on nonaccrual. The majority of our loans in deferral status are considered performing loans, and we anticipate collecting on these balances. We remain proactive in monitoring our loans in deferral status by reaching out to our borrowers with payment deferrals to determine their financial capacity and whether additional payment deferrals or other loan modifications are necessary.

Classified loans

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. We analyze loans that share similar risk characteristics collectively and loans that do not share similar risk characteristics are evaluated individually. Loans rated Pass include those that are adequately collateralized performing loans which management believes do not have conditions that have occurred or may occur that would result in the loan being downgraded into an inferior category. The Pass category also includes loans rated as Watch, which include those that management believes have conditions that have occurred, or may occur, which could result in the loan being downgraded to an inferior category. A Special Mention loan has potential or exhibited weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date. Classified loans include those considered substandard and doubtful. See Note 4, "Loans and allowance for credit losses" in the notes to our consolidated financial statements for a further description of these risk categories.

The following tables set forth information related to the credit quality of our loan portfolio as of the dates presented.

Loan type (dollars in thousands)	Pass	Special Mention	Classified	Total
As of June 30, 2021				
Commercial and industrial	\$ 1,178,805	\$ 20,254	\$ 39,881	\$ 1,238,940
Construction	1,133,782	2,103	9,280	1,145,165
Residential real estate:				
1-to-4 family mortgage	1,100,074	6,076	20,473	1,126,623
Residential line of credit	396,297	344	4,702	401,343
Multi-family mortgage	363,547	—	53	363,600
Commercial real estate:				
Owner occupied	885,300	12,485	25,820	923,605
Non-owner occupied	1,618,642	11,778	44,794	1,675,214
Consumer and other	318,197	612	5,655	324,464
Total loans	\$ 6,994,644	\$ 53,652	\$ 150,658	\$ 7,198,954

Loan type (dollars in thousands)	Pass	Special Mention	Classified	Total
As of December 31, 2020				
Commercial and industrial	\$ 1,276,394	\$ 30,382	\$ 39,346	\$ 1,346,122
Construction	1,207,391	6,114	8,715	1,222,220
Residential real estate:				
1-to-4 family mortgage	1,055,293	9,800	24,177	1,089,270
Residential line of credit	400,206	2,653	5,352	408,211
Multi-family mortgage	175,619	—	57	175,676
Commercial real estate:				
Owner occupied	866,738	31,544	26,559	924,841
Non-owner occupied	1,561,360	16,824	20,795	1,598,979
Consumer and other	305,383	5,035	7,222	317,640
Total loans	\$ 6,848,384	\$ 102,352	\$ 132,223	\$ 7,082,959

Allowance for credit losses

The allowance for credit losses represents the portion of the loan's amortized cost basis that we do not expect to collect due to credit losses over the loan's life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions considering macroeconomic forecasts. Loan losses are charged against the allowance when we believe the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for credit losses is based on the loan's amortized cost basis, excluding accrued interest receivable, as we promptly charge off accrued interest receivable determined to be uncollectible. We determine the appropriateness of the allowance through periodic evaluation of the loan portfolio, lending-related commitments and other relevant factors, including macroeconomic forecasts and historical loss rates. In future quarters, we may update information and forecasts that may cause significant changes in the estimate in those future quarters.

The allowance for credit losses was \$144.7 million and \$170.4 million and represented 2.01% and 2.41% of loans held for investment as of June 30, 2021 and December 31, 2020, respectively. Excluding PPP loans with a recorded investment totaling \$57.4 million and \$212.6 million, our ACL as a percentage of total loans held for investment would have been 2 and 7 basis points higher as of June 30, 2021 and December 31, 2020, respectively. PPP loans are federally guaranteed as part of the CARES Act, provided PPP loan recipients receive loan forgiveness under the SBA regulations. As such, there is minimal credit risk associated with these loans.

In addition, we evaluated changes in reasonable and supportable forecasts of macroeconomic variables during the three and six months ended June 30, 2021, primarily due to the impact of the COVID-19 pandemic, which resulted in projected decrease in lifetime losses and overall decrease in the ACL. Specifically, we performed additional qualitative evaluations for certain categories within our loan portfolio, in line with our established qualitative framework, weighting the impact of the current economic outlook, status of federal government stimulus programs, and other considerations, in order to identify specific industries or borrowers seeing credit improvement or deterioration specific to the COVID-19 pandemic.

We also maintain an allowance for credit losses on unfunded commitments, which decreased to \$13.2 million as of June 30, 2021 from \$16.4 million as of December 31, 2020, also as a result of the improving macroeconomic forecasts incorporated into our CECL loss rate model.

The following table presents the allocation of the allowance for credit losses by loan category as well as the ratio of loans by loan category compared to the total loan portfolio as of the dates indicated:

(dollars in thousands)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of Loans	Amount	% of Loans
Loan Type:				
Commercial and industrial	\$ 13,791	17 %	\$ 14,748	19 %
Construction	32,838	16 %	58,477	17 %
Residential real estate:				
1-to-4 family mortgage	19,672	16 %	19,220	15 %
Residential line of credit	6,716	6 %	10,534	6 %
Multi-family mortgage	13,475	5 %	7,174	2 %
Commercial real estate:				
Owner occupied	4,707	13 %	4,849	13 %
Non-owner occupied	42,856	23 %	44,147	23 %
Consumer and other	10,608	4 %	11,240	5 %
Total allowance	\$ 144,663	100 %	\$ 170,389	100 %

The following table summarizes activity in our allowance for credit losses during the periods indicated:

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended
	2021	2020	2021	2020	December 31,
Allowance for credit losses at beginning of period	\$ 157,954	\$ 89,141	\$ 170,389	\$ 31,139	\$ 31,139
Impact of adopting ASC 326 on non-purchased credit deteriorated loans	—	—	—	30,888	30,888
Impact of adopting ASC 326 on purchased credit deteriorated loans	—	—	—	558	558
Charge-offs:					
Commercial and industrial	(360)	(147)	(637)	(1,381)	(11,735)
Construction	—	(18)	(29)	(18)	(18)
Residential real estate:					
1-to-4 family mortgage	(16)	(123)	(149)	(365)	(403)
Residential line of credit	(3)	(21)	(18)	(21)	(22)
Multi-family mortgage	—	—	—	—	—
Commercial real estate:					
Owner occupied	—	—	—	(209)	(304)
Non-owner occupied	—	(545)	—	(545)	(711)
Consumer and other	(480)	(311)	(1,196)	(1,037)	(2,112)
Total charge-offs	\$ (859)	\$ (1,165)	\$ (2,029)	\$ (3,576)	\$ (15,305)
Recoveries:					
Commercial and industrial	\$ 87	\$ 807	\$ 216	\$ 895	\$ 1,712
Construction	—	151	—	151	205
Residential real estate:					
1-to-4 family mortgage	41	26	65	50	122
Residential line of credit	9	24	15	39	125
Multi-family mortgage	—	—	—	—	—
Commercial real estate:					
Owner occupied	126	3	139	17	83
Non-owner occupied	—	—	—	—	—
Consumer and other	190	103	385	296	756
Total recoveries	\$ 453	\$ 1,114	\$ 820	\$ 1,448	\$ 3,003
Net charge-offs	(406)	(51)	(1,209)	(2,128)	(12,302)
Provision for credit losses	(12,885)	24,039	(24,517)	52,003	94,606
Initial allowance for credit losses on loans purchased with credit deterioration	—	—	—	669	25,500
Allowance for credit losses at the end of period	\$ 144,663	\$ 113,129	\$ 144,663	\$ 113,129	\$ 170,389
Ratio of net charge-offs during the period to average loans outstanding during the period	(0.02)%	— %	(0.03)%	(0.09)%	(0.22)%
Allowance for credit losses as a percentage of loans at end of period ^(a)	2.01 %	2.34 %	2.01 %	2.34 %	2.41 %
Allowance for credit losses as a percentage of nonperforming loans at end of period ^(a)	243.0 %	324.8 %	243.0 %	324.8 %	264.3 %

(a) Excludes reserve for credit losses on unfunded commitments of \$13.2 million, \$6.5 million, and \$16.4 million recorded in accrued expenses and other liabilities at June 30, 2021, June 30, 2020, and December 31, 2020, respectively.

Loans held for sale

Commercial loans held for sale

On August 15, 2020, the Company acquired a portfolio of commercial loans, including shared national credits and institutional healthcare loans, as part of the Franklin transaction that the Company has elected to account for as held for sale. The loans had a fair value of \$124.1 million as of June 30, 2021 compared to \$215.4 million as of December 31, 2020. The decrease is primarily attributable to loans within the portfolio being paid off through external refinancing and pay-downs. This decrease also includes gains on changes in fair value amounting to \$1.4 and \$0.5 million for the three and six months ended June 30, 2021, respectively, which is included in 'other noninterest income' on the consolidated statement of income.

Mortgage loans held for sale

Mortgage loans held for sale were \$697.4 million at June 30, 2021 compared to \$683.8 million at December 31, 2020. Interest rate lock volume for the three months ended June 30, 2021 and 2020, totaled \$1.77 billion and \$2.24 billion, respectively, and \$3.66 billion and \$4.33 billion for the six months ended June 30, 2021 and 2020, respectively. Generally, mortgage volume increases in lower interest rate environments and robust housing markets and decreases in rising interest rate environments and slower housing markets. The decrease in interest rate lock volume during the three and six months ended June 30, 2021 reflects the slow down experienced across the industry compared with the same periods in the prior year, which benefited from historically low interest rates pre-empted by the COVID-19 Pandemic. Interest rate lock commitments in the pipeline were \$0.79 billion as of June 30, 2021 compared with \$1.19 billion as of December 31, 2020.

Mortgage loans to be sold are sold either on a "best efforts" basis or under a mandatory delivery sales agreement. Under a "best efforts" sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored agencies, and we are obligated to sell the mortgages to such investors only if the mortgages are closed and funded. The risk we assume is conditioned upon loan underwriting and market conditions in the national mortgage market. Under a mandatory delivery sales agreement, we commit to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within fifteen to twenty-five days after the loan is funded, depending on the economic environment and competition in the market. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market.

Deposits

Deposits represent the Bank's primary source of funds. We continue to focus on growing core customer deposits through our relationship driven banking philosophy, community-focused marketing programs, and initiatives such as the development of our treasury management services.

Total deposits were \$10.20 billion and \$9.46 billion as of June 30, 2021 and December 31, 2020, respectively. Noninterest-bearing deposits at June 30, 2021 and December 31, 2020 were \$2.48 billion and \$2.27 billion, respectively, while interest-bearing deposits were \$7.72 billion and \$7.18 billion at June 30, 2021 and December 31, 2020, respectively. This deposit growth includes increases of \$523.5 million and \$70.1 million in interest-bearing demand and savings deposits, respectively, in each case compared to December 31, 2020. This was offset by declines in customer time and brokered and internet time deposits of \$134.2 million and \$20.7 million, respectively, in each case as of June 30, 2021 compared to balances as of December 31, 2020. This change in deposit composition is a result of our balance sheet management and focus on replacing time deposits with less costly funding sources.

Included in noninterest-bearing deposits are certain mortgage escrow and related customer deposits that our third-party servicing provider, Cenlar, transfers to the Bank which totaled \$166.1 million and \$148.0 million at June 30, 2021 and December 31, 2020, respectively. Additionally, our deposits from municipal and governmental entities (i.e. "public deposits") totaled \$1.93 billion at June 30, 2021, compared to \$1.68 billion at December 31, 2020.

Our deposit base also includes certain commercial and high net worth individuals that periodically place deposits with the Bank for short periods of time and can cause fluctuations from period to period in the overall level of customer deposits outstanding. These fluctuations may include certain deposits from related parties as disclosed within Note 15, "Related

party transactions" in the notes to our consolidated financial statements included in this Report. Management continues to focus on growing noninterest-bearing deposits while allowing more costly funding sources to mature.

Average deposit balances by type, together with the average rates per period are reflected in the average balance sheet amounts, interest paid and rate analysis tables included in this management's discussion and analysis under the subheading "Results of operations" discussion.

The following table sets forth the distribution by type of our deposit accounts as of the dates indicated:

(dollars in thousands)	As of June 30, 2021			As of December 31, 2020		
	Amount	% of total deposits	Average rate	Amount	% of total deposits	Average rate
Deposit Type						
Noninterest-bearing demand	\$ 2,484,982	25 %	— %	\$ 2,274,103	24 %	— %
Interest-bearing demand	3,015,253	30 %	0.40 %	2,491,765	26 %	0.61 %
Money market	2,998,527	29 %	0.44 %	2,902,230	30 %	0.76 %
Savings deposits	422,754	4 %	0.06 %	352,685	4 %	0.08 %
Customer time deposits	1,241,540	12 %	0.76 %	1,375,695	15 %	1.52 %
Brokered and internet time deposits	40,900	— %	2.24 %	61,559	1 %	0.90 %
Total deposits	\$ 10,203,956	100 %	0.36 %	\$ 9,458,037	100 %	0.62 %
Customer Time Deposits						
0.00-0.50%	\$ 718,719	58 %		\$ 454,429	34 %	
0.51-1.00%	189,411	15 %		253,883	18 %	
1.01-1.50%	102,929	8 %		155,755	11 %	
1.51-2.00%	62,326	5 %		169,414	12 %	
2.01-2.50%	91,622	8 %		159,699	12 %	
Above 2.50%	76,533	6 %		182,515	13 %	
Total customer time deposits	\$ 1,241,540	100 %		\$ 1,375,695	100 %	
Brokered and Internet Time Deposits						
0.00-0.50%	\$ 98	— %		\$ —	— %	
0.51-1.00%	—	— %		—	— %	
1.01-1.50%	595	1 %		5,660	9 %	
1.51-2.00%	24,952	61 %		42,311	69 %	
2.01-2.50%	8,786	22 %		5,312	9 %	
Above 2.50%	6,469	16 %		8,276	13 %	
Total brokered and internet time deposits	40,900	100 %		61,559	100 %	
Total time deposits	\$ 1,282,440			\$ 1,437,254		

The following table sets forth our time deposits segmented by months to maturity and deposit amount as of June 30, 2021 and December 31, 2020:

(dollars in thousands)	As of June 30, 2021		
	Time deposits of \$100 and greater	Time deposits of less than \$100	Total
Months to maturity:			
Three or less	\$ 226,948	\$ 102,992	\$ 329,940
Over Three to Six	146,782	76,149	222,931
Over Six to Twelve	199,084	128,936	328,020
Over Twelve	267,959	133,590	401,549
Total	\$ 840,773	\$ 441,667	\$ 1,282,440

(dollars in thousands)	As of December 31, 2020		
	Time deposits of \$100 and greater	Time deposits of less than \$100	Total
Months to maturity:			
Three or less	\$ 203,202	\$ 123,080	\$ 326,282
Over Three to Six	228,585	106,223	334,808
Over Six to Twelve	255,486	132,240	387,726
Over Twelve	254,672	133,766	388,438
Total	\$ 941,945	\$ 495,309	\$ 1,437,254

Investment portfolio

Our investment portfolio objectives include maximizing total return after other primary objectives are achieved such as, but not limited to, providing liquidity, capital preservation, and pledging collateral for various types of borrowings. The investment objectives guide the portfolio allocation among securities types, maturities, and other attributes.

The following table shows the carrying value of our total securities available-for-sale by investment type and the relative percentage of each investment type for the dates indicated:

(dollars in thousands)	As of June 30, 2021		As of December 31, 2020	
	Carrying value	% of total	Carrying value	% of total
U.S. government agency securities	\$ 8,255	— %	\$ 2,003	— %
Mortgage-backed securities - residential	1,035,003	74 %	773,336	67 %
Mortgage-backed securities - commercial	15,161	1 %	21,588	2 %
Municipal securities	332,883	24 %	356,329	30 %
U.S. Treasury securities	10,534	1 %	16,628	1 %
Corporate securities	2,536	— %	2,516	— %
Total securities available-for-sale	\$ 1,404,372	100 %	\$ 1,172,400	100 %

The fair value of our available-for-sale debt securities portfolio at June 30, 2021 was \$1.40 billion compared to \$1.17 billion at December 31, 2020. During the three months ended June 30, 2021 and 2020, we purchased \$223.5 million and \$30.4 million, respectively in investment securities and during the six months ended June 30, 2021 and 2020, we purchased \$354.8 million and \$60.0 million in investment securities, respectively (excluding those acquired from Farmers National during the six months ended June 30, 2020). There were no sales of securities sold during the three and six months ended June 30, 2021 and 2020. During the three months ended June 30, 2021 and 2020, maturities and calls of securities totaled \$86.9 million and \$44.7 million, respectively, and during the six months ended June 30, 2021 and 2020, maturities and calls of securities totaled \$147.9 million and \$72.4 million, respectively. As of June 30, 2021 and December 31, 2020, net unrealized gains of \$22.3 million and \$34.6 million, respectively, were included in the fair value of available-for-sale debt securities.

As of June 30, 2021 and December 31, 2020, the Company had \$4.8 million and \$4.6 million, respectively, in equity securities recorded at fair value that primarily consisted of mutual funds. The change in the fair value of equity securities

resulted in a net gain of \$136 thousand and a net loss of \$28 thousand during the three months ended June 30, 2021 and 2020, respectively. During the six months ended June 30, 2021 and 2020, the change in the fair value of equity securities resulted in a net gain of \$212 thousand and \$35 thousand, respectively.

The following table sets forth the fair value, scheduled maturities and weighted average yields for our investment portfolio as of the dates indicated below:

(dollars in thousands)	As of June 30, 2021			As of December 31, 2020		
	Fair value	% of total investment securities	Weighted average yield ⁽¹⁾	Fair value	% of total investment securities	Weighted average yield ⁽¹⁾
Treasury securities:						
Maturing within one year	\$ 10,534	0.8 %	1.66 %	\$ 16,628	1.4 %	1.57 %
Maturing in one to five years	—	— %	— %	—	— %	— %
Maturing in five to ten years	—	— %	— %	—	— %	— %
Maturing after ten years	—	— %	— %	—	— %	— %
Total Treasury securities	10,534	0.8 %	1.66 %	16,628	1.4 %	1.57 %
Government agency securities:						
Maturing within one year	—	— %	— %	—	— %	— %
Maturing in one to five years	1,250	0.1 %	1.00 %	—	— %	— %
Maturing in five to ten years	7,005	0.5 %	1.23 %	2,003	0.2 %	2.64 %
Maturing after ten years	—	— %	— %	—	— %	— %
Total government agency securities	8,255	0.6 %	1.19 %	2,003	0.2 %	2.64 %
Municipal securities						
Maturing within one year	8,437	0.6 %	3.07 %	19,034	1.6 %	1.07 %
Maturing in one to five years	20,637	1.5 %	1.91 %	24,184	2.1 %	2.06 %
Maturing in five to ten years	36,705	2.7 %	2.94 %	37,313	3.2 %	2.76 %
Maturing after ten years	267,104	19.0 %	3.20 %	275,798	23.5 %	3.12 %
Total obligations of state and municipal subdivisions	332,883	23.8 %	3.08 %	356,329	30.4 %	3.07 %
Residential and commercial mortgage backed securities guaranteed by FNMA, GNMA and FHLMC:						
Maturing within one year	—	— %	— %	—	— %	— %
Maturing in one to five years	4,339	0.3 %	2.56 %	2,975	0.3 %	3.12 %
Maturing in five to ten years	21,426	1.5 %	2.49 %	30,596	2.6 %	2.47 %
Maturing after ten years	1,024,399	72.9 %	1.51 %	761,353	64.9 %	1.45 %
Total residential and commercial mortgage backed securities guaranteed by FNMA, GNMA and FHLMC	1,050,164	74.7 %	1.52 %	794,924	67.8 %	1.50 %
Corporate securities:						
Maturing within one year	—	— %	— %	—	— %	— %
Maturing in one to five years	500	— %	5.00 %	500	— %	5.00 %
Maturing in five to ten years	2,036	0.1 %	4.19 %	2,016	0.2 %	4.19 %
Maturing after ten years	—	— %	— %	—	— %	— %
Total Corporate securities	2,536	0.1 %	4.35 %	2,516	0.2 %	4.35 %
Total investment securities	\$ 1,404,372	100.0 %	1.90 %	\$ 1,172,400	100.0 %	2.29 %

(1) Yields on a tax-equivalent basis.

The following table summarizes the amortized cost of debt securities classified as available-for-sale and their approximate fair values as of the dates shown:

(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale				
As of June 30, 2021				
U.S. government agency securities	\$ 8,255	\$ 1	\$ (1)	\$ 8,255
Mortgage-backed securities - residential	1,031,233	9,507	(5,737)	1,035,003
Mortgage-backed securities - commercial	14,715	446	—	15,161
Municipal securities	314,862	18,088	(67)	332,883
U.S. Treasury securities	10,486	48	—	10,534
Corporate securities	2,500	42	(6)	2,536
	<u>\$ 1,382,051</u>	<u>\$ 28,132</u>	<u>\$ (5,811)</u>	<u>\$ 1,404,372</u>
As of December 31, 2020				
US Government agency securities	\$ 2,000	\$ 3	\$ —	\$ 2,003
Mortgage-backed securities - residential	760,099	14,040	(803)	773,336
Mortgage-backed securities - commercial	20,226	1,362	—	21,588
Municipal securities	336,543	19,806	(20)	356,329
U.S. Treasury securities	16,480	148	—	16,628
Corporate securities	2,500	17	(1)	2,516
	<u>\$ 1,137,848</u>	<u>\$ 35,376</u>	<u>\$ (824)</u>	<u>\$ 1,172,400</u>

Securities purchased under agreements to resell ("reverse repurchase agreements")

We enter into agreements with certain customers to purchase investment securities under agreements to resell the following day. This investment deploys some of our liquidity position into an instrument that improves the return on those funds in the current low rate environment. Additionally, we believe it positions us more favorably for a potential rising interest rate environment in the future. Securities purchased under agreements to resell totaled \$30.0 million and \$0 at June 30, 2021 and December 31, 2020, respectively.

Borrowed funds

Deposits and investment securities available-for-sale are the primary source of funds for our lending activities and general business purposes. However, we may also obtain advances from the FHLB, purchase federal funds and engage in overnight borrowing from the Federal Reserve, correspondent banks, or enter into client repurchase agreements. We also use these sources of funds as part of our asset liability management process to control our long-term interest rate risk exposure, even if it may increase our short-term cost of funds.

Our level of short-term borrowing can fluctuate on a daily basis depending on funding needs and the source of funds to satisfy those needs, in addition to the overall interest rate environment and cost of public funds. Borrowings can include securities sold under agreements to repurchase, lines of credit, advances from the FHLB, federal funds, and subordinated debt.

The following table sets forth our total borrowings segmented by years to maturity as of June 30, 2021:

(dollars in thousands)	June 30, 2021		
	Amount	% of total	Weighted average interest rate (%)
Maturing Within:			
June 30, 2022	\$ 33,056	18 %	0.24 %
June 30, 2023	—	— %	— %
June 30, 2024	—	— %	— %
June 30, 2025	—	— %	— %
June 30, 2026	—	— %	— %
Thereafter	149,351	82 %	4.77 %
Total	\$ 182,407	100 %	2.98 %

Securities sold under agreements to repurchase

We enter into agreements with certain customers to sell certain securities under agreements to repurchase the security the following day. These agreements are made to provide customers with comprehensive treasury management programs a short-term return for their excess funds. Securities sold under agreements to repurchase totaled \$33.1 million and \$32.2 million at June 30, 2021 and December 31, 2020, respectively.

Subordinated debt

We have two wholly-owned subsidiaries that are statutory business trusts ("Trusts"). The Trusts were created for the sole purpose of issuing 30-year capital trust preferred securities to fund the purchase of junior subordinated debentures issued by the Company. As of June 30, 2021 and December 31, 2020, our \$0.9 million investment in the Trusts was included in other assets in the accompanying consolidated balance sheets, and our \$30.0 million obligation is reflected as junior subordinated debt, respectively. The junior subordinated debt bears interest at floating interest rates based on a spread over 3-month LIBOR plus 315 basis points (3.30% and 3.40% at June 30, 2021 and December 31, 2020, respectively) for the \$21.7 million debenture and 3-month LIBOR plus 325 basis points (3.40% and 3.50% at June 30, 2021 and December 31, 2020, respectively) for the remaining \$9.3 million. The \$9.3 million debenture may be redeemed prior to the 2033 maturity date upon the occurrence of a special event, and the \$21.7 million debenture may be redeemed prior to 2033 at our option.

Additionally, during 2020, we placed \$100.0 million of ten year fixed-to-floating rate subordinated notes, maturing September 1, 2030. This subordinated note instrument pays interest semi-annually in arrears based on a 4.5% fixed annual interest rate for the first five years of the notes. For years six through ten, the interest rate resets on a quarterly basis, and will be based on the 3-month Secured Overnight Financing Rate plus a spread of 439 basis points. We are entitled to redeem the notes in whole or in part on any interest payment date on or after September 1, 2025. The Company has classified the issuance, net of unamortized issuance costs of \$1.6 million and \$1.8 million, as Tier 2 capital at June 30, 2021 and December 31, 2020, respectively.

We also assumed two issues of subordinated debt, totaling \$60,000, as part of the Franklin merger. The notes, issued by Franklin in 2016, feature \$40,000 of 6.875% fixed-to-floating rate subordinated notes due March 30, 2026 ("March 2026 Subordinated Notes"), and \$20,000 of 7% fixed-to-floating rate subordinated notes due July 1, 2026 ("July 2026 Subordinated Notes"). During the six months ended June 30, 2021, we redeemed the \$40.0 million March 2026 Subordinated Notes in full. Additionally, during the three and six months ended June 30, 2021, we recorded accretion of a purchase accounting premium of \$0.1 million and \$0.4 million as a reduction to interest expense on borrowings. The remaining July 2026 Subordinated Note was paid off on July 1, 2021. There was \$20 million and \$60.0 million related to these issuances included as Tier 2 capital as of June 30, 2021 and December 31, 2020, respectively.

Other borrowings

During the first quarter of 2020, we entered into total borrowings against a credit line in the amount \$15.0 million against the line to fund the cash consideration paid in connection with the Farmers National transaction. The line of credit matured on February 21, 2021 and was repaid in full. Other borrowings on our consolidated balance sheets also includes our finance lease liability totaling \$1.6 million as of both June 30, 2021 and December 31, 2020. See Note 6, "Leases" within the Notes to our consolidated financial statements for additional information regarding our finance lease.

Liquidity and capital resources

Bank liquidity management

We are expected to maintain adequate liquidity at the Bank to meet the cash flow requirements of clients who may be either depositors wishing to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. Our Liquidity and Interest Rate Risk Policy is intended to cause the Bank to maintain adequate liquidity and, therefore, enhance our ability to raise funds to support asset growth, meet deposit withdrawals and lending needs, maintain reserve requirements and otherwise sustain our operations. We accomplish this through management of the maturities of our interest-earning assets and interest-bearing liabilities. We believe that our present position is adequate to meet our current and future liquidity needs.

We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner that will meet all of our short-term and long-term cash requirements. We manage our liquidity position to meet the daily cash flow needs of clients, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our shareholders. We also monitor our liquidity requirements in light of interest rate trends, changes in the economy and the scheduled maturity and interest rate sensitivity of the investment and loan portfolios and deposits.

Considering uncertainty surrounding the COVID-19 pandemic, we have taken steps to ensure adequate liquidity and access to funding sources. To date, we have not seen significant pressure on liquidity or sources of funding as a result of COVID-19 and have maintained higher than typical levels of liquidity in cash and cash equivalents to allow for flexibility.

As part of our liquidity management strategy, we also focus on minimizing our costs of liquidity and attempt to decrease these costs by growing our noninterest-bearing and other low-cost deposits, while replacing higher cost funding sources including time deposits and borrowed funds. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates and the deposit specials we offer.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. As of June 30, 2021 and December 31, 2020, securities with a carrying value of \$998.0 million and \$804.8 million, respectively, were pledged to secure government, public, trust and other deposits and as collateral for short-term borrowings, letters of credit and derivative instruments.

Additional sources of liquidity include federal funds purchased, reverse repurchase agreements, FHLB borrowings, and lines of credit. Interest is charged at the prevailing market rate on federal funds purchased, reverse repurchase agreements and FHLB advances. Funds and advances obtained from the FHLB are used primarily to meet day to day liquidity needs, particularly when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. There were no outstanding overnight cash management advances or other advances with the FHLB as of June 30, 2021 or December 31, 2020. There was \$1.28 billion and \$1.18 billion as of June 30, 2021 and December 31, 2020, respectively available to borrow against.

We also maintain lines of credit with other commercial banks totaling \$345.0 million and \$335.0 million as of June 30, 2021 and December 31, 2020, respectively. These are unsecured, uncommitted lines of credit typically maturing at various times within the next twelve months. There were no borrowings against the lines as of June 30, 2021 or December 31, 2020.

Holding company liquidity management

The Company is a corporation separate and apart from the Bank and, therefore, it must provide for its own liquidity. The Company's main source of funding is dividends declared and paid to it by the Bank. Statutory and regulatory limitations exist that affect the ability of the Bank to pay dividends to the Company. Management believes that these limitations will not impact the Company's ability to meet its ongoing short-term cash obligations. For additional information regarding dividend restrictions, see the "Item 1. Business - Supervision and regulation," "Item 1A. Risk Factors - Risks related to our business" and "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Dividend Policy," each of which is set forth in our Annual Report.

Due to state banking laws, the Bank may not declare dividends in any calendar year in an amount exceeding the total of its net income for that year combined with its retained net income of the preceding two years, without the prior approval of the Tennessee Department of Financial Institutions. Based upon this regulation, as of June 30, 2021 and December 31, 2020, \$90.0 million and \$185.7 million of the Bank's retained earnings were available for the payment of dividends without such prior approval. In addition, dividends paid by the Bank to the Company would be prohibited if the effect thereof would

cause the Bank's capital to be reduced below applicable minimum capital requirements. During the three and six months ended June 30, 2021, there were \$35.0 million and \$110.0 million, respectively, in cash dividends approved by the board for payment from the Bank to the holding company. During the three and six months ended June 30, 2020, the board approved a quarterly dividend from the Bank to the holding company amounting to approximately \$5.3 million. None of these required approval from the TDFI. Subsequent to June 30, 2021, the board approved a dividend from the Bank to the holding company for \$6.3 million that also did not require approval from the TDFI.

During the three and six months ended June 30, 2021, the Company declared and paid shareholder dividends of \$0.11 per share, or \$5.3 million and \$0.22 per share, or \$10.6 million, respectively. During the three and six months ended June 30, 2020, the Company declared and paid dividends of \$0.09 per share, or \$3.0 million and \$0.18 per share, or \$5.8 million, respectively. Subsequent to June 30, 2021, the Company declared a quarterly dividend in the amount of \$0.11 per share, payable on August 23, 2021, to stockholders of record as of August 9, 2021.

The Company is party to a registration rights agreement with its former majority shareholder entered into in connection with the 2016 initial public offering, under which the Company is responsible for payment of expenses (other than underwriting discounts and commissions) relating to sales to the public by the shareholder of shares of the Company's common stock beneficially owned by him. Such expenses include registration fees, legal and accounting fees, and printing costs payable by the Company and expensed when incurred. During the three and six months ended June 30, 2021, the Company paid \$0.6 million under this agreement related to the secondary offering completed during the second quarter of 2021. No such expenses were incurred during the three and six months ended June 30, 2020.

Capital management and regulatory capital requirements

Our capital management consists of providing adequate equity to support our current and future operations. We are subject to various regulatory capital requirements administered by state and federal banking agencies, including the TDFI, Federal Reserve and the FDIC. Failure to meet minimum capital requirements may prompt certain actions by regulators that, if undertaken, could have a direct material adverse effect on our financial condition and results of operations.

The Federal Reserve and the FDIC have issued guidelines governing the levels of capital that banks must maintain. Those guidelines specify capital tiers, which include the classifications set forth in the following table. As of June 30, 2021 and December 31, 2020, we exceeded all capital ratio requirements under prompt corrective action and other regulatory requirements, as detailed in the table below:

(dollars in thousands)	Actual		Required for capital adequacy purposes ⁽¹⁾		To be well capitalized under prompt corrective action provision	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
June 30, 2021						
Total capital (to risk weighted assets)						
FB Financial Corporation	\$ 1,383,471	14.9 %	\$ 974,690	10.5 %	N/A	N/A
FirstBank	\$ 1,317,759	14.2 %	\$ 971,072	10.5 %	\$ 924,831	10.0 %
Tier 1 capital (to risk weighted assets)						
FB Financial Corporation	\$ 1,177,609	12.7 %	\$ 789,034	8.5 %	N/A	N/A
FirstBank	\$ 1,131,897	12.2 %	\$ 786,106	8.5 %	\$ 739,865	8.0 %
Tier 1 Capital (to average assets)						
FB Financial Corporation	\$ 1,177,609	10.1 %	\$ 466,866	4.0 %	N/A	N/A
FirstBank	\$ 1,131,897	9.7 %	\$ 465,961	4.0 %	\$ 582,451	5.0 %
Common Equity Tier 1 (CET1)						
FB Financial Corporation	\$ 1,147,609	12.4 %	\$ 649,793	7.0 %	N/A	N/A
FirstBank	\$ 1,131,897	12.2 %	\$ 647,382	7.0 %	\$ 601,140	6.5 %
December 31, 2020						
Total capital (to risk weighted assets)						
FB Financial Corporation	\$ 1,358,897	15.0 %	\$ 952,736	10.5 %	N/A	N/A
FirstBank	\$ 1,353,279	14.9 %	\$ 951,327	10.5 %	\$ 906,026	10.0 %
Tier 1 capital (to risk weighted assets)						
FB Financial Corporation	\$ 1,090,364	12.0 %	\$ 771,262	8.5 %	N/A	N/A
FirstBank	\$ 1,142,548	12.6 %	\$ 770,122	8.5 %	\$ 724,820	8.0 %
Tier 1 Capital (to average assets)						
FB Financial Corporation	\$ 1,090,364	10.0 %	\$ 435,064	4.0 %	N/A	N/A
FirstBank	\$ 1,142,548	10.5 %	\$ 435,279	4.0 %	\$ 544,098	5.0 %
Common Equity Tier 1 (CET1)						
FB Financial Corporation	\$ 1,060,364	11.7 %	\$ 635,157	7.0 %	N/A	N/A
FirstBank	\$ 1,142,548	12.6 %	\$ 634,218	7.0 %	\$ 588,917	6.5 %

(1) Minimum ratios presented exclude the capital conservation buffer.

U.S. Basel III measures capital strength in three tiers and incorporates risk-adjusted assets to determine the risk-based capital ratios. Our common equity tier 1 capital primarily includes shareholders' equity less certain deductions for goodwill and other intangibles, net of taxes, net unrealized gains (losses) on AFS securities and derivative instruments, net of tax. Tier 1 capital is primarily comprised of common equity Tier 1 capital and included junior subordinated debentures with a carrying value of \$30.0 million as of June 30, 2021 and December 31, 2020. Tier 2 capital components include a portion of the allowance for credit losses in excess of Tier 1 statutory limits and our remaining combined trust preferred security debt issuances.

In December 2018, the OCC, the Board of Governors of the Federal Reserve System, and the FDIC approved a final rule to address changes to credit loss accounting under GAAP, including banking organizations' implementation of CECL. The final rule provides banking organizations the option to phase in over a three-year period the day-one adverse effects on regulatory capital that may result from the adoption of the new accounting standard. In March 2020, the OCC, the Board of Governors of the Federal Reserve System, and the FDIC announced an interim final rule, which became final on September 30, 2020, to delay the estimated impact on regulatory capital stemming from the implementation of CECL. The final rule maintains the three-year transition option in the previous rule and provides banks the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company adopted the capital transition relief over the permissible five-year period.

Capital Expenditures

As of June 30, 2021, we have \$0.7 million in committed capital expenditures over the next twelve months related to expansion of our locations.

Shareholders' equity

Our total shareholders' equity was \$1.37 billion at June 30, 2021 and \$1.29 billion at December 31, 2020. Book value per share was \$28.96 at June 30, 2021 and \$27.35 at December 31, 2020, respectively. The growth in shareholders' equity during 2021 was primarily attributable to earnings retention and changes in accumulated other comprehensive income, partially offset by declared dividends and activity related to equity-based compensation.

Off-balance sheet arrangements

In the normal course of business, we enter into various transactions, which in accordance with GAAP, are not included as part of our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit, standby and commercial letters of credit, and commitments to purchase loans, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. For further information, see Note 9, "Commitments and contingencies" in the notes to the consolidated financial statements included elsewhere in this Report.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate sensitivity

Our market risk arises primarily from interest rate risk inherent in the normal course of lending and deposit-taking activities. Management believes that our ability to successfully respond to changes in interest rates will have a significant impact on our financial results. To that end, management actively monitors and manages our interest rate risk exposure.

The Asset Liability Management Committee, which is authorized by our board of directors, monitors our interest rate sensitivity and makes decisions relating to that process. The ALCO's goal is to structure our asset/liability composition to maximize net interest income while managing interest rate risk so as to minimize the adverse impact of changes in interest rates on net interest income and capital in either a rising or declining interest rate environment. Profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact our earnings because the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis.

We monitor the impact of changes in interest rates on our net interest income and economic value of equity using rate shock analysis. Net interest income simulations measure the short-term earnings exposure from changes in market rates of interest in a rigorous and explicit fashion. Our current financial position is combined with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. EVE measures our long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time. A decrease in EVE due to a specified rate change indicates a decline in the long-term earnings capacity of the balance sheet assuming that the rate change remains in affect over the life of the current balance sheet. For purposes of calculating EVE, a zero percent floor is assumed on discount factors.

The following analysis depicts the estimated impact on net interest income and EVE of immediate changes in interest rates at the specified levels for the periods presented:

Change in interest rates (in basis points)	Percentage change in: Net interest income ⁽¹⁾			
	Year 1		Year 2	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
+400	41.4 %	46.8 %	37.3 %	52.3 %
+300	30.6 %	34.8 %	27.7 %	39.1 %
+200	19.8 %	22.8 %	18.2 %	26.1 %
+100	9.40 %	10.7 %	8.86 %	12.9 %
-100	(5.62) %	(3.80) %	(8.31) %	(6.80) %
-200	(7.08) %	(3.80) %	(10.2) %	(6.80) %

Change in interest rates (in basis points)	Percentage change in: Economic value of equity ⁽²⁾	
	June 30, 2021	December 31, 2020
	+400	13.8 %
+300	11.7 %	32.8 %
+200	8.86 %	24.2 %
+100	4.86 %	13.2 %
-100	(6.98) %	(6.40) %
-200	(10.6) %	(6.29) %

(1) The percentage change represents the projected net interest income for 12 months and 24 months on a flat balance sheet in a stable interest rate environment versus the projected net income in the various rate scenarios.

(2) The percentage change in this column represents our EVE in a stable interest rate environment versus EVE in the various rate scenarios.

The results for the net interest income simulations as of June 30, 2021 and December 31, 2020 resulted in an asset sensitive position. The primary influence of our asset sensitivity is the floating rate structure in many of our loans held for investment as well as the composition of our liabilities which is primarily core deposits. Non-interest bearing deposits continue to be a strong source of funding which also increases asset sensitivity. The COVID-19 pandemic resulted in unprecedented monetary stimulus from the Federal Reserve, which included, but was not limited to, a 150 basis point decrease in the federal funds target rate. While our variable rate loan portfolio is indexed to market rates, deposits

typically adjust at a percentage of the overall movement in market rates, resulting in margin compression. Index floors in our variable rate loans and aggressive deposit pricing should continue to mitigate some of this pressure in the near term.

The preceding measures assume no change in the size or asset/liability compositions of the balance sheet. Thus, the measures do not reflect the actions the ALCO may undertake in response to such changes in interest rates. The scenarios assume instantaneous movements in interest rates in increments of 100, 200, 300 and 400 basis points. As interest rates are adjusted over a period of time, it is our strategy to proactively change the volume and mix of our balance sheet in order to mitigate our interest rate risk. The computation of the prospective effects of hypothetical interest rate changes requires numerous assumptions regarding characteristics of new business and the behavior of existing positions. These business assumptions are based upon our experience, business plans and published industry experience. Key assumptions employed in the model include asset prepayment speeds, competitive factors, the relative price sensitivity of certain assets and liabilities and the expected life of non-maturity deposits. Because these assumptions are inherently uncertain, actual results may differ from simulated results.

We may utilize derivative financial instruments as part of an ongoing effort to mitigate interest rate risk exposure to interest rate fluctuations and facilitate the needs of our customers.

The Company enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with customer contracts, the Company enters into an offsetting derivative contract. The Company manages its credit risk, or potential risk of default by its commercial customers through credit limit approval and monitoring procedures.

The Company has entered into interest rate swap contracts to hedge interest rate exposure on short term liabilities, as well as interest rate swap contracts to hedge interest rate exposure on subordinated debentures. These interest rate swaps are all accounted for as cash flow hedges, with the Company receiving a variable rate of interest and paying a fixed rate of interest.

The Company enters into rate lock commitments and forward loan sales contracts as part of our ongoing efforts to mitigate our interest rate risk exposure inherent in our mortgage pipeline and held for sale portfolio. Under the interest rate lock commitments, interest rates for a mortgage loan are locked in with the client for a period of time, typically 30-90 days. Once an interest rate lock commitment is entered into with a client, we also enter into a forward commitment to sell the residential mortgage loan to secondary market investors. Forward loan sale contracts are contracts for delayed sale and delivery of mortgage loans to a counter party. We agree to deliver on a specified future date, a specified instrument, at a specified price or yield. The credit risk inherent to us arises from the potential inability of counterparties to meet the terms of their contracts. In the event of non-acceptance by the counterparty, we would be subject to the credit and inherent (or market) risk of the loans retained.

Additionally, the Company enters into forward commitments, options and futures contracts that are not designated as hedging instruments, which serve as economic hedges of the change in fair value of its MSRs.

For more information about our derivative financial instruments, see Note 10, "Derivatives" in the notes to our consolidated financial statements.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Report, the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is: (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure; and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II

ITEM 1—LEGAL PROCEEDINGS

Various legal proceedings to which we or our subsidiaries are party arise from time to time in the normal course of business. As of the date of this Report, there are no material pending legal proceedings to which we or any of our subsidiaries is a party or of which any of our or our subsidiaries' properties are subject.

ITEM 1A—RISK FACTORS

There have been no material changes to the risk factors set forth in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 2—UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about repurchases of common stock by the Company during the quarter ended June 30, 2021:

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
April 1 - April 30, 2021	—	—	—	\$ 100,000,000
May 1 - May 31, 2021	—	—	—	100,000,000
June 1 - June 30, 2021	—	—	—	100,000,000
Total	—	—	—	100,000,000

On February 18, 2021 the board of directors approved a repurchase plan for up to \$100 million of Company common stock. This repurchase plan expires March 31, 2022, and purchases will be conducted pursuant to a written plan intended to comply with Rule 10b-18 promulgated under the Exchange Act. To date, the Company has not repurchased any shares of common stock under the plan.

ITEM 6—EXHIBITS

The exhibits listed on the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Report.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Charter of FB Financial Corporation (incorporated by reference as Exhibit 3.1 to the Company's Registration Statement on Form S-1/A (File No. 333-213210), filed on September 6, 2016)
3.2	Amended and Restated Bylaws of FB Financial Corporation (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-37875) file on November 14, 2016)
4.1	Registration Rights Agreement by and between FB Financial Corporation and James W. Ayers, dated September 15, 2016 (incorporated by reference as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-37875) filed on November 14, 2016)
10.1	Employment Agreement, dated July 31, 2021, among FB Financial Corporation, FirstBank, and Christopher T. Holmes
31.1	Rule 13a-14(a) Certification of Chief Executive Officer*
31.2	Rules 13a-14(a) Certification of Chief Financial Officer*
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer**
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

Signatures

Pursuant to the requirements of the section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

August 6, 2021

August 6, 2021

FB Financial Corporation

/s/ Michael M. Mettee

Michael M. Mettee
Chief Financial Officer
(Principal Financial Officer)

/s/ Keith Rainwater

Keith Rainwater
Chief Accounting Officer
(Principal Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made and entered into this 31st day of July, 2021 (the "*Effective Date*") by and among FB FINANCIAL CORPORATION ("*Company*"), FIRSTBANK, a Tennessee bank ("*Bank*"), a wholly owned subsidiary of the Company, and Christopher T. Holmes ("*Executive*"). Company, Bank, and Executive are sometimes referred to herein collectively as the "*Parties*," and each is sometimes referred to herein individually as a "*Party*."

BACKGROUND

WHEREAS, Executive is currently engaged as the President and Chief Executive Officer of Company and Bank pursuant to that certain employment agreement by and among Executive and Company and Bank, dated August 19, 2016 (the "*Previous Agreement*"); and

WHEREAS, the Parties desire to memorialize the terms and conditions of Executive's employment, with this Agreement to supersede and replace the Previous Agreement.

NOW, THEREFORE, in consideration of the payments, consents, and acknowledgements described below, in consideration of Executive's employment with Company and Bank, and in consideration of other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, the Parties agree as follows:

1. Definitions. The following capitalized terms used in this Agreement shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

(a) "*Board of Directors*" means, collectively, the board of directors of Company and the board of directors of Bank and, where appropriate, any committee or other designee thereof.

(b) "*Beneficial Owner*" has the meaning given such term in Rule 13d-3 of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934.

(c) "*Cause*" means, in the context of the termination of this Agreement by Employer, a good faith determination by the Board of Directors that any of the following has occurred:

(i) conduct by Executive that amounts to willful misconduct, gross neglect, or a material failure to perform Executive's duties and responsibilities hereunder, including prolonged absences without the consent of the Board of Directors unless otherwise excused by law or under Bank's leave policies; *provided* that the nature of such conduct shall be set forth in a written notice to Executive who shall have 30 business days following delivery of such notice to cure such alleged conduct, *provided* that such conduct is, in the reasonable discretion of the Board of Directors, susceptible to a cure;

(ii) any willful violation of any material law, rule, or regulation applicable to banks or the banking industry generally (including but not limited to the regulations of the Board of Governors of the Federal Reserve, the FDIC, the Tennessee Department of Financial Institutions, or any other applicable regulatory authority);

(iii) the exhibition by Executive of a standard of behavior within the scope of or related to Executive's employment that is in violation of any written policy, board committee charter, or code of ethics or business conduct (or similar code) of Company or Bank to which Executive is subject; *provided* that the nature of such conduct shall be set forth with reasonable particularity in a written notice to Executive who shall have 30 business days following delivery of such notice to cure such alleged conduct, provided that such conduct is, in the reasonable discretion of the Board of Directors, susceptible to a cure;

(iv) any act of fraud, misappropriation, or embezzlement by Executive, whether or not such act was committed in connection with the business of Company and/or Bank;

(v) a material breach of this Agreement, including, without limitation, a breach of Section 7 hereof; *provided* that the nature of such breach shall be set forth with reasonable particularity in a written notice to Executive who shall have 30 business days following delivery of such notice to cure such breach, provided that such breach is, in the reasonable discretion of the Board of Directors, susceptible to a cure;

(vi) Executive's conviction of, or Executive's pleading guilty or nolo contendere to with respect to (a) a felony or a crime involving moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime, or lesser offense is connected with the business of Company and/or Bank, or (b) any crime in connection with the business of Company or Bank.

(d) "**Change in Control**" means and includes any one of following events:

(i) any Person becomes a Beneficial Owner, directly or indirectly, of 50% or more of the voting power of the then-outstanding securities of Company eligible to vote for the election of directors ("**Company Voting Securities**"); *provided, however,* that for purposes of this subsection (i), the following acquisitions of Company Voting Securities shall not constitute a Change in Control: (A) an acquisition by a Principal Shareholder, (B) an acquisition directly or indirectly from the Company, including an acquisition by or through a broker, underwriter, or financial institution acquiring such securities as part of a firm commitment or similar underwriting or distribution process, (C) an acquisition by Company or Bank, (D) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by Company or Bank, or (E) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (iii) below); or

(ii) during any consecutive 12-month period, individuals who, at the beginning of such period, constitute Company's Board of Directors (the "**Incumbent Directors**") cease for any reason to constitute at least a majority of such Board of Directors, provided that any person becoming a director after the beginning of such 12-month period and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board of Directors shall be an Incumbent Director; *provided, however,* that no individual initially elected or nominated as a director as a result of an actual or threatened election contest with respect to the election or removal of directors ("**Election Contest**") or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board of Directors ("**Proxy Contest**"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(iii) the consummation of a reorganization, merger, consolidation, statutory share exchange, or similar form of corporate transaction involving Company or Bank, the sale or other disposition of all or substantially all of Company's assets, or the acquisition of assets or stock of another corporation or other entity (each, a "**Transaction**"), unless immediately following such Transaction: (A) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the outstanding Company Voting Securities immediately prior to such Transaction beneficially own, directly or indirectly, more than 50% of the voting power of the then-outstanding shares of voting securities of the entity resulting from such Transaction (including, without limitation, an entity which as a result of such Transaction owns Company or all or substantially all of Company's assets or stock either directly or through one or more subsidiaries, the "**Surviving Entity**") in substantially the same proportions as their ownership, immediately prior to such Transaction, of the outstanding Company Voting Securities, and (B) no person (other than (x) Company or Bank, (y) the Surviving Entity or its ultimate parent entity, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing) is the Beneficial Owner, directly or indirectly, of 50% or more of the total common stock or 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Entity, and (C) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the Board of Director's approval of the execution of the initial agreement providing for such Transaction (any Transaction which satisfies all of the criteria specified in (A), (B), and (C) above shall be deemed to be a "**Non-Qualifying Transaction**").

(e) "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(f) "**Code**" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(g) "**Compensation Committee**" means the compensation committee of the board of directors of Company.

(h) "**Competitive Services**" means engaging in the business of commercial and mortgage banking, including, without limitation, originating, underwriting, closing and selling loans, receiving deposits, as well as the business of providing any other activities, products, or services of the type routinely conducted, offered, or provided by Employer as of or during the two years immediately prior to the Date of Termination.

(i) "**Confidential Information**" means any and all data and information relating to Employer, its activities, business, or clients that (i) is disclosed to Executive or of which Executive becomes aware because of Executive's employment with Employer; (ii) has value to Employer; and (iii) is not generally known outside of Employer. "Confidential Information" shall include, but is not limited to the following types of information regarding, related to, or concerning Employer: trade secrets (as defined by the Tennessee Uniform Trade Secrets Act); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; customer lists; customer files, data, and financial information; details of customer contracts; current and anticipated customer requirements; identifying and other information pertaining to business referral sources; past, current, and planned research and development; computer aided systems, software, strategies, and programs; business acquisition plans;

management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees, and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. “Confidential Information” also includes combinations of information or materials which individually may be generally known outside of Employer, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of Employer. In addition to data and information relating to Employer, “Confidential Information” also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to Employer by such third party, and that Employer has a duty or obligation to keep confidential. This definition shall not limit any definition of “confidential information” or any equivalent term under state or federal law. “Confidential Information” shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of Employer.

(j) “**Date of Termination**” means: (i) if Executive’s employment is terminated other than by reason of death or Disability, the date of delivery of the Notice of Termination, or any later date specified in such Notice of Termination, or (ii) if Executive’s employment is terminated by reason of death or Disability, the Date of Termination will be the date of death or the Disability Effective Date, as the case may be.

(k) “**Disability**” means a condition for which benefits would be payable under any long-term disability coverage (without regard to the application of any elimination period requirement) then provided to Executive by Employer or, if no such coverage is then being provided, the inability of the Executive to perform the essential functions of Executive’s job with Employer (as specified in this Agreement), with or without reasonable accommodation, for a period of at least 180 consecutive days as certified by a physician chosen by Executive and reasonably acceptable to the Employer. Notwithstanding the provisions in this Section 1(k), Disability for purposes of this Agreement must also be a disability within the meaning of Code Section 409A(a)(2)(A)(ii) and 409A(a)(2)(C) and Treas. Reg. Section 1.409A-3(a)(2).

(l) “**Employer**” means Company and Bank, collectively.

(m) “**Excise Tax**” means any excise tax imposed by Section 4999 of the Code.

(n) “**FDIC**” means the Federal Deposit Insurance Corporation.

(o) “**Good Reason**” shall mean, in the context of the termination of this Agreement by Executive:

(i) a material diminution in Executive’s title, authority, duties, or responsibilities which is not consented to by Executive in writing;

(ii) a material diminution in Executive’s base compensation (which includes Executive’s Base Salary and target annual bonus opportunity) which is not consented to by Executive in writing or made as part of across-the-board compensation reductions affecting all or substantially all executive officers;

(iii) a change in the location of Executive’s primary office such that Executive is required to report regularly to an office located outside of a 50-mile radius from the

location of Executive's primary office as of the Effective Date, which change is not consented to by Executive in writing; or

(iv) a material breach of the terms of this Agreement by Employer.

(p) "**Notice of Termination**" shall mean a written notice delivered by a Party in connection with the termination of this Agreement which (i) indicates the specific termination provision in this Agreement relied upon for such termination, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and (iii) specifies the Date of Termination.

(q) "**Material Contact**" means contact between Executive and a customer or potential customer of Company or Bank (i) with whom or which Executive has or had substantive dealings on behalf of Company or Bank; (ii) whose dealings with Company or Bank are or were coordinated or supervised by Executive; (iii) about whom Executive obtains Confidential Information in the ordinary course of business as a result of Executive's employment with Employer; or (iv) who receives products or services of Company or Bank, the sale or provision of which directly results or resulted in incentive compensation or commissions for Executive within the two years prior to the Date of Termination.

(r) "**Parachute Value**" of a Payment means the present value as of the date of the Change in Control of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm (as defined in Section 10(b)) for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(s) "**Payment**" shall mean any benefit, payment, or distribution made or given by Employer to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise).

(t) "**Person**" means any individual or any corporation, partnership, joint venture, limited liability company, association, or other entity or enterprise.

(u) "**Principal or Representative**" means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative, or consultant.

(v) "**Principal Shareholder**" means James W. Ayers or his designee(s), and shall include any entity that is directly or indirectly affiliated with the Principal Shareholder.

(w) "**Protected Customer**" means any Person to whom Company or Bank has sold its products or services or actively solicited to sell its products or services, and with whom Executive has had Material Contact during the last 24 months of his employment with Employer.

(x) "**Protected Work**" means any and all ideas, inventions, formulas, Confidential Information, source codes, object codes, techniques, processes, concepts, systems, programs, software, software integration techniques, hardware systems, schematics, flow charts, computer data bases, client lists, trademarks, service marks, brand names, trade names, compilations, documents, data, notes, designs, drawings, technical data, and/or training materials, including improvements thereto or derivatives therefrom, whether or not patentable, and whether or not subject to copyright or trademark or trade secret protection, conceived, developed or produced by Executive, or by others working with Executive or under

the direction of Executive, during the period of Executive's employment, or conceived, produced or used or intended for use by or on behalf of Employer or its customers.

(y) "**Restricted Period**" means a period of 12 months following the Date of Termination.

(z) "**Restricted Territory**" means a radius of 50 miles from the Bank's headquarters office in Nashville, Tennessee.

(aa) "**Restrictive Covenants**" means the restrictive covenants contained in Section 7(b) through 7(j) hereof.

(ab) "**Retirement**" means, for purposes of Section 6(b), Executive's voluntary termination from Employer other than for Good Reason after (i) Executive has attained age 65 or (ii) Executive has attained age 62 and Executive's age and years of service with Employer totals at least 75.

2. **Effective Date; Term.** Upon the terms and subject to the conditions set forth in this Agreement, Employer hereby employs Executive, and Executive hereby accepts such employment, for the term commencing on the Effective Date and, unless otherwise earlier terminated pursuant to Section 5 hereof, the close of business on the third anniversary of the Effective Date (the "**Initial Term**"). The Initial Term and any and all renewal terms, if any, are referred to together herein as the "**Term**." The third anniversary of the Effective Date is referred to herein as the "**Term End Date**." Beginning on the initial Term End Date and on each subsequent anniversary of the Term End Date thereafter, the Term shall, without further action by Executive or Employer, be extended by an additional one-year period; *provided, however*, that either Employer or Executive may cause the Term to cease to extend automatically, by giving written notice to the other not less than 90 days prior to the scheduled expiration of the Term.

3. **Employment; Extent of Service.** Executive is hereby employed on the Effective Date as the President and Chief Executive Officer of Company and Bank. Executive shall have the duties, responsibilities, and authority commensurate with such position and such other duties as may be assigned by the Board of Directors. During the Term of this Agreement, and excluding any periods of vacation or sick leave to which Executive is entitled, Executive agrees to (i) devote substantially all of Executive's business effort, time, energy, and skill to the business of Employer; (ii) faithfully, loyally, and diligently perform such duties; and (iii) diligently follow and implement all lawful management policies and decisions of Employer that are communicated to Executive. During the Term of this Agreement, Executive shall not, without the consent of Employer, be engaged in or provide services to any other business or enterprise (whether engaged in for profit or not) which interferes with his obligations to Employer under this Agreement. For the avoidance of doubt, Executive shall not be prohibited from serving on a board of directors or advisory board of other companies or organizations as long as such service does not interfere with his obligations to the Company and is consistent with the Company's Corporate Governance Guidelines. Executive will report directly to the Board of Directors of the Company.

4. **Compensation and Benefits.** For the avoidance of doubt, the compensation and benefits provided under this Section 4 shall be in consideration of services rendered to both Company and Bank.

(a) **Base Salary.** During the Term, Bank shall pay to Executive a base salary at the rate of \$725,000 per year ("**Base Salary**"), less normal withholdings, payable in accordance with Bank's

payroll practices. The Compensation Committee shall review Executive's Base Salary annually and may increase the Base Salary based on such review, but may not decrease the Base Salary unless (i) Executive consents in writing to such decrease, or (ii) such decrease is made as part of across-the-board salary reductions affecting all or substantially all executive officers. Such adjusted salary then shall become Executive's Base Salary for purposes of this Agreement.

(b) Retirement Plans. During the Term, Executive shall be entitled to participate in any retirement plans available to other Bank employees similarly situated to Executive ("**Peer Executives**"), and on the same basis as such Peer Executives, subject to eligibility requirements and terms and conditions of each such plan; *provided* that nothing herein shall limit the ability of Bank to amend, modify, or terminate any such plans at any time and from time to time.

(c) Long-Term Incentive Plans. During the Term, Executive shall be entitled to participate in any long-term or equity incentive plans available to other Peer Executives, and on the same basis as such Peer Executives, subject to eligibility requirements and terms and conditions of each such plan; *provided* that nothing herein shall limit the ability of Company and/or Bank to amend, modify or terminate any such plans at any time and from time to time. Subject to the vesting and performance requirements as the Compensation Committee may require, the initial base value of the Executive's potential long-term incentive plan award shall be \$1,250,000 ("**Target Incentive Award**"), with a maximum payout of 200% of such amount, which number shall be reviewed by the Compensation Committee annually and adjusted based on such review.

(d) Annual Bonus. During the Term, Executive shall have an opportunity to participate in any short-term or cash incentive plans available to other Peer Executives and based upon the achievement of performance goals established from year to year by the Compensation Committee of Company (the "**Annual Bonus**"). Subject to the vesting and performance requirements as the Compensation Committee may require, the initial base value of the Executive's potential Annual Bonus shall be \$725,000, with a maximum payout of 150%, which number shall be reviewed by the Compensation Committee annually and adjusted based on such review. Except as otherwise provided by the Compensation Committee, Executive must be employed by Company and/or Bank on the date the Annual Bonus, if any, is paid in order to receive the Annual Bonus. The Annual Bonus will be paid by March 15 of the year following the year for which it is earned.

(e) Welfare Benefit Plans. During the Term, Executive and Executive's eligible dependents shall be eligible for participation in the welfare benefit plans, practices, policies, and programs provided by Bank, if any, to the extent available to other Peer Executives and subject to eligibility requirements and terms and conditions of each such plan; *provided* that nothing herein shall limit the ability of Bank to amend, modify, or terminate any such benefit plans, policies, or programs at any time and from time to time.

(f) Other Benefits. During the Term, the Company shall make available for use by Executive an automobile, the make and model of which will be chosen by the Executive with approval by the Chairperson of the Compensation Committee. During the Term, the Company shall reimburse Executive for the costs of maintaining membership in a social club or country club to be selected by Executive with approval by the Chairperson of the Compensation Committee, to be used for the purposes of business relations and development and otherwise furthering the performance of Executive's responsibilities under this Agreement. Any such perquisites and benefits provided by Employer shall be

subject to any written perquisite policy that the Compensation Committee may adopt from time to time that is applicable by its terms to Executive.

(g) Expenses. During the Term, and subject to Section 12 hereof, Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by Executive in the course of performing Executive's duties and responsibilities under this Agreement, in accordance with the policies, practices, and procedures of Bank to the extent available to other Peer Executives with respect to travel and other business expenses.

(h) Disability Insurance. During the Term, Bank shall provide supplemental long-term disability coverage for Executive sufficient to provide two-thirds of the Executive's pre-disability Base Salary.

(i) Life Insurance. During the Term, Bank shall pay the premiums on a term life insurance contract covering Executive paying a death benefit of \$2,500,000. Bank shall, in its sole discretion, select the life insurance contract on which it will pay the premiums, but Executive shall be the owner of such contract and will be or will designate the beneficiary of such contract. Notwithstanding any other provision of this Agreement, in the event the life insurance contract described herein extends beyond the termination of Executive's employment with Company and/or Bank, Executive, and not Bank, shall be obligated to pay the premiums on such life insurance contract accruing after Executive's termination of employment with Company and/or Bank. Notwithstanding any other provision of this Agreement, if Bank's preferred insurance providers, for whatever reason, are unwilling to insure Executive on commercially reasonable terms, then this Section 4(h) shall be null and void.

5. Termination of Employment. For the avoidance of doubt, if Executive's employment with Company terminates for any reason under this Section 5, Executive's employment with Bank shall be deemed terminated for the same reason, and if Executive's employment with Company terminates for any reason under this Section 5, Executive's employment with Bank shall be deemed terminated for the same reason.

(a) Termination upon Death. Executive's employment shall terminate automatically upon Executive's death. For the avoidance of doubt, termination of Executive's employment upon the death of Executive under this Section 5(a) shall not be considered termination without Cause that would entitle Executive to severance under Section 6(a).

(b) Termination by Employer. Employer may terminate Executive's employment during the Term with or without Cause on written notice to Executive; *provided* that the written Notice of Termination with respect to a termination without Cause shall be provided at least 30 days prior to the effective date of such termination.

(c) Termination by Executive. Executive's employment may be terminated by Executive:

(i) at any time for Good Reason, *provided* that (A) before terminating this Agreement and Executive's employment for Good Reason, (1) Executive shall give notice to Employer of the existence of Good Reason for termination, which notice must be given by Executive to Employer within 90 days of Executive's discovery of the initial, continued or repeated existence of the condition(s) giving rise to Good Reason for termination and shall state with reasonable detail the condition(s) giving rise to Good Reason for termination, and (2)

Employer shall have 30 days from the date of receipt of such notice to remedy the condition(s) giving rise to Good Reason for termination; and (B) such termination must occur within 12 months of the initial existence of the condition(s) giving rise to Good Reason for termination; or

(ii) at any time without Good Reason, *provided* that Executive shall give Employer at least 30 days prior written notice of Executive's intent to terminate.

(d) Notice of Termination. Any termination by Company and/or Bank with or without Cause and any termination by Executive shall be communicated by Notice of Termination to the other Party hereto given in accordance with Section 16(e) of this Agreement. The failure by Company and/or Bank to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of Company and/or Bank hereunder or preclude the Company and/or Bank from asserting such fact or circumstance in enforcing its rights hereunder. The failure by Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing its rights hereunder.

6. Obligations of Employer upon Termination.

(a) Resignation for Good Reason; Termination Other Than for Cause, Death, or Disability. During the Term, if (x) Employer terminates Executive's employment other than for Cause, death, or Disability, or (y) Executive terminates employment for Good Reason, then:

(i) Bank shall pay to Executive in a lump sum in cash within 30 days after the Date of Termination, the exact payment date to be determined by Bank, Executive's Base Salary through the Date of Termination to the extent not theretofore paid (the "**Accrued Salary**");

(ii) subject to Section 12 hereof, Bank shall pay to Executive an amount equal to two (2) times the sum of (A) Executive's then current Base Salary (or, in the case of a termination for Good Reason as defined in Section 1(o)(iii), the Base Salary in effect immediately prior to the diminution in Base Salary giving rise to termination), *plus* (B) the average Annual Bonus, if any, received by Executive for the three immediately preceding fiscal years of the Company (such aggregate payment, the "**Non-CIC Severance Amount**"), payable in approximately equal monthly installments during the 24-month period following the Date of Termination, commencing on the first payroll date to occur after the 60th day following the Date of Termination; *provided* that the first such payment shall consist of all amounts payable to Executive pursuant to this Section 6(a)(ii) between the Date of Termination and the first payroll date to occur after the 60th day following the Date of Termination;

(iii) if Executive elects to continue participation in any group medical, dental, vision, and/or prescription drug plan benefits to which Executive and/or Executive's eligible dependents would be entitled under COBRA, then for a period of 18 months after the Date of Termination (the "**Health Benefits Continuation Period**"), Bank shall pay to Executive an amount in cash equal to the COBRA cost of such coverage; *provided, however*, that (1) that if Executive becomes eligible to receive medical benefits under a program of a subsequent employer or otherwise (including coverage available to Executive's spouse through the spouse's employer), Bank's obligation to pay any portion of the cost of health coverage as described herein shall cease, except as otherwise provided by law; (2) the Health Benefits Continuation Period shall run concurrently with any period for which Executive is eligible to elect health coverage

under COBRA; (3) the Bank-paid portion of the monthly premium for such group health benefits, determined in accordance with Code Section 4980B and the regulations thereunder, shall be treated as taxable compensation by including such amount in Executive's income in accordance with applicable rules and regulations; (4) during the Health Benefits Continuation Period, the benefits provided in any one calendar year shall not affect the amount of benefits provided in any other calendar year (other than the effect of any overall coverage benefits under the applicable plans); (5) the reimbursement of an eligible taxable expense shall be made as soon as practicable but not later than December 31 of the year following the year in which the expense was incurred; and (6) Executive's rights pursuant to this Section 6(a)(iii) shall not be subject to liquidation or exchange for another benefit. The benefit described in this Section 6(a)(iii) is referred to as the "**Health Coverage Benefit**;"

(iv) to the extent not theretofore paid or provided, Bank shall timely pay or provide to Executive any other amounts or benefits required to be paid or provided or which Executive is eligible to receive under any plan, program, policy, practice, contract, or agreement of Bank and its affiliated companies and in accordance with the terms thereof, including, but not limited to, any expense reimbursements and accrued but unused vacation (which shall be paid out, if at all, in accordance with Bank's then current written policy regarding accrual and payment for unused vacation pay) (such amounts and benefits shall be hereinafter referred to as the "**Other Benefits**"); and

(v) unless the applicable equity award agreement expressly provides otherwise, (A) all of Executive's then outstanding time-based equity awards shall become fully vested (to the extent not previously vested) on the 60th day after the Date of Termination; and (B) Executive's then outstanding performance-based equity awards shall remain outstanding and shall vest, in whole, in part, or not at all, on a pro rata basis based on the level of achievement of applicable performance metrics (with such pro rata portion determined by multiplying the earned award by a fraction, the numerator of which shall be the number of months elapsed in the applicable performance period prior to the Date of Termination, and the denominator shall be the number of months in the applicable performance period). The treatment of equity awards described in this clause (v) is herein referred to as the "**Equity Award Treatment**."

(vi) Notwithstanding the foregoing, Bank shall be obligated to provide the Non-CIC Severance Amount, the Health Coverage Benefit and the Equity Award Treatment only if (A) within 45 days after the Date of Termination Executive shall have executed a separation and full release of claims/covenant not to sue in substantially the form attached hereto as Exhibit A (the "**Release Agreement**") and such Release Agreement shall not have been revoked within the revocation period specified in the Release Agreement, and (B) Executive fully complies with the obligations set forth in Section 7 hereof. For the avoidance of doubt, if Executive does not comply with the obligations set forth in Section 7 hereof, then payment or provision of the Non-CIC Severance Amount, the Health Coverage Benefit and the Equity Award Treatment shall cease immediately upon Executive's breach thereof.

(b) Termination for Cause; Resignation by Executive other than Resignation for Good Reason; Death; Retirement. If during the Term Executive's employment is terminated by Employer for Cause, by Executive other than for Good Reason, by Executive due to his Retirement, or in the event of Executive's death, then Employer shall have no further obligations to Executive or Executive's legal representatives under this Agreement, other than for payment of Accrued Salary which

shall be paid to Executive or Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the Date of Termination, and payments of Other Benefits, as applicable. Notwithstanding the above, and unless the applicable equity award agreement expressly provides otherwise, if Executive's employment is terminated by Executive's death or upon Executive's Retirement, Executive's then outstanding equity awards shall be subject to the Equity Award Treatment as provided Section 6(a)(v).

(c) Non-Renewal of Agreement.

(i) If Employer elects not to renew the Term pursuant to Section 2 hereof, and within the 12 months following the expiration of such Term (the "**Non-Renewal Hold Period**"), Employer terminates Executive's employment other than for Cause, death, or Disability, then, notwithstanding the expiration of the Term and subject to Section 12 hereof, Bank shall pay to Executive the Non-CIC Severance Amount, payable pursuant to the payment schedule set forth in Section 6(a)(ii) hereof, and the Health Coverage Benefit as set forth in Section 6(a)(iii) ("**Non-Renewal Severance**"). Additionally, any unvested equity awards held by Executive shall be subject to Equity Award Treatment as and to the extent set forth in Section 6(a)(v). Notwithstanding the foregoing, Bank shall be obligated to provide the Non-CIC Severance Amount, the Health Coverage Benefit and Equity Award Treatment only if (A) within 45 days after the Date of Termination Executive shall have executed the Release Agreement and such Release Agreement shall not have been revoked within the revocation period specified in the Release Agreement, and (B) Executive fully complies with the obligations set forth in Section 7 hereof. For the avoidance of doubt, if Executive does not comply with the obligations set forth in Section 7 hereof, then payment or provision of the Non-CIC Severance Amount, Health Coverage Benefit and Equity Award Treatment shall cease immediately upon Executive's breach thereof. At the conclusion of the Non-Renewal Hold Period, if Employer has not paid or become obligated to pay Non-Renewal Severance, then the restrictions contained in Section 7(c) shall not apply in the event of Executive's subsequent termination of employment.

(ii) If Executive elects not to renew the Term pursuant to Section 2 hereof, and following the expiration of such Term, Executive's employment with Employer terminates then Employer shall have no further obligations to Executive or Executive's legal representatives under this Agreement, other than for payment of Accrued Salary which shall be paid to Executive in a lump sum in cash within 30 days after the Date of Termination, and payment or provision of Other Benefits, as applicable.

(d) Termination for Disability. During the Term, if Employer terminates Executive's employment for Disability of Executive, then Employer shall give Executive 30 days' prior notice of its intent to terminate and Executive's employment shall terminate on the 30th day after receipt of such notice (the "**Disability Effective Date**"), in which event, Bank shall pay to Executive a lump sum amount equal to six months of the Executive's then current Base Salary, *plus* one hundred percent (100%) of his target Annual Bonus opportunity for the fiscal year in which the Disability Effective Date occurs, with such amount payable in a lump sum in cash within 30 days after the Date of Termination, the exact payment date to be determined by Bank.

(e) Termination following a Change in Control. If, within 12 months following a Change in Control, (x) Employer (or any successor to Employer) terminates Executive's employment other than for Cause, or (y) Executive terminates employment for Good Reason, then:

(i) Bank (or its successor) shall pay to Executive in a lump sum in cash within 30 days after the Date of Termination, the exact payment date to be determined by Bank, Executive's Accrued Salary;

(ii) subject to Section 12 hereof, Bank (or its successor) shall pay to Executive an amount equal to three (3) times the sum of (A) Executive's then current Base Salary (or, in the case of a termination for Good Reason as defined in Section 1(o)(iii), the Base Salary in effect immediately prior to the diminution in Base Salary giving rise to termination), *plus* (B) the average Annual Bonus, if any, received by Executive for the three immediately preceding fiscal years of the Company (such aggregate payment, the "**CIC Severance Amount**"), payable as follows: 1/3 of the CIC Severance Amount shall be paid in a single lump sum payment on the first payroll date to occur after the 60th day following the Date of Termination and 2/3 of the CIC Severance Amount shall be paid in approximately equal monthly installments during the 24-month period following the Date of Termination, commencing on the first payroll date to occur after the 60th day following the Date of Termination; *provided* that the first such payment shall consist of all amounts payable to Executive pursuant to this Section 6(e)(ii) between the Date of Termination and the first payroll date to occur after the 60th day following the Date of Termination;

(iii) if Executive elects to continue participation in any group medical, dental, vision and/or prescription drug plan benefits to which Executive and/or Executive's eligible dependents would be entitled under COBRA, then during the Health Benefits Continuation Period, Bank (or its successor) shall pay to Executive the Health Coverage Benefit;

(iv) to the extent not theretofore paid or provided, Bank (or its successor) shall timely pay or provide to Executive any Other Benefits; and

(v) any unvested equity awards held by Executive shall be subject to Equity Award Treatment as and to the extent set forth in Section 6(a)(v).

(vi) Notwithstanding the foregoing, Bank (or its successor) shall be obligated to provide the CIC Severance Amount, the Health Coverage Benefit and the Equity Award Treatment only if (A) within 45 days after the Date of Termination Executive shall have the Release Agreement and such Release Agreement shall not have been revoked within the revocation period specified in the Release Agreement, and (B) Executive fully complies with the obligations set forth in Section 7 hereof. For the avoidance of doubt, if Executive does not comply with the obligations set forth in Section 7 hereof, then payment or provision of the CIC Severance Amount, the Health Coverage Benefit and the Equity Award Treatment shall cease immediately upon Executive's breach thereof.

(f) Resignations. If Executive is a member of the board of directors of Company, the board of directors of Bank, or the board of directors of any subsidiary of Company or Bank, then termination of Executive's employment hereunder for any reason whatsoever shall constitute Executive's

resignation from such boards of directors and as resignation as an officer of Bank, Company, and of any of the subsidiaries for which Executive serves as an officer.

7. Restrictive Covenants. For the avoidance of doubt, the Restrictive Covenants contained in this Section 7, as well as any other provisions of this Agreement necessary to interpret or enforce the Restrictive Covenants, shall survive termination of this Agreement and/or termination of Executive's employment for any reason, and shall continue to be in full force and effect in accordance with their terms.

(a) Acknowledgments.

(i) Condition of Employment and Other Consideration. Executive acknowledges and agrees that Executive has received good and valuable consideration for entering into this Agreement.

(ii) Access to Confidential Information, Relationships, and Goodwill. Executive acknowledges and agrees that Executive is being provided and entrusted with Confidential Information, including highly confidential customer information that is subject to extensive measures to maintain its secrecy by Employer, is not known in the trade or disclosed to the public, and would materially harm Employer's legitimate business interests if it was disclosed or used in violation of this Agreement. Executive also acknowledges and agrees that Executive is being provided and entrusted with access to Employer's customer and employee relationships and goodwill. Executive further acknowledges and agrees that the Employer would not provide access to the Confidential Information, customer and employee relationships, and goodwill in the absence of Executive's execution of and compliance with this Agreement. Executive further acknowledges and agrees that the Employer's Confidential Information, customer and employee relationships, and goodwill are valuable assets of Employer and are legitimate business interests that are properly subject to protection through the covenants contained in this Agreement.

(iii) Potential Unfair Competition. Executive acknowledges and agrees that as a result of Executive's employment with Employer, Executive's knowledge of and access to Confidential Information, and relationships with Employer's customers and employees, Executive would have an unfair competitive advantage if Executive were to engage in activities in violation of this Agreement.

(iv) Voluntary Execution. Executive acknowledges and affirms that Executive has executed this Agreement voluntarily, has read this Agreement carefully, and had a full and reasonable opportunity to consider this Agreement (including an opportunity to consult with legal counsel), and that Executive has not been pressured or in any way coerced, threatened, or intimidated into signing this Agreement.

(b) Restriction on Disclosure and Use of Confidential Information. Executive agrees that Executive shall not, directly or indirectly, use any Confidential Information on Executive's own behalf or on behalf of any Person other than Employer, or reveal, divulge, or disclose any Confidential Information to any Person not expressly authorized by Employer to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Executive further agrees to fully cooperate with Employer in maintaining the Confidential Information to the extent permitted by law. The Parties acknowledge and

agree that this Agreement is not intended to, and does not, alter either Employer's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Executive shall not be restricted from disclosing information that is required to be disclosed by law, court order, or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, Executive shall provide Employer with prompt notice of such requirement so that Employer may seek an appropriate protective order prior to any such required disclosure by Executive. Executive understands and acknowledges that nothing in this section limits Executive's ability to report possible violations of federal, state, or local law or regulation to any governmental agency or entity; to communicate with any government agencies or otherwise participate in any investigation or proceeding that may be conducted by any government agencies in connection with any charge or complaint, whether filed by Executive, on Executive's behalf, or by any other individual; or to make other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Executive shall not need the prior authorization of Employer to make any such reports or disclosures and shall not be required to notify Employer that Executive has made such reports or disclosures. In addition, and anything herein to the contrary notwithstanding, Executive is hereby given notice that Executive shall not be criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(c) Non-Competition. Except as provided herein, Executive agrees that, during the Restricted Period, Executive will not, without prior written consent of Employer, directly or indirectly (i) carry on or engage in Competitive Services within the Restricted Territory on Executive's own behalf or on behalf of any Person or any Principal or Representative of any Person, or (ii) own, manage, operate, control or participate in the ownership, management, operation or control, of any business, whether in corporate, proprietorship or partnership form or otherwise, where such business is engaged in the provision of Competitive Services within the Restricted Territory; *provided* that nothing herein shall prohibit Executive from being a passive owner of not more than five percent of the outstanding securities of any publicly traded company engaged in the Competitive Services, so long as Executive does not serve on the board of directors of such company, and does not engage in the management of such company. The restrictions contained in this Section 7(c) shall not apply in the event that the Date of Termination occurs in connection with or subsequent to a Change in Control.

(d) Non-Solicitation of Protected Customers. Executive agrees that, during the Restricted Period, Executive shall not, without the prior written consent of Employer, directly or indirectly, on Executive's own behalf or as a Principal or Representative of any Person, solicit, divert, or attempt to solicit or divert a Protected Customer for the purpose of engaging in, providing, or selling Competitive Services.

(e) Non-Recruitment of Employees and Independent Contractors. Executive agrees that during the Restricted Period, Executive shall not, without the prior written consent of Employer, directly or indirectly, whether on Executive's own behalf or as a Principal or Representative of any Person, solicit or induce or attempt to solicit or induce any employee or individual independent contractor of Employer to terminate an employment relationship with Employer or to enter into employment or independent contractor relationship with Executive or any such other Person. Notwithstanding the foregoing, the provisions of this Section 7(e) shall not be violated by general advertising or solicitation

not specifically targeted at employees or independent contractor of Employer, or actions taken by any person or entity with which Executive is associated if Executive is not personally involved in any manner in the matter and has not identified such employee for soliciting or hiring and has not provided any information regarding the employee's qualifications.

(f) Proprietary Rights.

(i) Ownership and Assignment of Protected Works. Executive agrees that any and all Confidential Information and Protected Works are the sole property of Employer, and that no compensation in addition to Executive's compensation hereunder is due to Executive for development or transfer of such Protected Works. Executive agrees that Executive shall promptly disclose in writing to Employer the existence of any Protected Works. Executive hereby assigns and agrees to assign all of Executive's rights, title, and interest in any and all Protected Works, including all patents or patent applications, and all copyrights therein, to Employer. Executive shall not be entitled to use Protected Works for Executive's own benefit or the benefit of anyone except Employer without written permission from Employer and then only subject to the terms of such permission. Executive further agrees that Executive will communicate to Employer any facts known to Executive and testify in any legal proceedings, sign all lawful papers, make all rightful oaths, execute all divisionals, continuations, continuations-in-part, foreign counterparts, or reissue applications, all assignments, all registration applications, and all other instruments or papers to carry into full force and effect the assignment, transfer, and conveyance hereby made or to be made and generally do everything possible for title to the Protected Works and all patents or copyrights or trademarks or service marks therein to be clearly and exclusively held by Employer. Executive agrees that Executive will not oppose or object in any way to applications for registration of Protected Works by Employer or others designated by Employer. Executive agrees to exercise reasonable care to avoid making Protected Works available to any third party and shall be liable to Employer for all damages and expenses, including reasonable attorneys' fees, if Protected Works are made available to third parties by Executive without the express written consent of Employer.

Anything herein to the contrary notwithstanding, Executive will not be obligated to assign to Employer any Protected Work for which no equipment, supplies, facilities, or Confidential Information of Employer was used and which was developed entirely on Executive's own time, unless (A) the invention relates (1) directly to the business of Employer, or (2) to the Employer's actual or demonstrably anticipated research or development; or (B) the invention results from any work performed by Executive for Employer. Executive likewise will not be obligated to assign to Employer any Protected Work that is conceived by Executive after Executive leaves the employ of Employer, except that Executive is so obligated if the same relates to or is based on Confidential Information to which Executive had access by virtue of employment with Employer. Similarly, Executive will not be obligated to assign any Protected Work to Employer that was conceived and reduced to practice prior to Executive's employment with Employer, regardless of whether such Protected Work relates to or would be useful in the business of Employer. Executive acknowledges and agrees that there are no Protected Works conceived and reduced to practice by Executive prior to his employment with Employer.

(ii) No Other Duties. Executive acknowledges and agrees that there is no other contract or duty on the part of Executive now in existence to assign Protected Works to anyone other than Employer.

(iii) Works Made for Hire. Employer and Executive acknowledge that in the course of Executive's employment with Employer, Executive may from time to time create for Employer copyrightable works. Such works may consist of manuals, pamphlets, instructional materials, computer programs, software, software integration techniques, software codes, and data, technical data, photographs, drawings, logos, designs, artwork, or other copyrightable material, or portions thereof, and may be created within or without Employer's facilities and before, during or after normal business hours. All such works related to or useful in the business of Employer are specifically intended to be works made for hire by Executive, and Executive shall cooperate with Employer in the protection of Employer's copyrights in such works and, to the extent deemed desirable by Employer, the registration of such copyrights.

(g) Return of Materials. Executive agrees to not retain or destroy (except as set forth below), and to immediately return to Employer on or prior to the Date of Termination, or at any other time Employer requests such return, any and all property of Employer that is the possession of Executive or subject to Executive's control, including, but not limited to, keys, credit and identification cards, equipment, customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, computers, mobile devices, other electronic media, all other files and documents relating to Employer and its business (regardless of form, but specifically including all electronic files and data of Employer), together with all Protected Works and Confidential Information belonging to Employer or that Executive received from or through his employment with Employer. Executive will not make, distribute, or retain copies of any such information or property. To the extent that Executive has electronic files or information in Executive's possession or control that belong to Employer, contain Confidential Information, or constitute Protected Works (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Date of Termination, or at any other time Employer requests, Executive shall (i) provide Employer with an electronic copy of all of such files or information (in an electronic format that readily accessible by Employer); (ii) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Employer-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (iii) provide a written certification to Employer that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(h) Enforcement of Restrictive Covenants. For the avoidance of doubt, nothing in this Section 7(h) limits the remedies available to Employer under Section 14 hereof.

(i) Rights and Remedies Upon Breach. The Parties specifically acknowledge and agree that the remedy at law for any breach of the Restrictive Covenants will be inadequate, and that in the event Executive breaches any of the Restrictive Covenants, Employer shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Executive from violating the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach of the Restrictive Covenants would cause irreparable injury to Employer and that money damages would not provide an adequate remedy to Employer. Executive understands and agrees that if he materially violates any of the obligations set forth in the Restrictive Covenants, the Restricted Period shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated

during the Restricted Period. If Employer does not substantially prevail in such litigation, the Restricted Period shall be deemed to have continued to run during the litigation. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Employer at law or in equity. Employer's ability to enforce its rights under the Restrictive Covenants or applicable law against Executive shall not be impaired in any way by the existence of a claim or cause of action on the part of Executive based on, or arising out of, this Agreement or any other event or transaction.

(ii) Severability and Modification of Covenants. Executive acknowledges and agrees that each of the Restrictive Covenants is reasonable and valid in time and scope and in all other respects. The Parties agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Restrictive Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Restrictive Covenants, or any other provision of this Section 7, be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Restrictive Covenant. If any of the provisions of the Restrictive Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of Employer's legitimate business interests and may be enforced by Employer to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

(i) Existing Covenants. Executive represents and warrants that Executive's employment with Employer does not and will not breach any agreement that Executive has with any former employer to keep in confidence proprietary or confidential information or not to compete with any such former employer. Executive will not disclose to Employer or use on its behalf any proprietary or confidential information of any other party required to be kept confidential by Executive.

(j) Disclosure of Agreement. Executive acknowledges and agrees that, during the Restricted Period, Executive will disclose the existence and terms of the Restrictive Covenants in Section 7 of this Agreement to any prospective employer or business partner within the Restricted Territory prior to entering into an employment, partnership, or other business relationship with such prospective employer or business partner. Executive further agrees that Employer shall have the right to make any such prospective employer or business partner of Executive within the Restricted Territory aware of the existence and terms of the Restrictive Covenants in Section 7 of this Agreement.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any employee benefit plan, program, policy, or practice provided by Employer and for which Executive may qualify, except as specifically provided herein. Amounts that are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice, or program of Employer at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice, or program except as explicitly modified by this Agreement.

9. Full Settlement; No Mitigation. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Employer may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this

Agreement and such amounts shall not be reduced whether or not Executive obtains other employment. For the avoidance of doubt, nothing in this Section 9 shall impact Employer's remedy of recoupment set forth in Section 14 hereof.

10. Mandatory Reduction of Payments in Certain Events.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any Payment would, if paid, be subject to any Excise Tax, then, prior to the making of any Payments to or for the benefit of Executive, a calculation shall be made comparing (i) the net after-tax benefit to Executive of the Payments after payment by Executive of the Excise Tax, to (ii) the net after-tax benefit to Executive if the Payments had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payments shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "**Reduced Amount**"). The reduction of the Payments due hereunder, if applicable, shall be made by first reducing cash Payments and then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value to actual present value of such Payments as of the date of a Change in Control, as determined by the Determination Firm (as defined below). For purposes of this Section 10, present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) All determinations required to be made under this Section 10, including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by a nationally recognized accounting firm or compensation consulting firm mutually acceptable to Employer and Executive (the "**Determination Firm**") which shall provide detailed supporting calculations to Employer and Executive within 15 business days after the receipt of notice from Executive that a Payment is due to be made, or such earlier time as is requested by Employer. All fees and expenses of the Determination Firm shall be borne solely by Employer. Any determination by the Determination Firm shall be binding upon Employer and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments which Executive was entitled to, but did not receive pursuant to Section 10(a), could have been made without the imposition of the Excise Tax ("**Underpayment**"), consistent with the calculations required to be made hereunder. In such event, the Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Employer to or for the benefit of Executive but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

(c) In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 10 shall be of no further force or effect. In the event the provisions of Code Section 280G or 4999 are modified, this Section 10 shall be modified accordingly.

11. Successors.

(a) This Agreement is personal to Executive and shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement can be assigned by Company and/or Bank only to a subsidiary or successor and shall be binding and inure to the benefit of Company and Bank, and their successors and assigns. The Company and/or Bank shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank,

expressly and unconditionally to assume and agree to perform the Bank's obligations under this Agreement, in the same manner and to the same extent that the Bank would be required to perform if no such succession or assignment had taken place.

12. Code Section 409A.

(a) General. This Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A of the Code and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder (and any applicable transition relief under Section 409A of the Code). Nevertheless, the tax treatment of the benefits provided under the Agreement is not warranted or guaranteed. Neither Company nor Bank, nor their directors, officers, employees, or advisers, shall be held liable for any taxes, interest, penalties, or other monetary amounts owed by Executive as a result of the application of Section 409A of the Code.

(b) Definitional Restrictions. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code ("**Non-Exempt Deferred Compensation**") would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, such Non-Exempt Deferred Compensation will not be payable or distributable to Executive, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such payment event meet any description or definition of "change in control event" or "separation from service," as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not affect the dollar amount or prohibit the *vesting* of any Non-Exempt Deferred Compensation termination of employment, however defined. If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, or the application of a different form of payment, then, subject to subsection (c) below, such payment or distribution shall be made at the time and in the form that would have applied absent the non-409A-conforming event.

(c) Six-Month Delay in Certain Circumstances. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute Non-Exempt Deferred Compensation would otherwise be payable or distributable under this Agreement by reason of Executive's separation from service during a period in which Executive is a specified employee (as determined by Employer in accordance with Section 409A of the Code and Treasury Regulations § 1.409A-3(i)(2)), then, subject to any permissible acceleration of payment by Employer under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes): (i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following Executive's separation from service will be accumulated through and paid or provided on the first day of the seventh month following Executive's separation from service (or, if Executive dies during such period, within 30 days after Executive's death) (in either case, the "**Required Delay Period**"); and (ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

(d) Treatment of Installment Payments. Each payment of termination benefits under this Agreement, including but not limited to Section 6, shall be considered a separate payment, as described in Treas. Reg. Section 1.409A-2(b)(2), for purposes of Section 409A of the Code.

(e) Timing of Release of Claims. Whenever in this Agreement a payment or benefit is conditioned on Executive's execution of a release of claims, such release must be executed and all revocation periods shall have expired within 60 days after the Date of Termination; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then such payment or benefit (including any installment payments) that would have otherwise been payable during such 60-day period shall be accumulated and paid on the 60th day after the Date of Termination provided such release shall have been executed and such revocation periods shall have expired. If such payment or benefit is exempt from Section 409A of the Code, Employer may elect to make or commence payment at any time during such period.

(f) Timing of Reimbursements and In-kind Benefits. If Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Executive's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(g) Permitted Acceleration. Employer shall have the sole authority to make any accelerated distribution permissible under Treas. Reg. Section 1.409A-3(j)(4) to Executive of deferred amounts, provided that such distribution meets the requirements of Treas. Reg. Section 1.409A-3(j)(4).

13. Regulatory Action.

(a) If Executive is removed and/or permanently prohibited from participating in the conduct of Bank's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act ("**FDIA**") (12 U.S.C. 1818(e)(4) and (g)(1)), all obligations of Employer under this Agreement shall terminate, as of the effective date of such order.

(b) If Executive is suspended and/or temporarily prohibited from participating in the conduct of Bank's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the FDIA (12 U.S.C. 1818(e)(3) and (g)(1)), all obligations of Employer under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, Employer shall reinstate (in whole or in part) any of its obligations which were suspended.

(c) If Bank is in default (as defined in Section 3(x)(1) of the FDIA), all obligations under this Agreement shall terminate as of the date of default.

(d) All obligations under this Agreement shall be terminated, except to the extent a determination is made that continuation of the Agreement is necessary for the continued operation of Bank (1) by the director of the FDIC or his or her designee (the "**Director**"), at the time the FDIC enters into an agreement to provide assistance to or on behalf of Bank under the authority contained in 13(c) of the FDIA; or (2) by the Director, at the time the Director approves a supervisory merger to resolve

problems related to operation of Bank when Bank is determined by the Director to be in an unsafe and unsound condition.

14. Compensation Recoupment Policy. Any incentive compensation, including, but not limited to, cash-based and equity-based compensation, awarded to Executive by Employer shall be subject to any written compensation recoupment policy that the Compensation Committee may adopt from time to time that is applicable by its terms to Executive. In addition, the Compensation Committee may specify in any written documentation memorializing an incentive award that Executive's rights, payments, and benefits with respect to such award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable conditions of such award. Such events may include, but shall not be limited to: (i) termination of employment for Cause, (ii) violation of material Company or Bank policies, (iii) breach of noncompetition, confidentiality, or other restrictive covenants, (iv) other conduct by Executive that is detrimental to the business or reputation of the Employer, or (v) a later determination that the amount realized from a performance-based award was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, whether or not Executive caused or contributed to such material inaccuracy. The reduction, cancellation, forfeiture, and recoupment rights associated with any equity awards or similar awards granted to Executive, if any, shall be as provided in the award certificate memorializing any such award.

15. Indemnification. Employer shall indemnify Executive for liabilities incurred by Executive while acting in good faith as an officer to the fullest extent provided for any other officer of Employer. To the extent that Employer maintains director and officer liability insurance, such insurance shall cover Executive to the same extent as any other officer of Employer.

16. Miscellaneous.

(a) Applicable Law; Consent to Arbitration. Employer and Executive agree that this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Tennessee without giving effect to its conflicts of law principles. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators sitting in a location selected by Executive within fifty (50) miles from the headquarters location of the Bank, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) Non-Duplication. Notwithstanding anything to the contrary in this Agreement, and except as specifically provided below, any severance payments or benefits received by Executive pursuant to this Agreement shall be in lieu of any general severance policy or other severance plan maintained by Employer (other than a stock option, restricted stock, share or unit, performance share or unit, supplemental retirement, deferred compensation, or similar plan or agreement which may contain provisions operative on a termination of Executive's employment or may incidentally refer to accelerated vesting or accelerated payment upon a termination of employment).

(c) Captions. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(d) Amendments. This Agreement may not be amended or modified otherwise than-by a written agreement executed by the Parties or their respective successors and legal representatives.

(e) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other Party(ies) or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:
On file with Bank

If to Company and/or Bank:
211 Commerce Street
Suite 300
Nashville, Tennessee 37201
Attention: General Counsel

or to such other address as a Party shall have furnished to the other Party(ies) in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(f) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(g) Withholding. Employer may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(h) Waivers. Failure of any Party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the Party making the waiver.

(i) Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and, from and after the date hereof, this Agreement shall supersede any other agreement, written or oral, between the Parties relating to the subject matter of this Agreement, including but not limited to any prior discussions, understandings, letters and/or agreements between the Parties, written or oral, at any time. The Previous Agreement is expressly terminated and superseded and replaced by this Agreement as of the Effective Date, and neither Executive nor Company or Bank shall have any further or continuing rights, duties, obligations, or liability under the Previous Agreement.

(j) Construction. The Parties understand and agree that because they have been given the opportunity to have counsel review and revise this Agreement, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement. Instead, the language of all parts of this Agreement shall be construed as a whole, and according to its fair meaning, and not strictly for or against any Party.

(k) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(l) Survival. The rights and obligations of the Parties under Sections 6, 7, 10, 12, 14, 15, 16 shall survive the expiration and/or termination of this Agreement and the termination of Executive's employment hereunder for the periods expressly designated in such sections or, if no such period is designated, for the maximum period permissible under applicable law.

[signature page follows]

IN WITNESS WHEREOF, the Parties hereby signify their agreement to these terms by their signatures below, as of the date written on the first page of this Agreement.

CHRISTOPHER T. HOLMES

Christopher T. Holmes

FIRSTBANK

Stuart McWhorter
Chairman of the Board of Directors

FB FINANCIAL CORPORATION

Stuart McWhorter
Chairman of the Board of Directors

[Holmes - Employment Agreement Signature Page]

[Holmes - Employment Agreement Signature Page]

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Exhibit A – Form of Release

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (the “*Agreement*”) is entered into as of the Effective Date, as defined in Paragraph 6 hereof, by and between FB Financial Corporation (the “*Holding Company*”), FirstBank, a Tennessee bank and wholly-owned subsidiary of the Holding Company (the “*Bank*” and, together with the Holding Company, the “*Company*”) and Christopher T. Holmes (“*Executive*”). Together, the Company, the Bank and Executive may be referred to hereinafter as the “*Parties*”.

In consideration of the payments, covenants and releases described below, and in consideration of other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, the Company, the Bank and Executive agree as follows:

1. Separation from Employment. Executive’s employment with Company and Bank ended on [_____] (the “*Termination Date*”). To the extent not already paid to Executive, within 30 days of the Termination Date, the Bank shall pay to Executive (a) all accrued but unpaid Base Salary (as defined in the Employment Agreement among the Parties) through the Termination Date; (b) reimbursement for any unreimbursed business expenses properly incurred by Executive in accordance with Bank policy prior to the Termination Date; and (c) to the extent required by the Bank’s policy regarding accrual and payment for unused vacation pay, cash in lieu of any accrued but unused vacation through the Termination Date. Additionally, the Bank shall timely pay to Executive any benefits accrued or payable to Executive under the Bank’s benefit plans (in accordance with the terms of such benefit plans). Executive will receive by separate letter information regarding Executive’s rights regarding continuation of health insurance under Section 4980B of the Internal Revenue Code (“*COBRA*”), and to the extent that Executive has such rights, nothing in this Agreement will change or impair those rights.

2. Separation Obligations of the Company. In consideration of Executive’s promises contained in this Agreement, the Company agrees to provide the severance as set forth in Section 6 of the Employment Agreement (as defined in Paragraph 7 hereof), subject to the requirements and limitations set forth therein. The Parties acknowledge and agree that the payments and benefits set forth in this Paragraph 2 exceed any and all actions, pay, and benefits that the Company might otherwise have owed to Executive by contract or law, and that the payments and benefits set forth in this Paragraph 2 constitute good, valuable, and sufficient consideration for Executive’s release and agreements herein. The Company’s obligation to provide the payments and benefits set forth in this Paragraph 2 is expressly contingent on Executive executing and not revoking this Agreement pursuant to Paragraph 6 below. The Bank’s obligation to make the payments set forth herein shall cease upon Executive’s breach of this Agreement or the surviving provisions of Executive’s Employment Agreement as provided in Paragraph 7 below.

3. General Release of Claims and Covenant Not To Sue.

a. General Release of Claims. In consideration of the payments made to Executive by the Bank and the promises contained in this Agreement, Executive on behalf of himself and Executive’s agents and successors in interest, hereby UNCONDITIONALLY RELEASES AND DISCHARGES the Company, its successors, subsidiaries, parent companies, assigns, joint ventures, and affiliated companies and their respective agents, legal representatives, shareholders, attorneys, employees, members, managers, officers and directors (collectively, the “Releasees”) from ALL CLAIMS, LIABILITIES, DEMANDS AND CAUSES OF ACTION which Executive may by law release, as well as all contractual obligations not expressly set forth in this Agreement, whether known or unknown, fixed or contingent, that Executive may have or claim to have against any Releasee for any reason as of the date of execution of this Agreement. This release includes, but is not limited to, claims arising under federal, state, or local laws prohibiting employment discrimination; claims arising under severance plans and contracts; and claims growing out of any legal restrictions on the Company’s rights to terminate its employees or to take

any other employment action, whether statutory, contractual, or arising under common law or case law. Executive specifically acknowledges and agrees that Executive is releasing any and all rights under federal, state and local employment laws including without limitation the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 1981, the Americans With Disabilities Act, the Family and Medical Leave Act, the Genetic Information Nondiscrimination Act, the anti-retaliation provisions of the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Equal Pay Act, the Occupational Safety and Health Act, the Worker Adjustment and Retraining Notification Act, the Employee Polygraph Protection Act, the Fair Credit Reporting Act, and any and all other local, state, and federal law claims arising under statute or common law. It is agreed that this is a general release and it is to be broadly construed as a release of all claims, except those that cannot be released by law. For the avoidance of doubt, notwithstanding the above, Executive does not release Releasees from (i) any rights or claims based on events that occur after Executive executes this Agreement or (ii) any rights or claims arising under this Agreement, including without limitation any rights to benefits accrued or payable to Executive under the Company's benefit plans.

b. Covenant Not to Sue. Except as expressly set forth in Paragraph 4 below, Executive further hereby AGREES NOT TO FILE A LAWSUIT or other legal claim or charge to assert against any of the Releasees any claim released by this Agreement.

c. Acknowledgement Regarding Payments and Benefits. Executive acknowledges and agrees that Executive has been paid all wages and accrued benefits to which Executive is entitled through the date of execution of this Agreement. Other than the payments set forth in this Agreement (including any benefits accrued or payable to Executive under the Bank's benefit plans (in accordance with the terms of such benefit plans)), the Parties agree that the Company owes no additional amounts to Executive for wages, back pay, severance pay, bonuses, damages, accrued vacation, benefits, insurance, sick leave, other leave, or any other reason.

d. Other Representations and Acknowledgements. This Agreement is intended to and does settle and resolve all claims of any nature that Executive might have against the Company arising out of their employment relationship or the termination of employment or relating to any other matter, except those that cannot be released by law. By signing this Agreement, Executive acknowledges that Executive is doing so knowingly and voluntarily, that Executive understands that Executive may be releasing claims Executive may not know about, and that Executive is waiving all rights Executive may have had under any law that is intended to protect Executive from waiving unknown claims. Executive warrants that Executive has not filed any notices, claims, complaints, charges, or lawsuits of any kind whatsoever against the Company or any of the Releasees as of the date of execution of this Agreement. This Agreement shall not in any way be construed as an admission by the Company or any of the Releasees of wrongdoing or liability or that Executive has any rights against the Company or any of the Releasees. Executive represents and agrees that Executive has not transferred or assigned, to any person or entity, any claim that Executive is releasing in this Paragraph 3.

4. Protected Rights. Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission, or any other federal, state or local governmental agency or commission ("**Government Agencies**"). Executive further understands that this Agreement does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by Executive, on Executive's behalf, or by any other individual. However, based on Executive's release of claims set forth in Paragraph 3 of this Agreement, Executive understands that Executive is releasing all claims that Executive may have, as well as, to the extent permitted by applicable law, Executive's right to recover monetary damages or obtain other relief that is personal to Executive in connection with any claim Executive is releasing under this Agreement.

5. **Acknowledgment.** The Company hereby advises Executive to consult with an attorney prior to executing this Agreement and Executive acknowledges and agrees that the Company has advised, and hereby does advise, Executive of Executive's opportunity to consult an attorney or other advisor and has not in any way discouraged Executive from doing so. Executive expressly acknowledges and agrees that Executive has been offered at least [21] days to consider this Agreement before signing it, that Executive has read this Agreement and Release carefully, and that Executive has had sufficient time and opportunity to consult with an attorney or other advisor of Executive's choosing concerning the execution of this Agreement. Executive acknowledges and agrees that Executive fully understands that the Agreement is final and binding, that it contains a full release of all claims and potential claims, and that the only promises or representations Executive has relied upon in signing this Agreement are those specifically contained in the Agreement itself. Executive acknowledges and agrees that Executive is signing this Agreement voluntarily, with the full intent of releasing the Company from all claims covered by Paragraph 3.

6. **Revocation and Effective Date.** The Parties agree Executive may revoke the Agreement at will within seven days after Executive executes the Agreement by giving written notice of revocation to Company. Such notice must be delivered to [] and must actually be received by [] at or before the above-referenced seven-day deadline. The Agreement may not be revoked after the expiration of the seven-day deadline. In the event that Executive revokes the Agreement within the revocation period described in this Paragraph 6, this Agreement shall not be effective or enforceable, and all rights and obligations hereunder shall be void and of no effect. Assuming that Executive does not revoke this Agreement within the revocation period described above, the effective date of this Agreement (the "***Effective Date***") shall be the eighth day after the day on which Executive executes this Agreement.

7. **Termination of Employment Agreement; Survival of Protective Covenants.** Executive acknowledges and agrees that the Employment Agreement executed by the Parties on or about [] (the "***Employment Agreement***") is hereby terminated, without further action by the Parties, as of the Termination Date and shall be of no further force and effect, and that except as expressly set forth in this Agreement, the Company shall have no continuing obligations to Executive under the Employment Agreement; *provided, however*, that Sections 6, 7, 9, 10, 12, 14, 15, and 16 shall survive and remain in full force and effect in accordance with their terms.

8. **Confidentiality of Agreement.** Executive agrees not to disclose the underlying facts that led up to this Agreement or the terms, amount, or existence of this Agreement or the benefits Executive is receiving under this Agreement to anyone other than a member of Executive's immediate family, attorney, or other professional advisor and, even as to such a person, only if the person agrees to honor this confidentiality requirement. Such a person's violation of this confidentiality requirement will be treated as a violation of this Agreement by Executive. This Paragraph 8 does not prohibit Executive from disclosing the terms, amount, or existence of this Agreement to the extent necessary legally to enforce this Agreement. Anything herein to the contrary notwithstanding, Executive shall not be restricted from disclosing information that has been filed by the Company with the Securities and Exchange Commission and is publicly available or that is required to be disclosed by law, court order, other valid and appropriate legal process, or a valid request by a Government Agency.

9. **Final Agreement.** This Agreement contains the entire agreement between the Company and Executive with respect to the subject matter hereof, and supersedes all prior agreements between the Parties, except as set forth in Paragraph 7 above. The Parties agree that this Agreement may not be modified except by a written document signed by both Parties. The Parties agree that this Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Tennessee without giving effect to its conflict of law principles.

11. Waiver. The failure of either party to enforce any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision. Any waiver of any provision of this Agreement must be in a writing signed by the party making such waiver. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

12. No Reemployment. Executive agrees that by signing this Agreement, Executive relinquishes any right to employment or reemployment with the Company or any of the Releasees. Executive agrees that Executive will not seek, apply for, accept, or otherwise pursue employment with the Company or any of the Releasees, and acknowledges that if Executive reapplies for or seeks employment with the Company or any of the Releasees, the Company's or any of the Releasees' refusal to hire Executive based on this Paragraph 12 shall provide a complete defense to any claims arising from Executive's attempt to obtain employment.

The Parties hereby signify their agreement to these terms by their signatures below.

EXECUTIVE

Christopher T. Holmes
Date:

FB FINANCIAL CORPORATION

Name:
Title:
Date:

FIRST BANK

Name:
Title:
Date:

**FB FINANCIAL CORPORATION
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher T. Holmes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FB Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/s/ Christopher T. Holmes

Christopher T. Holmes

President and Chief Executive Officer
(Principal Executive Officer)

**FB FINANCIAL CORPORATION
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael M. Mettee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FB Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/s/ Michael M. Mettee

Michael M. Mettee
Chief Financial Officer
(Principal Financial Officer)

**FB FINANCIAL CORPORATION
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), of FB Financial Corporation (the "Company"), each of the undersigned officers of the Company hereby certify, in their capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2021

/s/ Christopher T. Holmes

Christopher T. Holmes
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2021

/s/ Michael M. Mettee

Michael M. Mettee
Chief Financial Officer
(Principal Financial Officer)