
**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 September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-37875

**FB FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)**

Tennessee

62-1216058

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

**1221 Broadway, Suite 1300
Nashville, Tennessee**

37203

(Address of principal executive offices)

(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(s)</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, a 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 Accelerated filer

Non-accelerated filer Small reporting company

Emerging growth company

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 October 31, 2024 was 46,662,052.

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PART I

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

As used in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, 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 the 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	Federal Reserve	Board of Governors of the Federal Reserve System
AFS	Available-for-sale	FHLB	Federal Home Loan Bank
ALCO	Asset Liability Management Committee	GAAP	U.S. generally accepted accounting principles
ASC	Accounting Standard Codification	GDP	Gross domestic product
ASU	Accounting Standard Update	GNMA	Government National Mortgage Association
Bank	FirstBank, subsidiary bank	HFI	Held for investment
BOLI	Bank-owned life insurance	NIM	Net interest margin
CD	Certificate of Deposit	OREO	Other real estate owned
CECL	Current expected credit losses	PSU	Performance-based restricted stock units
Company	FB Financial Corporation	Report	Form 10-Q for the quarterly period ended September 30, 2024
CPR	Conditional prepayment rate	ROAA	Return on average assets
CRE	Commercial real estate	ROAE	Return on average common equity
ESPP	Employee Stock Purchase Plan	ROATCE	Return on average tangible common equity
EVE	Economic value of equity	RSU	Restricted stock units
FASB	Financial Accounting Standards Board	SEC	U.S. Securities and Exchange Commission
FDIC	Federal Deposit Insurance Corporation	SOFR	Secured overnight financing rate
FDM	Financial Difficulty Modification	TDFI	Tennessee Department of Financial Institutions

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

	September 30,	December 31,
	2024 (Unaudited)	2023
ASSETS		
Cash and due from banks	\$ 126,470	\$ 146,542
Federal funds sold and reverse repurchase agreements	97,299	83,324
Interest-bearing deposits in financial institutions	727,981	581,066
Cash and cash equivalents	951,750	810,932
Investments:		
Available-for-sale debt securities, at fair value	1,567,922	1,471,973
Federal Home Loan Bank stock, at cost	32,859	34,190
Loans held for sale (includes \$72,608 and \$46,618 at fair value, respectively)	103,145	67,847
Loans held for investment	9,478,129	9,408,783
Less: allowance for credit losses on loans HFI	156,260	150,326
Net loans held for investment	9,321,869	9,258,457
Premises and equipment, net	152,572	155,731
Operating lease right-of-use assets	47,346	54,295
Interest receivable	52,228	52,715
Mortgage servicing rights, at fair value	157,097	164,249
Bank-owned life insurance	72,167	76,143
Other real estate owned, net	3,779	3,192
Goodwill	242,561	242,561
Core deposit and other intangibles, net	6,449	8,709
Other assets	208,478	203,409
Total assets	\$ 12,920,222	\$ 12,604,403
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 2,226,144	\$ 2,218,382
Interest-bearing checking	2,754,253	2,504,421
Money market and savings	4,098,496	4,204,851
Customer time deposits	1,378,118	1,469,811
Brokered and internet time deposits	519,200	150,822
Total deposits	10,976,211	10,548,287
Borrowings	182,107	390,964
Operating lease liabilities	59,584	67,643
Accrued expenses and other liabilities	139,898	142,622
Total liabilities	11,357,800	11,149,516
SHAREHOLDERS' EQUITY		
Common stock, \$1 par value per share; 75,000,000 shares authorized; 46,658,019 and 46,848,934 shares issued and outstanding, respectively	46,658	46,849
Additional paid-in capital	858,106	864,258
Retained earnings	732,435	678,412
Accumulated other comprehensive loss, net	(74,870)	(134,725)
Total FB Financial Corporation common shareholders' equity	1,562,329	1,454,794
Noncontrolling interest	93	93
Total equity	1,562,422	1,454,887
Total liabilities and shareholders' equity	\$ 12,920,222	\$ 12,604,403

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries

Consolidated statements of income

(Unaudited)

(Amounts are in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Interest income:				
Interest and fees on loans	\$ 158,625	\$ 153,882	\$ 469,610	\$ 443,458
Interest on investment securities				
Taxable	13,943	6,399	35,014	19,449
Tax-exempt	1,104	1,795	3,714	5,407
Other	11,956	11,836	30,831	35,261
Total interest income	185,628	173,912	539,169	503,575
Interest expense:				
Deposits	76,088	69,826	220,214	187,946
Borrowings	3,523	3,160	10,833	9,500
Total interest expense	79,611	72,986	231,047	197,446
Net interest income	106,017	100,926	308,122	306,129
Provision for credit losses on loans HFI	1,856	6,031	7,648	13,603
Provision for (reversal of) credit losses on unfunded commitments	58	(3,210)	(2,728)	(11,369)
Net interest income after provision for credit losses	104,103	98,105	303,202	303,895
Noninterest income:				
Mortgage banking income	11,553	11,998	36,048	36,316
Investment services and trust income	3,721	3,072	10,338	8,227
Service charges on deposit accounts	3,378	2,959	9,686	9,197
ATM and interchange fees	2,840	2,639	8,598	7,664
Loss from investment securities, net	(40,165)	(14,197)	(56,378)	(14,156)
(Loss) gain on sales or write-downs of other real estate owned and other assets	(289)	115	(5)	465
Other income	2,465	1,456	8,786	7,491
Total noninterest (loss) income	(16,497)	8,042	17,073	55,204
Noninterest expenses:				
Salaries, commissions and employee benefits	47,538	54,491	138,381	155,299
Occupancy and equipment expense	6,640	6,428	19,582	18,618
Data processing	2,486	2,338	7,180	6,796
Advertising	1,947	2,124	4,977	6,258
Legal and professional fees	1,900	1,760	5,798	7,067
Amortization of core deposit and other intangibles	719	889	2,260	2,819
Other expense	14,982	14,967	45,547	47,872
Total noninterest expense	76,212	82,997	223,725	244,729
Income before income taxes	11,394	23,150	96,550	114,370
Income tax expense	1,174	3,975	18,393	23,507
Net income applicable to FB Financial Corporation and noncontrolling interest	10,220	19,175	78,157	90,863
Net income applicable to noncontrolling interest	—	—	8	8
Net income applicable to FB Financial Corporation	\$ 10,220	\$ 19,175	\$ 78,149	\$ 90,855
Earnings per common share:				
Basic	\$ 0.22	\$ 0.41	\$ 1.67	\$ 1.94
Diluted	0.22	0.41	1.67	1.94

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries
Consolidated statements of comprehensive income (loss)
(Unaudited)
(Amounts are in thousands)

	Three Months Ended			
	September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 10,220	\$ 19,175	\$ 78,157	\$ 90,863
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) in available-for-sale securities, net of tax expense (benefit) of \$9,621, \$(13,819), \$6,674 and \$(11,650)	27,265	(39,316)	18,597	(33,110)
Reclassification adjustment for loss on sale of securities included in net income, net of tax benefit of \$10,467, \$3,674, \$14,692 and \$3,674	29,698	10,426	41,686	10,426
Net unrealized loss in hedging activities, net of tax benefit of \$21, \$35, \$151 and \$99	(59)	(101)	(428)	(281)
Total other comprehensive income (loss), net of tax	56,904	(28,991)	59,855	(22,965)
Comprehensive income (loss) applicable to FB Financial Corporation and noncontrolling interest	67,124	(9,816)	138,012	67,898
Comprehensive income applicable to noncontrolling interest	—	—	8	8
Comprehensive income (loss) applicable to FB Financial Corporation	\$ 67,124	\$ (9,816)	\$ 138,004	\$ 67,890

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)

						Accumulated								
			Common	Additional		other	Total common							
			stock	paid-in	Retained	comprehensive	shareholders'	Noncontrolling	Total shareholders'					
Balance at June 30, 2023	\$	46,799	\$	859,516	\$	644,043	\$	(163,407)	\$	1,386,951	\$	93	\$	1,387,044
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—	—	—	19,175	—	—	19,175	—	—	—	19,175		
Other comprehensive loss, net of taxes	—	—	—	—	—	(28,991)	—	(28,991)	—	—	—	(28,991)		
Stock based compensation expense	1	2,783	—	—	—	—	2,784	—	—	—	—	2,784		
Restricted stock units vested, net of taxes	26	(348)	—	—	—	—	(322)	—	—	—	—	(322)		
Shares issued under employee stock purchase program	13	389	—	—	—	—	402	—	—	—	—	402		
Dividends declared (\$0.15 per share)	—	—	(7,098)	—	—	—	(7,098)	—	—	—	—	(7,098)		
Balance at September 30, 2023	\$	46,839	\$	862,340	\$	656,120	\$	(192,398)	\$	1,372,901	\$	93	\$	1,372,994
Balance at June 30, 2024	\$	46,643	\$	855,391	\$	730,242	\$	(131,774)	\$	1,500,502	\$	93	\$	1,500,595
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—	—	10,220	—	—	10,220	—	—	—	—	10,220		
Other comprehensive income, net of taxes	—	—	—	—	56,904	—	56,904	—	—	—	—	56,904		
Stock based compensation expense	1	2,350	—	—	—	—	2,351	—	—	—	—	2,351		
Restricted stock units vested, net of taxes	4	(108)	—	—	—	—	(104)	—	—	—	—	(104)		
Shares issued under employee stock purchase program	10	473	—	—	—	—	483	—	—	—	—	483		
Dividends declared (\$0.17 per share)	—	—	(8,027)	—	—	—	(8,027)	—	—	—	—	(8,027)		
Balance at September 30, 2024	\$	46,658	\$	858,106	\$	732,435	\$	(74,870)	\$	1,562,329	\$	93	\$	1,562,422

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)

						Accumulated			
			Additional		other	Total common			
	Common	paid-in		Retained	comprehensive	shareholders'	Noncontrolling	Total	shareholders'
	stock	capital		earnings	loss, net	equity	interest		equity
Balance at December 31, 2022	\$ 46,738	\$ 861,588		\$ 586,532	\$ (169,433)	\$ 1,325,425	\$ 93	\$ 1,325,518	
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—		90,855	—	90,855	8	90,863	
Other comprehensive loss, net of taxes	—	—		—	(22,965)	(22,965)	—	(22,965)	
Repurchase of common stock	(136)	(4,808)		—	—	(4,944)	—	(4,944)	
Stock based compensation expense	7	8,310		—	—	8,317	—	8,317	
Restricted stock units vested, net of taxes	141	(2,069)		—	—	(1,928)	—	(1,928)	
Performance-based restricted stock units vested, net of taxes	68	(1,383)		—	—	(1,315)	—	(1,315)	
Shares issued under employee stock purchase program	21	702		—	—	723	—	723	
Dividends declared (\$0.45 per share)	—	—		(21,267)	—	(21,267)	—	(21,267)	
Noncontrolling interest distribution	—	—		—	—	—	(8)	(8)	
Balance at September 30, 2023	\$ 46,839	\$ 862,340		\$ 656,120	\$ (192,398)	\$ 1,372,901	\$ 93	\$ 1,372,994	
Balance at December 31, 2023	\$ 46,849	\$ 864,258		\$ 678,412	\$ (134,725)	\$ 1,454,794	\$ 93	\$ 1,454,887	
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—		78,149	—	78,149	8	78,157	
Other comprehensive income, net of taxes	—	—		—	59,855	59,855	—	59,855	
Repurchase of common stock	(353)	(12,346)		—	—	(12,699)	—	(12,699)	
Stock based compensation expense	5	7,256		—	—	7,261	—	7,261	
Restricted stock units vested, net of taxes	106	(1,549)		—	—	(1,443)	—	(1,443)	
Performance-based restricted stock units vested, net of taxes	30	(374)		—	—	(344)	—	(344)	
Shares issued under employee stock purchase program	21	861		—	—	882	—	882	
Dividends declared (\$0.51 per share)	—	—		(24,126)	—	(24,126)	—	(24,126)	
Noncontrolling interest distribution	—	—		—	—	—	(8)	(8)	
Balance at September 30, 2024	\$ 46,658	\$ 858,106		\$ 732,435	\$ (74,870)	\$ 1,562,329	\$ 93	\$ 1,562,422	

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries

Consolidated statements of cash flows

(Unaudited)

(Amounts are in thousands)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income applicable to FB Financial Corporation and noncontrolling interest	\$ 78,157	\$ 90,863
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets and software	8,957	7,361
Amortization of core deposit and other intangibles	2,260	2,819
Amortization of issuance costs on subordinated debt	290	290
Capitalization of mortgage servicing rights	(4,067)	(6,134)
Net change in fair value of mortgage servicing rights	11,219	1,789
Stock-based compensation expense	7,261	8,317
Provision for credit losses on loans HFI	7,648	13,603
Reversal of credit losses on unfunded commitments	(2,728)	(11,369)
Provision for (reversal of) mortgage loan repurchases	200	(650)
Accretion of discounts and premiums on acquired loans, net	(538)	(617)
Amortization of premiums and discounts on securities, net	2,787	3,959
Loss from investment securities, net	56,378	14,156
Originations of loans held for sale	(913,315)	(970,131)
Proceeds from sale of loans held for sale	911,650	1,013,584
Gain on sale and change in fair value of loans held for sale	(26,008)	(25,847)
Net loss (gain) on write-downs of other real estate owned and other assets	5	(465)
(Reversal of) provision for deferred income taxes	(3,895)	1,660
Earnings on bank-owned life insurance	(3,296)	(1,382)
Changes in:		
Operating lease assets and liabilities, net	(1,110)	1,591
Other assets and interest receivable	(22,170)	(14,596)
Accrued expenses and other liabilities	4,985	7,911
Net cash provided by operating activities	114,670	136,712
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Sales	526,076	75,857
Maturities, prepayments and calls	224,070	91,361
Purchases	(823,976)	(82,829)
Net change in loans	(73,631)	21,419
Proceeds from sales of FHLB stock, net	1,331	23,832
Purchases of premises and equipment	(4,977)	(16,563)
Proceeds from the sale of premises and equipment	489	105
Proceeds from the sale of other real estate owned	1,846	5,692
Proceeds from the sale of other assets	898	1,197
Proceeds from bank-owned life insurance	7,272	236
Net cash (used in) provided by investing activities	(140,602)	120,307
Cash flows from financing activities:		
Net increase (decrease) in deposits	423,427	(219,798)
Net decrease in securities sold under agreements to repurchase and federal funds purchased	(89,056)	(12,240)
Repayment of Bank Term Funding Program	(130,000)	—
Net decrease in short-term FHLB advances	—	(175,000)
Share based compensation withholding payments	(1,787)	(3,243)
Net proceeds from sale of common stock under employee stock purchase program	882	723
Repurchase of common stock	(12,699)	(4,944)
Dividends paid on common stock	(23,847)	(21,026)
Dividend equivalent payments made upon vesting of equity compensation	(162)	(217)
Noncontrolling interest distribution	(8)	(8)

	\$	\$
Net cash provided by (used in) financing activities	166,750	(435,753)
Net change in cash and cash equivalents	140,818	(178,734)
Cash and cash equivalents at beginning of the period	810,932	1,027,052
Cash and cash equivalents at end of the period	9	\$ 951,750 \$ 848,318

FB Financial Corporation and subsidiaries
Consolidated statements of cash flows (continued)
(Unaudited)
(Amounts are in thousands)

	Nine Months Ended September 30,	
	2024	2023
Supplemental cash flow information:		
Interest paid	\$ 229,275	\$ 185,513
Taxes paid, net	34,173	37,875
Supplemental noncash disclosures:		
Transfers from loans to other real estate owned	\$ 2,400	\$ 657
Transfers from loans to other assets	3,316	2,233
Transfers from other real estate owned to other assets	—	75
Transfers from loans to loans held for sale	167	11,351
Transfers from loans held for sale to loans	1,850	3,076
Loans provided for sales of other assets	924	516
Increase (decrease) in rebooked GNMA loans under optional repurchase program	9,308	(4,137)
Trade date payable - securities	—	10,930
Trade date receivable - securities	365	789
Dividends declared not paid on restricted stock units and performance stock units	279	241
Right-of-use assets obtained in exchange for operating lease liabilities	3,925	5,617

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 primarily through its wholly-owned subsidiary bank, FirstBank (the "Bank") and its subsidiaries. As of September 30, 2024, the Bank had 77 full-service branches throughout Tennessee, Alabama, Kentucky and North Georgia, and a mortgage business with office locations across the Southeast, which primarily originates loans to be sold to third party private investors or government sponsored agencies in the secondary market.

The unaudited consolidated financial statements, including the notes thereto, have been prepared in accordance with U.S. GAAP 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 financial statements and the reported results of operations for the reporting periods and the related disclosures. Although management's estimates contemplate current conditions and how they are expected to change in the future, it is reasonably possible that actual conditions could vary from those anticipated, which could cause the Company's financial condition and results of operations to vary 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.

Earnings per common share

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

Certain restricted stock awards granted by the Company include non-forfeitable dividend equivalent rights and are considered participating securities for the purposes of computing earnings per common share. Accordingly, the Company is required to calculate basic and diluted earnings per common share using the two-class method. Calculation of earnings per common share under the two-class method (i) excludes from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (ii) excludes from the denominator the dilutive impact of the participating securities.

FB Financial Corporation and subsidiaries

Notes to consolidated financial statements

(Unaudited)

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

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	2024	2023	2023	2023
Basic earnings per common share:						
Net income applicable to FB Financial Corporation	\$ 10,220	\$ 19,175	\$ 78,149	\$ 90,855		
Dividends paid on and undistributed earnings allocated to participating securities	—	—	—	—		
Earnings available to common shareholders	\$ 10,220	\$ 19,175	\$ 78,149	\$ 90,855		
Weighted average basic shares outstanding	46,650,563	46,818,612	46,762,213	46,759,703		
Basic earnings per common share	\$ 0.22	\$ 0.41	\$ 1.67	\$ 1.94		
Diluted earnings per common share:						
Earnings available to common shareholders	\$ 10,220	\$ 19,175	\$ 78,149	\$ 90,855		
Weighted average basic shares outstanding	46,650,563	46,818,612	46,762,213	46,759,703		
Weighted average diluted shares contingently issuable ⁽¹⁾	152,767	37,810	111,824	42,840		
Weighted average diluted shares outstanding	46,803,330	46,856,422	46,874,037	46,802,543		
Diluted earnings per common share	\$ 0.22	\$ 0.41	\$ 1.67	\$ 1.94		

⁽¹⁾ Excludes 4 and 904 restricted stock units outstanding considered to be antidilutive for the three and nine months ended September 30, 2024 and 217,546 and 218,815 restricted stock units outstanding considered to be antidilutive for the three and nine months ended September 30, 2023.

Recently adopted accounting standards:

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions." The FASB issued this update to clarify the guidance in ASC 820, "Fair Value Measurement," when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, to amend a related illustrative example, and to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The Company adopted this update effective January 1, 2024. The adoption did not have an impact on the Company's consolidated financial statements or related disclosures.

In March 2023, the FASB issued ASU 2023-01, "Leases (Topic 842): Common Control Arrangements" as part of the Post-Implementation Review process of ASC 842, "Leases," around related party arrangements between entities under common control. Under previous guidance, a lessee is generally required to amortize leasehold improvements that it owns over the shorter of the useful life of those improvements or the lease term. However, due to the nature of leasehold improvements made under leases between entities under common control, ASU 2023-01 requires a lessee in a common-control arrangement to amortize such leasehold improvements that it owns over the improvements' useful life to the common control group, regardless of the lease term. The Company adopted this standard on January 1, 2024 on a prospective basis. The adoption of this standard did not have a material impact on the Company's consolidated financial statements or related disclosures.

Additionally, in March 2023, the FASB issued ASU 2023-02, "Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." The amendments in this update permit reporting entities to elect to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The Company adopted this standard effective January 1, 2024. The adoption of this accounting pronouncement did not have an impact on the Company's historical consolidated financial statements but could influence the Company's decisions with respect to investments in certain tax credits prospectively.

Newly issued not yet effective accounting standards:

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The amendments in this update are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker, a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the chief operating decision maker when deciding how to allocate resources. The ASU also requires all annual disclosures currently

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required by Topic 280, "Segment Reporting," to be included in interim periods. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and retrospective application is required for all periods presented. While the Company is continuing to evaluate the impact, ASU 2023-07 is not expected to have a material impact on the Company's reportable segments disclosures.

In December 2023, the FASB issued ASU 2023-08, "Intangibles – Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets." This update requires entities to present crypto assets measured at fair value separately from other intangible assets on the balance sheet and reflect changes from remeasurement in the net income. Additionally, an entity that receives crypto assets as noncash consideration in the ordinary course of business and converts them nearly immediately into cash is required to classify those cash receipts as cash flows from operating activities. Lastly, the update requires entities to provide interim and annual disclosures about the types of crypto assets they hold and any changes in their holdings of crypto assets. While the Company does not currently hold or facilitate transactions with crypto assets, the Company is evaluating the potential future financial statement and disclosure impact from adopting this guidance when it becomes applicable based on the Company's crypto asset activities.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this update enhance the transparency and decision usefulness of income tax disclosures. This ASU requires disclosures of specific categories and disaggregation of information in the rate reconciliation table. The ASU also requires disclosure of disaggregated information related to income taxes paid, income or loss from continuing operations before income tax expense or benefit, and income tax expense or benefit from continuing operations. The requirements of the ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted, and the amendments should be applied on a prospective basis. Retrospective application is permitted. The Company is evaluating the impact this will have on the Company's income tax disclosures.

Subsequent events

The Company has evaluated, for consideration of recognition or disclosure, subsequent events that occurred through the date of issuance of these financial statements. The Company has determined that there were no subsequent events that occurred after September 30, 2024, but prior to the issuance of these financial statements that would have a material impact on the Company's consolidated financial statements.

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Note (2)—Investment securities

The following tables summarize the amortized cost, allowance for credit losses and fair value of the AFS debt securities and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive loss, net at September 30, 2024 and December 31, 2023:

	September 30, 2024				
	Gross unrealized gains		Gross unrealized losses		Allowance for credit losses on investments
	Amortized cost				Fair Value
Investment Securities					
AFS debt securities					
U.S. government agency securities	\$ 515,775	\$ 1,401	\$ (343)	\$ —	\$ 516,833
Mortgage-backed securities - residential	968,294	1,471	(90,176)	—	879,589
Mortgage-backed securities - commercial	17,147	—	(858)	—	16,289
Municipal securities	170,865	143	(16,779)	—	154,229
Corporate securities	998	—	(16)	—	982
Total	\$ 1,673,079	\$ 3,015	\$ (108,172)	\$ —	\$ 1,567,922

	December 31, 2023				
	Gross unrealized gains		Gross unrealized losses		Allowance for credit losses on investments
	Amortized cost				Fair Value
Investment Securities					
AFS debt securities					
U.S. government agency securities	\$ 204,663	\$ 470	\$ (1,177)	\$ —	\$ 203,956
Mortgage-backed securities - residential	1,057,389	—	(160,418)	—	896,971
Mortgage-backed securities - commercial	18,186	—	(1,225)	—	16,961
Municipal securities	263,312	370	(21,419)	—	242,263
U.S. Treasury securities	111,729	—	(3,233)	—	108,496
Corporate securities	3,500	—	(174)	—	3,326
Total	\$ 1,658,779	\$ 840	\$ (187,646)	\$ —	\$ 1,471,973

The components of amortized cost for AFS debt securities on the consolidated balance sheets exclude accrued interest receivable since the Company elected to present accrued interest receivable separately on the consolidated balance sheets. As of September 30, 2024 and December 31, 2023, total accrued interest receivable on AFS debt securities was \$5,848 and \$7,212, respectively.

AFS debt securities pledged at September 30, 2024 and December 31, 2023 had carrying amounts of \$ 1,057,384 and \$929,546, respectively, and were pledged to secure a Federal Reserve line of credit, public deposits and repurchase agreements. Additionally at December 31, 2023, AFS debt securities were pledged to secure Bank Term Funding Program borrowings.

Within AFS debt securities, there were no aggregate holdings of any single issuer, other than U.S. Government sponsored enterprises, in an amount greater than 10% of shareholders' equity during any period presented.

AFS debt securities transactions are recorded as of the trade date. At September 30, 2024, there were \$ 365 in trade date receivables related to sales settled after period end. At December 31, 2023, there were no such trade date receivables. At both September 30, 2024 and December 31, 2023, there were no trade date payables that related to purchases settled after period end.

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The following tables show gross unrealized losses on AFS debt securities for which an allowance for credit losses has not been recorded at September 30, 2024 and December 31, 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	September 30, 2024						
	Less than 12 months		12 months or more		Total		
	Gross		Gross		Gross		Unrealized
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	
U.S. government agency securities	\$ 143,783	\$ (338)	\$ 816	\$ (5)	\$ 144,599	\$ (343)	
Mortgage-backed securities - residential	—	—	470,625	(90,176)	470,625	(90,176)	
Mortgage-backed securities - commercial	—	—	16,289	(858)	16,289	(858)	
Municipal securities	23,993	(1,772)	115,191	(15,007)	139,184	(16,779)	
Corporate securities	—	—	982	(16)	982	(16)	
Total	\$ 167,776	\$ (2,110)	\$ 603,903	\$ (106,062)	\$ 771,679	\$ (108,172)	

	December 31, 2023						
	Less than 12 months		12 months or more		Total		
	Gross		Gross		Gross		Unrealized
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	
U.S. government agency securities	\$ 25,923	\$ (21)	\$ 14,040	\$ (1,156)	\$ 39,963	\$ (1,177)	
Mortgage-backed securities - residential	—	—	896,971	(160,418)	896,971	(160,418)	
Mortgage-backed securities - commercial	—	—	16,961	(1,225)	16,961	(1,225)	
Municipal securities	14,480	(148)	188,669	(21,271)	203,149	(21,419)	
U.S. Treasury securities	—	—	108,496	(3,233)	108,496	(3,233)	
Corporate securities	—	—	3,326	(174)	3,326	(174)	
Total	\$ 40,403	\$ (169)	\$ 1,228,463	\$ (187,477)	\$ 1,268,866	\$ (187,646)	

As of September 30, 2024 and December 31, 2023, the Company's AFS debt securities portfolio consisted of 266 and 439 individual securities, 207 and 370 of which were in an unrealized loss position, respectively.

The majority of the investment portfolio was either government guaranteed, an issuance of a government sponsored entity or highly rated by major credit rating agencies, and the Company has historically not recorded any credit losses associated with these investments. Municipal debt securities with market values below amortized cost at September 30, 2024 were reviewed for material credit events and/or rating downgrades with individual credit reviews performed. The issuers of these AFS debt securities continue to make timely principal and interest payments under the contractual terms of the securities and the issuers will continue to be observed as a part of the Company's ongoing credit monitoring. As such, as of September 30, 2024 and December 31, 2023, it was determined that all AFS debt securities that experienced a decline in fair value below amortized cost basis were due to noncredit-related factors. Further, it is not likely that the Company will be required to sell these securities before recovery of their amortized cost basis. Therefore, there was no allowance for credit losses recognized on AFS debt securities as of September 30, 2024 or December 31, 2023. Periodically, AFS debt securities may be sold, or the composition of the portfolio realigned to improve yields, quality or marketability, or to implement changes in investment or asset/liability strategy, including maintaining collateral requirements and raising funds for liquidity purposes or preparing for anticipated changes in market interest rates.

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The amortized cost and fair value of AFS debt securities by contractual maturity as of September 30, 2024 and December 31, 2023 are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30,		December 31,	
	2024		2023	
	Available-for-sale		Available-for-sale	
Due in one year or less	\$ 1,895	\$ 1,892	\$ 64,776	\$ 64,279
Due in one to five years	4,189	4,143	75,996	71,801
Due in five to ten years	229,469	228,476	51,162	49,630
Due in over ten years	452,085	437,533	391,270	372,331
	687,638	672,044	583,204	558,041
Mortgage-backed securities - residential	968,294	879,589	1,057,389	896,971
Mortgage-backed securities - commercial	17,147	16,289	18,186	16,961
Total AFS debt securities	\$ 1,673,079	\$ 1,567,922	\$ 1,658,779	\$ 1,471,973

Sales and other dispositions of AFS debt securities were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Proceeds from sales	\$ 318,194	\$ 75,857	\$ 526,076	\$ 75,857
Proceeds from maturities, prepayments and calls	89,834	32,946	224,070	91,361
Gross realized gains	—	19	90	19
Gross realized losses	40,165	14,119	56,468	14,119

Equity Securities

The Company had equity securities without readily determinable market value included in other assets on the consolidated balance sheets with carrying amounts of \$23,301 and \$25,191 at September 30, 2024 and December 31, 2023, respectively. Additionally, the Company had equity securities accounted for under the equity method of accounting included in other assets on the consolidated balance sheets of \$20,000 at September 30, 2024. The Company also had \$32,859 and \$34,190 of FHLB stock carried at cost at September 30, 2024 and December 31, 2023, respectively, included separately from the other equity securities discussed above.

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Note (3)—Loans and allowance for credit losses on loans HFI

Loans outstanding as of September 30, 2024 and December 31, 2023, by class of financing receivable are as follows:

	September 30,		December 31,
	2024	2023	
Commercial and industrial	\$ 1,688,815	\$ 1,720,733	
Construction	1,079,726	1,397,313	
Residential real estate:			
1-to-4 family mortgage	1,612,031	1,568,552	
Residential line of credit	591,049	530,912	
Multi-family mortgage	654,188	603,804	
Commercial real estate:			
Owner-occupied	1,324,208	1,232,071	
Non-owner occupied	2,048,036	1,943,525	
Consumer and other	480,076	411,873	
Gross loans	9,478,129	9,408,783	
Less: Allowance for credit losses on loans HFI	(156,260)	(150,326)	
Net loans	\$ 9,321,869	\$ 9,258,457	

As of September 30, 2024 and December 31, 2023, \$ 925,200 and \$1,030,016, respectively, of qualifying residential mortgage loans (including loans held for sale) and \$1,604,389 and \$1,984,007, respectively, of qualifying commercial mortgage loans were pledged to the FHLB system securing advances against the Bank's line of credit. Additionally, as of September 30, 2024 and December 31, 2023, qualifying commercial and industrial, construction and consumer loans, of \$2,651,997 and \$3,107,495, respectively, were pledged to the Federal Reserve under the Borrower-in-Custody program.

The amortized cost of loans HFI on the consolidated balance sheets exclude accrued interest receivable as the Company presents accrued interest receivable separately on the balance sheet. As of September 30, 2024 and December 31, 2023, accrued interest receivable on loans HFI amounted to \$43,503 and \$43,776, respectively.

Credit Quality - Commercial Type Loans

The Company categorizes commercial loan types 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 may be 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 commercial 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 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. 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. Doubtful loans 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.

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 the Company's commercial type loan portfolio as of September 30, 2024 and December 31, 2023 and the gross charge-offs for the nine months ended September 30, 2024 and the year ended December 31, 2023 by year of origination. 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.

As of and for the nine months ended September 30, 2024	Revolving Loans								Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior				
Commercial and industrial										
Pass	\$ 132,257	\$ 189,261	\$ 154,303	\$ 61,545	\$ 32,166	\$ 115,917	\$ 908,150	\$ 1,593,599		
Special Mention	2,795	2,851	2,609	73	—	195	26,260	34,783		
Classified	—	59	20,468	4,593	2,900	6,256	26,157	60,433		
Total	135,052	192,171	177,380	66,211	35,066	122,368	960,567	1,688,815		
Current-period gross charge-offs										
	—	12	2	70	16	7	52	159		
Construction										
Pass	141,229	140,864	369,074	106,230	28,784	66,547	183,222	1,035,950		
Special Mention	—	87	12,321	26	—	600	—	13,034		
Classified	—	—	5,228	273	8,488	—	16,753	30,742		
Total	141,229	140,951	386,623	106,529	37,272	67,147	199,975	1,079,726		
Current-period gross charge-offs										
	—	—	—	—	—	—	—	92		
Residential real estate:										
Multi-family mortgage										
Pass	29,685	5,879	241,414	224,347	52,376	70,251	19,245	643,197		
Special Mention	—	—	—	9,980	—	—	—	9,980		
Classified	—	—	—	—	—	1,011	—	1,011		
Total	29,685	5,879	241,414	234,327	52,376	71,262	19,245	654,188		
Current-period gross charge-offs										
	—	—	—	—	—	—	—	—		
Commercial real estate:										
Owner occupied										
Pass	133,073	112,041	247,259	218,567	108,938	392,401	87,183	1,299,462		
Special Mention	—	—	1,385	2,600	—	7,932	—	11,917		
Classified	—	—	6,274	15	62	5,425	1,053	12,829		
Total	133,073	112,041	254,918	221,182	109,000	405,758	88,236	1,324,208		
Current-period gross charge-offs										
	—	—	—	—	—	—	—	—		
Non-owner occupied										
Pass	100,902	43,211	535,152	460,381	113,393	708,997	47,920	2,009,956		
Special Mention	—	—	5,324	4,536	1,092	19,406	—	30,358		
Classified	—	—	—	—	—	7,722	—	7,722		
Total	100,902	43,211	540,476	464,917	114,485	736,125	47,920	2,048,036		
Current-period gross charge-offs										
	—	—	—	—	—	—	—	—		
Total commercial loan types										
Pass	537,146	491,256	1,547,202	1,071,070	335,657	1,354,113	1,245,720	6,582,164		
Special Mention	2,795	2,938	21,639	17,215	1,092	28,133	26,260	100,072		
Classified	—	59	31,970	4,881	11,450	20,414	43,963	112,737		
Total	\$ 539,941	\$ 494,253	\$ 1,600,811	\$ 1,093,166	\$ 348,199	\$ 1,402,660	\$ 1,315,943	\$ 6,794,973		
Current-period gross charge-offs										
	\$ —	\$ 12	\$ 2	\$ 70	\$ 16	\$ 7	\$ 144	\$ 251		

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										Revolving Loans	Amortized Cost Basis		
As of and for the year ended		2023	2022	2021	2020	2019	Prior					Total	
Commercial and industrial													
Pass	\$ 225,734	\$ 255,921	\$ 151,492	\$ 39,897	\$ 70,302	\$ 73,415	\$ 839,918	\$ 1,656,679					
Special Mention	—	17,947	3,083	—	151	108	7,549	28,838					
Classified	457	4,253	3,075	3,027	254	6,129	18,021	35,216					
Total	226,191	278,121	157,650	42,924	70,707	79,652	865,488	1,720,733					
Current-period gross charge-offs	14	7	201	22	—	87	131	462					
Construction													
Pass	179,929	677,387	148,312	46,697	39,140	49,954	208,491	1,349,910					
Special Mention	1	4,659	2,943	1,202	—	690	12,000	21,495					
Classified	—	2,349	1,484	6,620	—	—	15,455	25,908					
Total	179,930	684,395	152,739	54,519	39,140	50,644	235,946	1,397,313					
Current-period gross charge-offs	—	—	—	—	—	—	—	—					
Residential real estate:													
Multi-family mortgage													
Pass	29,982	151,495	223,889	92,745	29,933	43,479	31,209	602,732					
Special Mention	—	—	—	—	—	—	—	—					
Classified	—	—	—	—	—	1,072	—	1,072					
Total	29,982	151,495	223,889	92,745	29,933	44,551	31,209	603,804					
Current-period gross charge-offs	—	—	—	—	—	—	—	—					
Commercial real estate:													
Owner occupied													
Pass	118,030	261,196	231,241	115,397	151,146	281,253	53,970	1,212,233					
Special Mention	—	1,297	1,827	—	154	2,617	—	5,895					
Classified	—	6,305	16	—	760	5,789	1,073	13,943					
Total	118,030	268,798	233,084	115,397	152,060	289,659	55,043	1,232,071					
Current-period gross charge-offs	—	—	144	—	—	—	—	144					
Non-owner occupied													
Pass	47,026	474,560	478,878	117,429	178,448	580,168	43,577	1,920,086					
Special Mention	—	—	3,975	—	—	10,435	—	14,410					
Classified	—	—	1,001	—	381	7,647	—	9,029					
Total	47,026	474,560	483,854	117,429	178,829	598,250	43,577	1,943,525					
Current-period gross charge-offs	—	—	—	—	—	—	—	—					
Total commercial loan types													
Pass	600,701	1,820,559	1,233,812	412,165	468,969	1,028,269	1,177,165	6,741,640					
Special Mention	1	23,903	11,828	1,202	305	13,850	19,549	70,638					
Classified	457	12,907	5,576	9,647	1,395	20,637	34,549	85,168					
Total	\$ 601,159	\$ 1,857,369	\$ 1,251,216	\$ 423,014	\$ 470,669	\$ 1,062,756	\$ 1,231,263	\$ 6,897,446					
Current-period gross charge-offs	14	7	345	22	—	87	131	606					

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Credit Quality - Consumer Type Loans

For consumer and residential loan classes, the Company primarily evaluates credit quality based on delinquency and accrual status of the loan, credit documentation and by payment activity. The performing or nonperforming status is updated on an on-going basis dependent upon improvement and deterioration in credit quality. 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 present the credit quality by classification (performing or nonperforming) of the Company's consumer type loan portfolio as of September 30, 2024 and December 31, 2023 and the gross charge-offs for the nine months ended September 30, 2024 and the year ended December 31, 2023 by year of origination. 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.

As of and for the nine months ended September 30, 2024	Revolving Loans								Amortized Cost Basis	Total		
	2024	2023	2022	2021	2020	Prior	Cost Basis					
Residential real estate:												
1-to-4 family mortgage												
Performing	\$ 171,947	\$ 171,313	\$ 465,317	\$ 371,494	\$ 136,834	\$ 271,278	\$ —	\$ 1,588,183				
Nonperforming	80	564	6,365	6,571	3,126	7,142	—	—	23,848			
Total	172,027	171,877	471,682	378,065	139,960	278,420	—	1,612,031				
Current-period gross charge-offs	—	—	150	130	—	15	—	295				
Residential line of credit												
Performing	—	—	—	—	—	—	—	589,491	589,491			
Nonperforming	—	—	—	—	—	—	—	1,558	1,558			
Total	—	591,049	591,049									
Current-period gross charge-offs	—	—	—	—	—	—	73	—	73			
Consumer and other												
Performing	112,563	97,908	79,587	38,215	30,704	105,231	634	464,842				
Nonperforming	731	1,720	1,759	2,925	2,338	5,760	1	15,234				
Total	113,294	99,628	81,346	41,140	33,042	110,991	635	480,076				
Current-period gross charge-offs	956	446	201	233	56	244	—	2,136				
Total consumer type loans												
Performing	284,510	269,221	544,904	409,709	167,538	376,509	590,125	2,642,516				
Nonperforming	811	2,284	8,124	9,496	5,464	12,902	1,559	40,640				
Total	\$ 285,321	\$ 271,505	\$ 553,028	\$ 419,205	\$ 173,002	\$ 389,411	\$ 591,684	\$ 2,683,156				
Current-period gross charge-offs	\$ 956	\$ 446	\$ 351	\$ 363	\$ 56	\$ 332	\$ —	\$ 2,504				

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

								Revolving Loans	Amortized Loans	
	2023	2022	2021	2020	2019	Prior	Cost Basis	Total		
As of and for the year ended										
December 31, 2023										
Residential real estate:										
1-to-4 family mortgage										
Performing	\$ 198,537	\$ 500,628	\$ 399,338	\$ 145,484	\$ 81,905	\$ 226,587	\$ —	\$ 1,552,479		
Nonperforming	76	2,565	4,026	3,846	690	4,870	—	16,073		
Total	198,613	503,193	403,364	149,330	82,595	231,457	—	1,568,552		
Prior-period gross charge-offs	—	18	—	4	—	24	—	46		
Residential line of credit										
Performing	—	—	—	—	—	—	—	528,439	528,439	
Nonperforming	—	—	—	—	—	—	—	2,473	2,473	
Total	—	530,912	530,912							
Prior-period gross charge-offs	—	—								
Consumer and other										
Performing	104,399	91,557	45,187	34,928	24,040	93,833	6,890	400,834		
Nonperforming	528	1,025	2,562	1,819	1,264	3,841	—	11,039		
Total	104,927	92,582	47,749	36,747	25,304	97,674	6,890	411,873		
Prior-period gross charge-offs	1,463	564	139	201	110	372	2	2,851		
Total consumer type loans										
Performing	302,936	592,185	444,525	180,412	105,945	320,420	535,329	2,481,752		
Nonperforming	604	3,590	6,588	5,665	1,954	8,711	2,473	29,585		
Total	\$ 303,540	\$ 595,775	\$ 451,113	\$ 186,077	\$ 107,899	\$ 329,131	\$ 537,802	\$ 2,511,337		
Prior-period gross charge-offs	1,463	582	139	205	110	396	2	2,897		

Nonaccrual and Past Due Loans

The following tables represent an analysis of the aging by class of financing receivable as of September 30, 2024 and December 31, 2023:

		30-89 days past due and accruing interest		90 days or more and accruing interest		Nonaccrual loans		Loans current on payments and accruing interest		Total
September 30, 2024										
Commercial and industrial		\$ 760	\$ 600	\$ 22,458	\$ 1,664,997	\$ 1,688,815				
Construction		2,734	365	11,181	1,065,446	1,079,726				
Residential real estate:										
1-to-4 family mortgage		21,644	15,249	8,599	1,566,539	1,612,031				
Residential line of credit		2,061	1,331	227	587,430	591,049				
Multi-family mortgage		—	—	25	654,163	654,188				
Commercial real estate:										
Owner occupied		236	95	8,904	1,314,973	1,324,208				
Non-owner occupied		65	3,512	3,055	2,041,404	2,048,036				
Consumer and other		12,961	5,098	10,136	451,881	480,076				
Total		\$ 40,461	\$ 26,250	\$ 64,585	\$ 9,346,833	\$ 9,478,129				

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

December 31, 2023	30-89 days past due and accruing interest	90 days or more and accruing interest	Nonaccrual loans	Loans current on payments and accruing interest	Loans current on payments and accruing interest	Total
Commercial and industrial	\$ 732	\$ —	\$ 21,730	\$ 1,698,271	\$ 1,720,733	
Construction	6,579	165	2,872	1,387,697	1,397,313	
Residential real estate:						
1-to-4 family mortgage	21,768	9,355	6,718	1,530,711	1,568,552	
Residential line of credit	2,464	1,337	1,136	525,975	530,912	
Multi-family mortgage	—	—	32	603,772	603,804	
Commercial real estate:						
Owner occupied	480	—	3,188	1,228,403	1,232,071	
Non-owner occupied	4,059	—	3,351	1,936,115	1,943,525	
Consumer and other	10,961	1,836	9,203	389,873	411,873	
Total	\$ 47,043	\$ 12,693	\$ 48,230	\$ 9,300,817	\$ 9,408,783	

The following tables provide the amortized cost basis of loans on non-accrual status, as well as any related allowance as of September 30, 2024 and December 31, 2023 by class of financing receivable.

September 30, 2024		Nonaccrual with no related allowance	Nonaccrual with related allowance	Related allowance
Commercial and industrial	\$ —	\$ 8,535	\$ 13,923	\$ 9,906
Construction		—	11,181	1,284
Residential real estate:				
1-to-4 family mortgage		1,561	7,038	140
Residential line of credit		147	80	1
Multi-family mortgage		—	25	1
Commercial real estate:				
Owner occupied		6,415	2,489	109
Non-owner occupied		2,598	457	6
Consumer and other		—	10,136	526
Total	\$ —	\$ 19,256	\$ 45,329	\$ 11,973

December 31, 2023		Nonaccrual with no related allowance	Nonaccrual with related allowance	Related allowance
Commercial and industrial	\$ —	\$ 3,678	\$ 18,052	\$ 5,011
Construction		2,267	605	59
Residential real estate:				
1-to-4 family mortgage		1,444	5,274	103
Residential line of credit		685	451	8
Multi-family mortgage		—	32	1
Commercial real estate:				
Owner occupied		2,920	268	15
Non-owner occupied		3,316	35	1
Consumer and other		—	9,203	498
Total	\$ —	\$ 14,310	\$ 33,920	\$ 5,696

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

The following presents interest income recognized on nonaccrual loans for the three and nine months ended September 30, 2024:

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2024		2023	2024		2023		
	\$	46	\$	302	\$	615	\$	350
Commercial and industrial								
Construction			308	—			448	52
Residential real estate:								
1-to-4 family mortgage		6		83		40		232
Residential line of credit		1		34		40		85
Multi-family mortgage		—		1		1		2
Commercial real estate:								
Owner occupied		—		—		124		97
Non-owner occupied		—		58		89		195
Consumer and other		—		100		—		416
Total	\$	361	\$	578	\$	1,357	\$	1,429

Accrued interest receivable written off as an adjustment to interest income amounted to \$ 128 and \$536 for the three and nine months ended September 30, 2024, respectively, and \$322 and \$666 for the three and nine months ended September 30, 2023, respectively.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company may make certain modifications of loans to borrowers experiencing financial difficulty. These modifications may be in the form of an interest rate reduction, a term extension, principal forgiveness, payment deferral or a combination thereof. Upon the Company's determination that a modified loan has subsequently been deemed uncollectible, the portion of the loan deemed uncollectible is charged off against the allowance for credit losses on loans HFI. The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Tables within this section exclude loans that were paid off or are otherwise no longer in the loan portfolio as of period end.

The following tables present the amortized cost of FDM loans as of September 30, 2024 by class of financing receivable and type of concession granted that were modified during the three and nine months ended September 30, 2024.

Three Months Ended September 30, 2024	Payment deferral, interest rate reduction, and term extension					Total	% of total class of financing receivables
	Payment deferral and term extension		Interest rate reduction and term extension				
	Term extension						
Commercial and industrial	\$	—	\$	7,038	\$	—	0.4 %
Construction	\$	—	—	—	—	1,713	1,713 0.2 %
Total	\$	—	\$	7,038	\$	1,713	\$ 8,751 0.1 %

Nine Months Ended September 30, 2024	Payment deferral, interest rate reduction, and term extension					Total	% of total class of financing receivables
	Payment deferral and term extension		Interest rate reduction and term extension				
	Term extension						
Commercial and industrial	\$	—	\$	7,038	\$	—	0.4 %
Construction	—	—	14,195	—	—	1,713	15,908 1.5 %
Consumer and other	38	—	—	97	—	—	135 — %
Total	\$	38	\$	21,233	\$	97	\$ 23,081 0.2 %

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

During the three months ended September 30, 2023, the Company modified one residential mortgage loan with a balance of \$ 31 and one commercial and industrial loan with a balance of \$187 in the form of term extensions for borrowers experiencing financial difficulties. During the nine months ended September 30, 2023, the Company modified three residential mortgage loans with balances totaling \$ 165 and one commercial and industrial loan with a balance of \$187 in the form of term extensions for borrowers experiencing financial difficulties.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty:

Three Months Ended September 30, 2024	Weighted average term extension (in months)	Weighted average payment deferral (in months)	Weighted average interest rate reduction
Commercial and industrial	12	12	—%
Construction	360	5	0.10%
Nine Months Ended September 30, 2024	Weighted average term extension (in months)	Weighted average payment deferral (in months)	Weighted average interest rate reduction
Commercial and industrial	12	12	—
Construction	44	3	0.10%
Consumer and other	25	—	1.49%

During the three and nine months ended September 30, 2024, consumer and other loans of \$ 32 defaulted that were previously modified in the prior 12 months by receiving a term extension. No financing receivables modified in the preceding twelve months had a payment default during the three and nine months ended September 30, 2023. For FDMs, a subsequent payment default is defined as the earlier of the FDM being placed on non-accrual status or reaching 30 days past due with respect to principal and/or interest payments. At September 30, 2024, the Company had commitments to lend additional funds to borrowers whose loans were classified as an FDM of \$300. There were no such commitments as of December 31, 2023.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The table below depicts the performance of loans HFI as of September 30, 2024 made to borrowers experiencing financial difficulty that were modified in the prior twelve months.

September 30, 2024	30-89 days past due and accruing interest	90 days or more and accruing interest	Nonaccrual loans ⁽¹⁾	Loans current on payments and accruing interest		Total
	\$	\$	\$	\$	\$	
Commercial and industrial	\$ —	\$ —	\$ 7,038	\$ —	\$ 7,038	
Construction	—	—	1,713	14,195	15,908	
Residential real estate:						
1-to-4 family mortgage	—	—	22	—	22	
Consumer and other	32	—	—	104	136	
Total	\$ 32	\$ —	\$ 8,773	\$ 14,299	\$ 23,104	

(1) Loans were on non-accrual when modified and subsequently classified as FDM.

Collateral-Dependent Loans

For collateral-dependent loans, or those loans for which repayment is expected to be provided substantially through the operation or sale of collateral, where the borrower is also experiencing financial difficulty, the following tables present 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.

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September 30, 2024

	Type of Collateral					Individually assessed allowance for credit loss	
	Real Estate	Farmland	Business Assets	Total			
Commercial and industrial	\$ —	\$ —	\$ 21,061	\$ 21,061	\$ 9,722		
Construction	22,060	1,653	—	23,713		907	
Residential real estate:							
1-to-4 family mortgage	1,562	—	—	1,562		—	
Residential line of credit	148	—	—	148		—	
Commercial real estate:							
Owner occupied	—	6,415	—	6,415		—	
Non-owner occupied	7,264	—	—	7,264		—	
Total	\$ 31,034	\$ 8,068	\$ 21,061	\$ 60,163	\$ 10,629		

December 31, 2023

	Type of Collateral					Individually assessed allowance for credit loss	
	Real Estate	Farmland	Business Assets	Total			
Commercial and industrial	\$ —	\$ 363	\$ 20,599	\$ 20,962	\$ 4,946		
Construction	8,224	—	—	8,224		30	
Residential real estate:							
1-to-4 family mortgage	5,317	—	—	5,317		129	
Residential line of credit	1,245	—	—	1,245		10	
Commercial real estate:							
Owner occupied	1,975	1,160	—	3,135		—	
Non-owner occupied	3,316	—	—	3,316		—	
Consumer and other	112	—	—	112		21	
Total	\$ 20,189	\$ 1,523	\$ 20,599	\$ 42,311	\$ 5,136		

Allowance for Credit Losses on Loans HFI

The Company performed evaluations within its established qualitative framework, assessing the impact of the current economic outlook, including: continued actions taken by the Federal Reserve with regard to monetary policy, interest rates and the potential impact of those actions, potential impact of inflation on economic growth, potential negative economic forecasts, and other considerations. The increase in the allowance for credit losses on loans HFI as of September 30, 2024 compared with December 31, 2023 is primarily the result of overall loan growth combined with an increased risk of potential deterioration in the CRE portfolio which was qualitatively adjusted to address risks not otherwise captured by the credit loss model. These adjustments factor in the possibility that the economy may be nearing a recession, reflected through deterioration in asset quality projected over life of the loan portfolio. As of September 30, 2024, all CRE asset classes are expected to be negatively impacted by slowing demand coupled with refinancing risk in the current rate environment.

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(Unaudited)

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The following tables provide the changes in the allowance for credit losses on loans HFI by class of financing receivable for the three and nine months ended September 30, 2024 and 2023:

	1-to-4 family				Multi-family		Commercial real estate	Commercial real estate	Commercial Consumer and other	Total
	Commercial and industrial	Construction	residential mortgage	Residential line of credit	residential mortgage	owner occupied	non-owner occupied	Consumer and other		
Three Months Ended September 30, 2024										
Beginning balance -										
June 30, 2024	\$ 22,530	\$ 34,170	\$ 25,631	\$ 10,097	\$ 8,810	\$ 11,312	\$ 24,543	\$ 17,962	\$ 155,055	
Provision for (reversal of)										
credit losses on loans										
HFI	1,670	(3,612)	341	662	834	243	98	1,620	1,856	
Recoveries of loans										
previously charged-off	23	—	9	18	—	12	—	202	264	
Loans charged off		(90)	—	(2)	(53)	—	—	—	(770)	(915)
Ending balance -										
September 30, 2024	\$ 24,133	\$ 30,558	\$ 25,979	\$ 10,724	\$ 9,644	\$ 11,567	\$ 24,641	\$ 19,014	\$ 156,260	
Nine Months Ended September 30, 2024										
Beginning balance -										
December 31, 2023	\$ 19,599	\$ 35,372	\$ 26,505	\$ 9,468	\$ 8,842	\$ 10,653	\$ 22,965	\$ 16,922	\$ 150,326	
Provision for (reversal of)										
credit losses on loans										
HFI	4,636	(4,722)	(306)	1,311	802	674	1,676	3,577	7,648	
Recoveries of loans										
previously charged-off	57	—	75	18	—	240	—	651	1,041	
Loans charged off		(159)	(92)	(295)	(73)	—	—	—	(2,136)	(2,755)
Ending balance -										
September 30, 2024	\$ 24,133	\$ 30,558	\$ 25,979	\$ 10,724	\$ 9,644	\$ 11,567	\$ 24,641	\$ 19,014	\$ 156,260	
Three Months Ended September 30, 2023										
Beginning balance -										
June 30, 2023	\$ 11,311	\$ 39,920	\$ 27,407	\$ 9,185	\$ 6,828	\$ 8,467	\$ 22,877	\$ 14,669	\$ 140,664	
Provision for (reversal of)										
credit losses on loans										
HFI	6,293	(2,025)	(1,724)	(23)	20	2,046	(130)	1,574	6,031	
Recoveries of loans										
previously charged-off	112	—	16	1	—	13	—	93	235	
Loans charged off		(154)	—	(4)	—	—	—	—	(638)	(796)
Ending balance -										
September 30, 2023	\$ 17,562	\$ 37,895	\$ 25,695	\$ 9,163	\$ 6,848	\$ 10,526	\$ 22,747	\$ 15,698	\$ 146,134	
Nine Months Ended September 30, 2023										
Beginning balance -										
December 31, 2022	\$ 11,106	\$ 39,808	\$ 26,141	\$ 7,494	\$ 6,490	\$ 7,783	\$ 21,916	\$ 13,454	\$ 134,192	
Provision for (reversal of)										
credit losses on loans										
HFI	6,475	(1,923)	(466)	1,668	358	2,792	831	3,868	13,603	
Recoveries of loans										
previously charged-off	192	10	56	1	—	95	—	440	794	
Loans charged off		(211)	—	(36)	—	—	(144)	—	(2,064)	(2,455)
Ending balance -										
September 30, 2023	\$ 17,562	\$ 37,895	\$ 25,695	\$ 9,163	\$ 6,848	\$ 10,526	\$ 22,747	\$ 15,698	\$ 146,134	

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Note (4)—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 the lower of the carrying amount of the underlying loan or the fair value of the real estate less costs to sell. The following table summarizes the other real estate owned for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024		2023	
Balance at beginning of period	\$ 4,173	\$ 1,974	\$ 3,192	\$ 5,794
Transfers from loans	—	64	2,400	657
Transfers to other assets	—	(75)	—	(75)
Proceeds from sale of other real estate owned	(412)	(537)	(1,846)	(5,692)
Gain on sale of other real estate owned	18	93	33	835
Write-downs and partial liquidations	—	(15)	—	(15)
Balance at end of period	\$ 3,779	\$ 1,504	\$ 3,779	\$ 1,504

Included within the other real estate owned balance above, foreclosed residential real estate properties totaled \$ 2,651 and \$2,414 as of September 30, 2024 and December 31, 2023, respectively.

The recorded investment in residential mortgage loans secured by residential real estate properties for which foreclosure proceedings are in process totaled \$6,203 and \$3,377 as of September 30, 2024 and December 31, 2023, respectively.

Note (5)—Leases

As of September 30, 2024, the Company was the lessee in 46 operating leases and 1 finance lease of certain branch, mortgage and operations locations with original terms greater than one year.

Many leases include options to renew, with 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.

Information related to the Company's leases is presented below as of September 30, 2024 and December 31, 2023:

	Classification	September 30,	
		2024	2023
Right-of-use assets:			
Operating leases	Operating lease right-of-use assets	\$ 47,346	\$ 54,295
Finance leases	Premises and equipment, net	1,173	1,256
Total right-of-use assets		\$ 48,519	\$ 55,551
Lease liabilities:			
Operating leases	Operating lease liabilities	\$ 59,584	\$ 67,643
Finance leases	Borrowings	1,254	1,326
Total lease liabilities		\$ 60,838	\$ 68,969
Weighted average remaining lease term (in years) - operating		11.1	11.6
Weighted average remaining lease term (in years) - finance		10.6	11.4
Weighted average discount rate - operating		3.41 %	3.39 %
Weighted average discount rate - finance		1.76 %	1.76 %

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

Classification	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Operating lease costs:				
Amortization of right-of-use asset	Occupancy and equipment	\$ 1,362	\$ 2,104	\$ 5,048
Short-term lease cost	Occupancy and equipment	96	133	282
Variable lease cost	Occupancy and equipment	321	238	1,024
Gain on lease modifications and terminations	Occupancy and equipment	—	—	(73)
Finance lease costs:				
Interest on lease liabilities	Interest expense on borrowings	6	6	17
Amortization of right-of-use asset	Occupancy and equipment	28	28	83
Sublease income	Occupancy and equipment	(96)	(254)	(407)
Total lease cost		\$ 1,717	\$ 2,255	\$ 6,047

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.

A maturity analysis of operating and finance lease liabilities and a reconciliation of cash flows to lease liabilities as of September 30, 2024 is as follows:

	Operating Leases	Finance Lease
Lease payments due:		
September 30, 2025	\$ 2,154	\$ 30
September 30, 2026	8,290	121
September 30, 2027	8,016	123
September 30, 2028	7,554	125
September 30, 2029	6,579	127
Thereafter	40,285	850
Total undiscounted future minimum lease payments	72,878	1,376
Less: imputed interest	(13,294)	(122)
Lease liabilities	\$ 59,584	\$ 1,254

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Note (6)—Mortgage servicing rights

Changes in the Company's mortgage servicing rights were as follows for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Carrying value at beginning of period	\$ 164,505	\$ 166,433	\$ 164,249	\$ 168,365
Capitalization	1,418	2,073	4,067	6,134
Change in fair value:				
Due to payoffs/paydowns	(3,518)	(3,306)	(10,067)	(9,095)
Due to change in valuation inputs or assumptions	(5,308)	7,510	(1,152)	7,306
Carrying value at end of period	\$ 157,097	\$ 172,710	\$ 157,097	\$ 172,710

The following table summarizes servicing income and expense, which are included in mortgage banking income and other noninterest expense, respectively, in the consolidated statements of income for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Servicing income	\$ 7,244	\$ 7,363	\$ 21,907	\$ 22,717
Change in fair value of mortgage servicing rights	(8,826)	4,204	(11,219)	(1,789)
Change in fair value of derivative hedging instruments	4,336	(7,928)	(648)	(9,564)
Servicing income	2,754	3,639	10,040	11,364
Servicing expenses	1,732	1,953	5,612	6,167
Net servicing income	\$ 1,022	\$ 1,686	\$ 4,428	\$ 5,197

Data and key economic assumptions related to the Company's mortgage servicing rights as of September 30, 2024 and December 31, 2023 are as follows:

	September 30,		December 31,	
	2024	2023	2024	2023
Unpaid principal balance of mortgage loans sold and serviced for others	\$ 10,402,118	\$ 10,762,906		
Weighted-average prepayment speed (CPR)			6.81 %	6.19 %
Estimated impact on fair value of a 10% increase	\$ (4,563)	\$ (4,616)		
Estimated impact on fair value of a 20% increase	\$ (8,819)	\$ (8,924)		
Discount rate			9.48 %	9.62 %
Estimated impact on fair value of a 100 bp increase	\$ (7,286)	\$ (7,637)		
Estimated impact on fair value of a 200 bp increase	\$ (13,960)	\$ (14,624)		
Weighted-average coupon interest rate			3.57 %	3.47 %
Weighted-average servicing fee (basis points)			27	27
Weighted-average remaining maturity (in months)			336	334

The Company economically 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 9, "Derivatives" for additional information on these hedging instruments.

As of September 30, 2024 and December 31, 2023, mortgage escrow deposits totaled \$ 126,854 and \$63,591, respectively.

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

Note (7)—Income taxes

The following table presents a reconciliation of income taxes for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
Federal taxes calculated at statutory rate	\$ 2,392	21.0 %	\$ 4,862	21.0 %	\$ 20,275	21.0 %	\$ 24,018	21.0 %
(Decrease) increase resulting from:								
State taxes, net of federal benefit	(986)	(8.7)%	(469)	(2.0)%	(776)	(0.8)%	429	0.4 %
(Benefit) expense from equity based compensation	(1)	— %	(11)	— %	75	0.1 %	173	0.2 %
Municipal interest income, net of interest disallowance	(313)	(2.7)%	(448)	(1.9)%	(1,014)	(1.1)%	(1,355)	(1.2)%
Bank-owned life insurance	(81)	(0.7)%	(84)	(0.4)%	(692)	(0.7)%	(290)	(0.3)%
Section 162(m) limitation	43	0.4 %	57	0.2 %	247	0.3 %	287	0.3 %
Other	120	1.0 %	68	0.3 %	278	0.3 %	245	0.2 %
Income tax expense, as reported	\$ 1,174	10.3 %	\$ 3,975	17.2 %	\$ 18,393	19.1 %	\$ 23,507	20.6 %

Note (8)—Commitments and contingencies

Commitments to extend credit and letters of credit

The Company issues certain financial instruments to meet customer financing needs, including loan commitments, credit lines and letters of credit. The agreements associated with these type of unfunded loan commitments provide credit or support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates.

The same credit and underwriting policies the Company uses to evaluate and underwrite loans are also used to originate unfunded loan commitments, including obtaining collateral at exercise of the commitment. These unfunded loan commitments are only recorded in the consolidated financial statements when drawn upon and many expire without being used. The Company's maximum off-balance sheet exposure to credit loss from these unfunded loan commitments is represented by the contractual amount of these instruments.

	September 30,		December 31,	
	2024		2023	
Commitments to extend credit, excluding interest rate lock commitments	\$ 2,713,360		\$ 2,906,016	
Letters of credit	82,284		77,055	
Balance at end of period	\$ 2,795,644		\$ 2,983,071	

As of September 30, 2024 and December 31, 2023, unfunded loan commitments included above with floating interest rates totaled \$ 2,551,217 and \$2,459,669, respectively.

As part of the credit loss process, the Company estimates expected credit losses on its unfunded loan commitments under the CECL methodology. When applying this methodology, 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 loan commitments included in accrued expenses and other liabilities on the Company's consolidated balance sheets:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 5,984	\$ 14,810	\$ 8,770	\$ 22,969
Provision for (reversal of) credit losses on unfunded commitments	58	(3,210)	(2,728)	(11,369)
Balance at end of period	\$ 6,042	\$ 11,600	\$ 6,042	\$ 11,600

Loan repurchases or indemnifications

In connection with the sale of mortgage loans to third-party private investors or government sponsored agencies, the Company makes representations and warranties as to the propriety of its origination activities, which are typical and customary to these types of transactions. Occasionally, investors require the Company to repurchase loans sold to them or otherwise indemnify the investor against certain losses under the terms of the warranties. When the Company is required to repurchase the loans, the loans are recorded at fair value in loans HFI. The total principal amount of loans repurchased (or indemnified for) was \$1,382 and \$4,893 for the three and nine months ended September 30, 2024, respectively and \$ 1,631 and \$6,328 for the three and nine months ended September 30, 2023, respectively.

The Company maintains a reserve associated with potential losses on loans previously sold included in accrued expenses and other liabilities on the Company's consolidated balance sheets. The following table summarizes this activity:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 811	\$ 1,129	\$ 899	\$ 1,621
Provision for (reversal of) loan repurchases or indemnifications	75	(200)	200	(650)
Losses on loans repurchased or indemnified	(178)	—	(391)	(42)
Balance at end of period	\$ 708	\$ 929	\$ 708	\$ 929

Legal Proceedings

Various legal claims arise from time to time in the normal course of business, which, in the opinion of management, will not have a material effect on the Company's consolidated financial statements.

Note (9)—Derivatives

The Company utilizes derivative financial instruments as part of its ongoing efforts to manage its interest rate risk exposure as well as interest rate exposure for its customers. Derivative financial instruments are included in the consolidated balance sheets line items other assets or other liabilities at fair value in accordance with ASC 815, "Derivatives and Hedging." See Note 1, "Basis of presentation" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for additional information on the Company's accounting policies related to derivative instruments and hedging activities.

Derivatives designated as fair value hedges

The Company enters into fair value hedging relationships using interest rates swaps to mitigate the Company's exposure to losses in market value as interest rates change. Derivative instruments that are used as part of the Company's interest rate risk management strategy include interest rate swaps that relate to pricing of specific balance sheet assets and liabilities. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date. The critical terms of the interest rate swaps match the terms of the corresponding hedged items. All components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness. Any initial and ongoing assessment of expected hedge effectiveness is based on regression analysis.

At December 31, 2023, the Company had interest rate swaps designated as fair value hedges to convert fixed rate money market deposits to variable with notional values totaling \$200,000 and market values totaling \$(4,497) recorded in other liabilities on the consolidated balance sheets. Additionally at December 31, 2023, the Company had an interest rate swap

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designated as a fair value hedge on subordinated debt with a notional value of \$ 100,000 and market value of \$(673) recorded in other liabilities on the consolidated balance sheets. At September 30, 2024, the Company did not have any interest rate swaps that were designated as fair value hedges.

During the nine months ended September 30, 2024, the Company terminated interest rate swaps that were designated as fair value hedges on fixed rate money market deposits as well as a swap agreement designated as a fair value hedge covering subordinated debt that matured. For the terminated swaps, notional values totaled \$200,000 and market values totaled \$(4,588) at termination. The remaining fair value adjustment on the terminated hedging relationships was amortized into interest expense over the respective contract terms of the original hedges. At September 30, 2024, there was no remaining fair value adjustment on the terminated swaps. For the matured swap, the notional value totaled \$100,000 prior to maturity. The swap involved the receipt of fixed rate amounts from a counterparty in exchange for the Company making variable rate payments over the life of the agreement.

The following discloses the amount of expense included in interest expense on deposits and borrowings, related to the Company's fair value hedging instruments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Designated fair value hedge:				
Interest expense on deposits	\$ —	\$ (1,927)	\$ —	\$ (5,204)
Interest expense on borrowings	—	(977)	(645)	(2,631)
Total	\$ —	\$ (2,904)	\$ (645)	\$ (7,835)

During the three and nine months ended September 30, 2024, amortization expense totaling \$ 993 and \$4,588, respectively, related to the terminated fair value hedges was recognized as an increase to interest expense on deposits. As of September 30, 2024, there is no remaining fair value adjustment related to the terminated fair value hedges included in money market and savings deposits on the consolidated balance sheets.

The following amounts were recorded on the balance sheet related to cumulative adjustments of fair value hedges as of December 31, 2023:

Line item on the balance sheet	Carrying amount of the hedged item	December 31, 2023	
		Cumulative decrease in fair value hedging adjustment included in the carrying amount of the hedged item	
Money market and savings deposits	\$ 198,143	⁽¹⁾ \$ (4,497)	
Borrowings	98,715	⁽²⁾ (673)	
Total	\$ 296,858	\$ (5,170)	

(1) The carrying value also includes an unaccreted purchase accounting fair value premium of \$ 2,640 as of December 31, 2023.

(2) The carrying value also includes unamortized subordinated debt issuance costs of \$ 612 as of December 31, 2023.

Derivatives designated as cash flow hedges

The Company enters into cash flow hedging relationships using interest rate swaps to mitigate the exposure to the variability in future cash flows or other forecast transactions associated with its floating rate assets and liabilities. The Company uses interest rate swap agreements to hedge the repricing characteristics of its floating rate subordinated debt. All components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness. Any initial and ongoing assessment of expected hedge effectiveness is based on regression analysis. The ongoing periodic measures of hedge ineffectiveness are based on the expected change in cash flows of the hedged item caused by changes in the benchmark interest rate.

At December 31, 2023, the Company had interest rate swaps designated as cash flow hedges on subordinated debt with notional values totaling \$ 30,000 and market values totaling \$ 579 recorded in other assets on the consolidated balance sheets. At September 30, 2024, the Company did not have any interest rate swaps that were designated as cash flow hedges.

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During the nine months ended September 30, 2024, the interest rate swaps that were designated as cash flow hedges covering subordinated debt with notional amounts of \$30,000 matured.

The Company's consolidated statements of income included a loss of \$ 5 and a gain of \$ 517 for the three and nine months ended September 30, 2024, respectively, and gains of \$267 and \$696 for three and nine months ended September 30, 2023, respectively, in interest expense on borrowings related to these cash flow hedges. The cash flow hedges were highly effective during the periods presented and as a result qualified for hedge accounting treatment. As such, no amounts were reclassified from accumulated other comprehensive loss into earnings as a result of hedge ineffectiveness during any period presented.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Amount of loss recognized in other comprehensive income (loss), net of tax benefit of \$21, \$35, \$151 and \$99	\$ (59)	\$ (101)	\$ (428)	\$ (281)

Derivatives not designated as hedging instruments

Derivatives not designated under hedge accounting rules include those that are entered into as either economic hedges as part of the Company's overall risk management strategy or to facilitate client needs. Economic hedges are those that are not designated as a fair value or cash flow hedge for accounting purposes but are necessary to economically manage the risk exposure associated with the assets and liabilities of the Company.

The Company enters into derivative 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 enters into interest rate-lock commitments on residential loan commitments that will be held for resale. These are considered derivative instruments with no hedge accounting designation, and the interest rate exposure on these commitments is economically hedged primarily with forward contracts. Gains and losses arising from changes in the valuation of the interest rate-lock commitments are recognized currently in earnings and are reflected under the line-item mortgage banking income in the consolidated statements of income.

The Company also enters into forwards, futures and option contracts to economically hedge the change 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 in the consolidated statements of income.

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

	September 30, 2024		
	Notional Amount	Asset	Liability
Interest rate contracts	\$ 542,155	\$ 24,725	\$ 24,763
Forward commitments	240,000	—	393
Interest rate-lock commitments	105,714	1,398	—
Futures contracts	263,500	—	1,334
Total	\$ 1,151,369	\$ 26,123	\$ 26,490

	December 31, 2023		
	Notional Amount	Asset	Liability
Interest rate contracts	\$ 569,865	\$ 32,179	\$ 32,184
Forward commitments	159,000	—	861
Interest rate-lock commitments	69,217	1,203	—
Futures contracts	254,000	777	—
Total	\$ 1,052,082	\$ 34,159	\$ 33,045

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Included in mortgage banking income:				
Interest rate lock commitments	\$ 18	\$ (537)	\$ 194	\$ (358)
Forward commitments	(1,549)	1,418	(1,115)	2,154
Futures contracts	3,612	(7,009)	(787)	(7,593)
Option contracts	—	—	—	(1,125)
Total	\$ 2,081	\$ (6,128)	\$ (1,708)	\$ (6,922)

Netting of Derivative Instruments

Certain financial instruments, including derivatives, may be eligible for offset on 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 on the consolidated balance sheets. The following table presents the Company's gross derivative positions as recognized on 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:

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	Gross amounts not offset on the consolidated balance sheets						
	Gross amounts		Net amounts		Financial instruments	Financial collateral pledged	Net Amount
	Gross amounts recognized	offset on the consolidated balance sheets	presented on the consolidated balance sheets				
September 30, 2024							
Derivative financial assets	\$ 21,372	\$ —	\$ 21,372	\$ 3,452	\$ —	\$ 17,920	
Derivative financial liabilities	\$ 9,721	\$ —	\$ 9,721	\$ 3,452	\$ 6,269	\$ —	
December 31, 2023							
Derivative financial assets	\$ 31,468	\$ —	\$ 31,468	\$ 6,502	\$ —	\$ 24,966	
Derivative financial liabilities	\$ 11,330	\$ —	\$ 11,330	\$ 6,502	\$ 4,828	\$ —	

Collateral Requirements

Most derivative contracts with customers are secured by collateral. Additionally, in accordance with the interest rate agreements with derivative counterparties, the Company may be required to post collateral with these derivative counterparties. As of September 30, 2024 and December 31, 2023, the Company had collateral posted of \$21,791 and \$14,042, respectively, against its obligations under these agreements. Cash pledged as collateral on derivative contracts is recorded in other assets on the consolidated balance sheets.

Note (10)—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.

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.

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The Company records the fair values of financial assets and liabilities on a recurring and nonrecurring 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.
Loans held for sale	Mortgage loans held for sale are carried at fair value determined using current secondary market prices for loans with similar characteristics, that is, using Level 2 inputs.
Derivatives	The fair value of the Company's interest rate swap agreements to facilitate customer transactions 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. The fair value of interest rate lock commitments associated with the mortgage pipeline 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. The fair values of the Company's designated cash flow and fair value hedges are determined by calculating the difference between the discounted fixed rate cash flows and the discounted variable rate cash flows. The fair values of both the Company's hedges, including designated cash flow hedges and designated fair value hedges are based on pricing models that utilize observable market inputs. These financial instruments are classified as Level 2.
OREO	OREO is comprised of properties 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. OREO 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.

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The balances and levels of the assets and liabilities measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023 are presented in the following tables:

	Quoted prices in active markets for identical assets (liabilities) (level 1)			Significant other observable inputs (level 2)		Significant unobservable inputs (level 3)		Total
At September 30, 2024								
Recurring valuations:								
Financial assets:								
AFS debt securities:								
U.S. government agency securities	\$	—	\$	516,833	\$	—	\$	516,833
Mortgage-backed securities - residential		—		879,589		—		879,589
Mortgage-backed securities - commercial		—		16,289		—		16,289
Municipal securities		—		154,229		—		154,229
Corporate securities		—		982		—		982
Total securities	\$	—	\$	1,567,922	\$	—	\$	1,567,922
Loans held for sale, at fair value	\$	—	\$	72,608	\$	—	\$	72,608
Mortgage servicing rights		—		—		157,097		157,097
Derivatives		—		26,123		—		26,123
Financial Liabilities:								
Derivatives		—		26,490		—		26,490
At December 31, 2023								
Recurring valuations:								
Financial assets:								
AFS debt securities:								
U.S. government agency securities	\$	—	\$	203,956	\$	—	\$	203,956
Mortgage-backed securities - residential		—		896,971		—		896,971
Mortgage-backed securities - commercial		—		16,961		—		16,961
Municipal securities		—		242,263		—		242,263
U.S. Treasury securities		—		108,496		—		108,496
Corporate securities		—		3,326		—		3,326
Total securities	\$	—	\$	1,471,973	\$	—	\$	1,471,973
Loans held for sale, at fair value	\$	—	\$	46,618	\$	—	\$	46,618
Mortgage servicing rights		—		—		164,249		164,249
Derivatives		—		34,738		—		34,738
Financial Liabilities:								
Derivatives		—		38,215		—		38,215

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The balances and levels of the assets measured at fair value on a nonrecurring basis as of September 30, 2024 and December 31, 2023 are presented in the following tables:

At September 30, 2024	Quoted prices in active markets for identical assets (liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total	
Nonrecurring valuations:					
Financial assets:					
Other real estate owned	\$ —	\$ —	\$ 2,243	\$ 2,243	
Collateral-dependent net loans held for investment:					
Commercial and industrial	\$ —	\$ —	\$ 2,350	\$ 2,350	
Construction	\$ —	\$ —	\$ 6,958	\$ 6,958	
Total collateral-dependent loans	\$ —	\$ —	\$ 9,308	\$ 9,308	
At December 31, 2023					
Nonrecurring valuations:					
Financial assets:					
Other real estate owned	\$ —	\$ —	\$ 2,400	\$ 2,400	
Collateral-dependent net loans held for investment:					
Commercial and industrial	\$ —	\$ —	\$ 12,338	\$ 12,338	
Construction	\$ —	\$ —	\$ 203	\$ 203	
Residential real estate:					
1-4 family mortgage	\$ —	\$ —	\$ 429	\$ 429	
Consumer and other	\$ —	\$ —	\$ 71	\$ 71	
Total collateral-dependent loans	\$ —	\$ —	\$ 13,041	\$ 13,041	

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Historically, the Company had a portfolio of acquired commercial loans. There were no such loans outstanding as of September 30, 2024 as the last relationship was exited during the year ended December 31, 2023. These commercial loans were measured at fair value. As such, these loans were excluded from the ACL.

The following table sets forth the changes in fair value associated with this portfolio for the three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2023		
	Principal balance	Fair Value discount	Fair Value
Carrying value at beginning of period	\$ 12,232	\$ (2,965)	\$ 9,267
Change in fair value:			
Changes in valuation included in other noninterest income	—	(7)	(7)
Carrying value at end of period	\$ 12,232	\$ (2,972)	\$ 9,260
Nine Months Ended September 30, 2023			
	Principal balance	Fair Value discount	Fair Value
Carrying value at beginning of period	\$ 34,357	\$ (3,867)	\$ 30,490
Change in fair value:			
Paydowns and payoffs	(22,125)	—	(22,125)
Changes in valuation included in other noninterest income	—	895	895
Carrying value at end of period	\$ 12,232	\$ (2,972)	\$ 9,260

The significant unobservable inputs (Level 3) used in the valuation and changes in fair value associated with the Company's mortgage servicing rights for the three and nine months ended September 30, 2024 and 2023 are detailed at Note 6, "Mortgage servicing rights."

The following tables present information as of September 30, 2024 and December 31, 2023 about significant unobservable inputs (Level 3) used in the valuation of assets measured at fair value on a nonrecurring basis:

September 30, 2024

Financial instrument	Fair Value	Valuation technique	Significant unobservable inputs	Range of inputs
Collateral-dependent net loans held for investment	\$ 9,308	Valuation of collateral	Discount for comparable sales	10%-70%
Other real estate owned	\$ 2,243	Appraised value of property less costs to sell	Discount for costs to sell	0%-15%

December 31, 2023

Financial instrument	Fair Value	Valuation technique	Significant unobservable inputs	Range of inputs
Collateral-dependent net loans held for investment	\$ 13,041	Valuation of collateral	Discount for comparable sales	10%-61%
Other real estate owned	\$ 2,400	Appraised value of property less costs to sell	Discount for costs to sell	0%-15%

Fair value for collateral-dependent loans is determined based on the estimated value of the collateral securing the loans, less estimated selling costs and closing costs related to liquidation of the collateral. For loans secured by real estate, the fair value is determined based on appraisals performed by qualified appraisers and reviewed by qualified personnel. For non-real estate collateral, fair value is determined based on various sources, including third party asset valuation and internally determined values based on cost adjusted or other judgmentally determined factors. 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 borrower and borrower's business. As of September 30, 2024 and December 31, 2023, total amortized cost of collateral-dependent loans measured on a nonrecurring basis amounted to \$19,938 and \$18,166, respectively. The allowance for credit losses is calculated as the amount for which the loan's amortized cost basis exceeds fair value.

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.

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Appraisals for both collateral-dependent loans and other real estate owned are performed by certified appraisers 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.

Fair value option

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

	September 30, 2024	December 31, 2023
Loans held for sale under a fair value option:		
Mortgage loans held for sale	72,608	46,618
Loans held for sale not accounted for under a fair value option:		
Mortgage loans held for sale - guaranteed GNMA repurchase option	30,537	21,229
Total loans held for sale	\$ 103,145	\$ 67,847

Mortgage loans held for sale

Net (losses) gains of \$(241) and \$315 resulting from fair value changes of mortgage loans were recorded in income during the three and nine months ended September 30, 2024, respectively, compared to net losses of \$376 and \$556 during the three and nine months ended September 30, 2023, 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 held for sale. The net change in fair value of these loans held for sale and derivatives resulted in a net loss of \$480 and a net gain of \$1,337 for the three and nine months ended September 30, 2024, respectively, compared to net losses of \$ 582 and \$129 during the three and nine months ended September 30, 2023, respectively. The change in fair value of both mortgage 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.

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.

The following table summarizes the differences between the fair value and the principal balance for mortgage loans held for sale measured at fair value as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Aggregate fair value	\$ 72,608	\$ 46,618
Aggregate unpaid principal balance	71,184	45,509
Difference	\$ 1,424	\$ 1,109

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(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. Non-financial instruments are excluded from the table below.

September 30, 2024	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 951,750	\$ 951,750	\$ —	\$ —	\$ 951,750
Investment securities	1,567,922	—	1,567,922	—	1,567,922
Net loans held for investment	9,321,869	—	—	9,053,392	9,053,392
Loans held for sale, at fair value	72,608	—	72,608	—	72,608
Interest receivable	52,228	1,304	7,421	43,503	52,228
Mortgage servicing rights	157,097	—	—	157,097	157,097
Derivatives	26,123	—	26,123	—	26,123
Financial liabilities:					
Deposits:					
Without stated maturities	\$ 9,078,893	\$ 9,078,893	\$ —	\$ —	\$ 9,078,893
With stated maturities	1,897,318	—	1,899,602	—	1,899,602
Securities sold under agreements to repurchase and federal funds purchased	19,708	19,708	—	—	19,708
Subordinated debt, net	130,608	—	—	125,625	125,625
Interest payable	20,581	4,052	16,154	375	20,581
Derivatives	26,490	—	26,490	—	26,490
December 31, 2023	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 810,932	\$ 810,932	\$ —	\$ —	\$ 810,932
Investment securities	1,471,973	—	1,471,973	—	1,471,973
Net loans held for investment	9,258,457	—	—	9,068,518	9,068,518
Loans held for sale, at fair value	46,618	—	46,618	—	46,618
Interest receivable	52,715	388	8,551	43,776	52,715
Mortgage servicing rights	164,249	—	—	164,249	164,249
Derivatives	34,738	—	34,738	—	34,738
Financial liabilities:					
Deposits:					
Without stated maturities	\$ 8,927,654	\$ 8,927,654	\$ —	\$ —	\$ 8,927,654
With stated maturities	1,620,633	—	1,614,400	—	1,614,400
Securities sold under agreements to repurchase and federal funds purchased	108,764	108,764	—	—	108,764
Bank Term Funding Program	130,000	—	130,000	—	130,000
Subordinated debt, net	129,645	—	—	122,671	122,671
Interest payable	18,809	4,104	13,205	1,500	18,809
Derivatives	38,215	—	38,215	—	38,215

Note (11)—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 also originates conforming residential mortgage loans through its Mortgage segment, whose activities also include the servicing of residential mortgage loans and securitization of loans to third party private investors or government sponsored agencies.

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

Beginning in 2024, the Company began assigning a transfer rate to allocate net interest income to products and business segments. The intent of the transfer rate methodology is to transfer interest rate risk among the segments and allow management to better measure the net interest margin contribution of its assets/liabilities by segment. Changes in management structure or allocation methodologies and procedures result in changes in reported segment financial data. Prior period results have been adjusted to conform to the current methodology.

The following tables present selected financial information with respect to the Company's reportable segments for the three and nine months ended September 30, 2024 and 2023.

Three Months Ended September 30, 2024	Banking	Mortgage	Consolidated
Net interest income	\$ 104,335	\$ 1,682	\$ 106,017
Provisions for credit losses	1,861	53	1,914
Mortgage banking income	—	16,043	16,043
Change in fair value of mortgage servicing rights, net of hedging ⁽¹⁾	—	(4,490)	(4,490)
Other noninterest (loss) income	(28,370)	320	(28,050)
Depreciation and amortization	3,141	114	3,255
Amortization of intangibles	719	—	719
Other noninterest mortgage banking expense	—	—	—
Other noninterest expense	59,425	12,813	72,238
Income before income taxes	\$ 10,819	\$ 575	\$ 11,394
Income tax expense			1,174
Net income applicable to FB Financial Corporation and noncontrolling interest			10,220
Net income applicable to noncontrolling interest			—
Net income applicable to FB Financial Corporation			\$ 10,220
Total assets	\$ 12,337,135	\$ 583,087	\$ 12,920,222
Goodwill	242,561	—	242,561

(1) 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.

Three Months Ended September 30, 2023	Banking	Mortgage	Consolidated
Net interest income	\$ 99,359	\$ 1,567	\$ 100,926
Provisions for (reversals of) credit losses	3,253	(432)	2,821
Mortgage banking income	—	15,722	15,722
Change in fair value of mortgage servicing rights, net of hedging ⁽¹⁾	—	(3,724)	(3,724)
Other noninterest (loss) income	(4,031)	75	(3,956)
Depreciation and amortization	2,514	167	2,681
Amortization of intangibles	889	—	889
Other noninterest mortgage banking expense	—	—	—
Other noninterest expense	65,309	14,118	79,427
Income (loss) before income taxes	\$ 23,363	\$ (213)	\$ 23,150
Income tax expense			3,975
Net income applicable to FB Financial Corporation and noncontrolling interest			19,175
Net income applicable to noncontrolling interest			—
Net income applicable to FB Financial Corporation			\$ 19,175
Total assets	\$ 11,904,608	\$ 585,023	\$ 12,489,631
Goodwill	242,561	—	242,561

(1) 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.

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(Unaudited)

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Nine Months Ended September 30, 2024	Banking ⁽²⁾	Mortgage	Consolidated
Net interest income	\$ 303,990	\$ 4,132	\$ 308,122
Provisions for (reversals of) credit losses	5,131	(211)	4,920
Mortgage banking income	—	47,915	47,915
Change in fair value of mortgage servicing rights, net of hedging ⁽¹⁾	—	(11,867)	(11,867)
Other noninterest (loss) income	(19,687)	712	(18,975)
Depreciation and amortization	8,594	363	8,957
Amortization of intangibles	2,260	—	2,260
Other noninterest expense	175,104	37,404	212,508
Income before income taxes	\$ 93,214	\$ 3,336	\$ 96,550
Income tax expense			18,393
Net income applicable to FB Financial Corporation and noncontrolling interest			78,157
Net income applicable to noncontrolling interest ⁽²⁾			8
Net income applicable to FB Financial Corporation			\$ 78,149
Total assets	\$ 12,337,135	\$ 583,087	\$ 12,920,222
Goodwill	242,561	—	242,561

(1) 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.

(2) Banking segment includes noncontrolling interest.

Nine Months Ended September 30, 2023	Banking ⁽²⁾	Mortgage	Consolidated
Net interest income	\$ 301,438	\$ 4,691	\$ 306,129
Provisions for (reversals of) credit losses	2,316	(82)	2,234
Mortgage banking income	—	47,669	47,669
Change in fair value of mortgage servicing rights, net of hedging ⁽¹⁾	—	(11,353)	(11,353)
Other noninterest income (loss)	18,942	(54)	18,888
Depreciation and amortization	6,783	578	7,361
Amortization of intangibles	2,819	—	2,819
Other noninterest expense	192,070	42,479	234,549
Income (loss) before income taxes	\$ 116,392	\$ (2,022)	\$ 114,370
Income tax expense			23,507
Net income applicable to FB Financial Corporation and noncontrolling interest			90,863
Net income applicable to noncontrolling interest ⁽²⁾			8
Net income applicable to FB Financial Corporation			\$ 90,855
Total assets	\$ 11,904,608	\$ 585,023	\$ 12,489,631
Goodwill	242,561	—	242,561

(1) 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.

(2) Banking segment includes noncontrolling interest.

Note (12)—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 approach institutions, the Bank and Company are required to maintain minimum capital ratios as outlined in the table below. Minimum risk-based capital adequacy ratios below include a capital conservation buffer of 2.50%. As of September 30, 2024 and December 31, 2023, the Bank and Company met all capital adequacy requirements to which they are subject. Additionally, under U.S. Basel III Capital Rules, the Bank and Company opted out of including accumulated other comprehensive income in regulatory capital.

The Company elected to phase-in the impact related to adopting ASU 2016-13 over the permissible five-year transition relief period and delayed the initial impact of CECL adoption plus 25% of the quarterly increases in ACL in the first two

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years after adoption. Beginning in 2022, the cumulative amount of the transition adjustments became fixed and were phased out in annual increments over a three-year period. 2024 represents the final year of this CECL adoption phase out, with 25% of the initial impact of CECL adoption being adjusted out of regulatory capital calculations.

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

September 30, 2024	Actual		Minimum Requirement for Capital Adequacy with Capital Buffer		To Qualify as Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,686,651	15.1 %	\$ 1,170,701	10.5 %	N/A	N/A
FirstBank	1,651,199	14.9 %	1,167,269	10.5 %	\$ 1,111,684	10.0 %
Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,447,410	13.0 %	\$ 947,711	8.5 %	N/A	N/A
FirstBank	1,412,362	12.7 %	944,932	8.5 %	\$ 889,347	8.0 %
Common Equity Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,417,410	12.7 %	\$ 780,468	7.0 %	N/A	N/A
FirstBank	1,412,362	12.7 %	778,179	7.0 %	\$ 722,595	6.5 %
Tier 1 Capital (to average assets)						
FB Financial Corporation	\$ 1,447,410	11.5 %	\$ 505,439	4.0 %	N/A	N/A
FirstBank	1,412,362	11.2 %	504,643	4.0 %	\$ 630,804	5.0 %
December 31, 2023	Actual		Minimum Requirement for Capital Adequacy with Capital Buffer		To Qualify as Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,635,848	14.5 %	\$ 1,182,028	10.5 %	N/A	N/A
FirstBank	1,600,950	14.2 %	1,179,886	10.5 %	\$ 1,123,701	10.0 %
Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,405,890	12.5 %	\$ 956,880	8.5 %	N/A	N/A
FirstBank	1,370,991	12.2 %	955,145	8.5 %	\$ 898,960	8.0 %
Common Equity Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	\$ 1,375,890	12.2 %	\$ 788,018	7.0 %	N/A	N/A
FirstBank	1,370,991	12.2 %	786,590	7.0 %	\$ 730,405	6.5 %
Tier 1 Capital (to average assets)						
FB Financial Corporation	\$ 1,405,890	11.3 %	\$ 496,485	4.0 %	N/A	N/A
FirstBank	1,370,991	11.1 %	495,761	4.0 %	\$ 619,701	5.0 %

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(Unaudited)

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

Note (13)—Stock-based compensation

Restricted Stock Units

The Company grants RSUs under compensation arrangements for the benefit of certain employees and directors. RSU grants are subject to time-based vesting with associated compensation recognized on a straight-line basis based on the grant date fair value of the awards. The total number of RSUs granted represents the number of awards eligible to vest based upon the service conditions set forth in the grant agreements.

The following table summarizes changes in RSUs for the nine months ended September 30, 2024:

	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance at beginning of period (unvested)	323,520	\$ 37.52
Granted	178,570	35.87
Vested	(144,860)	37.94
Forfeited	(8,279)	37.55
Balance at end of period (unvested)	348,951	\$ 36.51

The total fair value of RSUs vested and released was \$ 207 and \$5,496 for the three and nine months ended September 30, 2024, respectively, and \$1,208 and \$7,601 for the three and nine months ended September 30, 2023, respectively.

The compensation cost related to these grants and vesting of RSUs was \$ 1,744 and \$5,741 for the three and nine months ended September 30, 2024, respectively, and \$1,965 and \$5,859 for the three and nine months ended September 30, 2023, respectively. This includes amounts paid related to director grants and compensation elected to be settled in stock amounting to \$237 and \$584 during the three and nine months ended September 30, 2024, respectively, and \$179 and \$626 for the three and nine months ended September 30, 2023, respectively.

As of September 30, 2024, there was \$8,225 of total unrecognized compensation cost related to unvested RSUs which is expected to be recognized over a weighted-average period of 1.81 years. Additionally, as of September 30, 2024, there were 1,356,587 shares available for issuance under the Company's stock compensation plans. As of September 30, 2024 and December 31, 2023, there was \$291 and \$268, respectively, accrued in other liabilities related to dividend equivalent units declared to be paid upon vesting and distribution of the underlying RSUs.

Performance-Based Restricted Stock Units

The Company awards PSUs to certain employees. Under the terms of the awards, the number of units that will vest and convert to shares of common stock will be based on the Company's achievement of certain performance metrics over a fixed three-year performance period. The number of shares issued upon vesting can range from 0% to 200% of the PSUs granted.

For PSUs granted prior to December 31, 2023, performance factors will be based on the Company's achievement of core return on average tangible common equity over the performance period relative to a predefined peer group.

For PSUs granted after December 31, 2023, performance factors will be based on a combination of the same metric discussed above as well as the Company's adjusted tangible book value over the performance period.

Compensation expense for PSUs is estimated each period based on the fair value of the Company's stock at the grant date and the most probable outcome of the performance condition, adjusted for the passage of time within the performance period of the awards.

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The following table summarizes information about the changes in PSUs as of and for the nine months ended September 30, 2024:

	Performance Stock Units Outstanding ⁽¹⁾	Weighted Average Grant Date Fair Value
Balance at beginning of period (unvested)	176,163	\$ 40.86
Granted	100,267	35.60
Performance adjustment ⁽²⁾	(9,778)	42.71
Vested	(40,071)	42.71
Forfeited or expired	(3,188)	38.07
Balance at end of period (unvested)	223,393	\$ 38.06

⁽¹⁾ PSUs are presented as outstanding, granted and forfeited in the table above assuming targets are met and the awards pay out at 100%.

⁽²⁾ The performance adjustment represents the difference in shares ultimately awarded due to performance attainment above or below target.

The following table summarizes data related to the Company's outstanding PSUs as of September 30, 2024:

Grant Year	Grant Price	Performance Period	PSUs Outstanding
2022	\$ 44.44	2022 to 2024	48,710
2023	\$ 37.17	2023 to 2025	75,893
2024	\$ 35.60	2024 to 2026	98,790

The Company recorded compensation cost of \$ 607 and \$1,520 for the three and nine months ended September 30, 2024, respectively, and \$ 819 and \$2,458 for the three and nine months ended September 30, 2023, respectively. As of September 30, 2024, maximum unrecognized compensation cost at 200% payout related to the unvested PSUs was \$ 13,395, and the weighted average remaining performance period over which the cost could be recognized was 1.95 years. As of September 30, 2024 and December 31, 2023, there was \$179 and \$85, respectively, accrued in other liabilities related to dividend equivalent units declared to be paid upon vesting and distribution of the underlying PSUs.

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 employee 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, limited to 725 shares for each participating employee. There were 11,256 and 12,306 shares of common stock issued under the ESPP with proceeds from employee payroll withholdings of \$473 and \$381, during the three months ended September 30, 2024 and 2023, respectively. There were 21,862 and 20,520 shares of common stock issued under the ESPP with proceeds from employee payroll withholdings of \$861 and \$686, during the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, there were 2,272,364 shares available for issuance under the ESPP.

Note (14)—Related party transactions

Loans

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

An analysis of loans to management, executive officers, the directors and significant shareholders of the Bank and their related interests is presented below:

Loans outstanding at January 1, 2024	\$ 49,073
New loans and advances	1,681
Change in related party status	—
Repayments	(22,002)
Loans outstanding at September 30, 2024	\$ 28,752

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Unfunded commitments to management, executive officers, the directors, and significant shareholders and their related interests totaled \$30,044 and \$44,206 at September 30, 2024 and December 31, 2023, respectively.

Deposits

The Bank held deposits from related parties totaling \$ 184,108 and \$316,141 as of September 30, 2024 and December 31, 2023, respectively.

Leases

The Bank leases various office spaces from entities owned by certain directors of the Company under varying terms. Lease expense for these properties totaled \$100 and \$311 for the three and nine months ended September 30, 2024, respectively, and \$ 102 and \$295 for the three and nine months ended September 30, 2023, respectively.

Aviation lease

Through a wholly-owned subsidiary, FBK Aviation, LLC, the Company owns and maintains an aircraft. FBK Aviation, LLC maintains non-exclusive aircraft leases with entities owned by certain directors. The Company recognized income of \$3 and \$46 during the three and nine months ended September 30, 2024, respectively, and \$15 and \$26 during the three and nine months ended September 30, 2023, respectively, under these agreements.

Equity investment in preferred stock and master loan purchase agreement

The Company holds equity securities of a privately held entity which originates manufactured housing loans through utilization of its proprietary developed technology. This investment was accounted for as an equity method investment as of September 30, 2024 and as an equity security without readily determinable market value as of December 31, 2023. In the third quarter of 2024, the Company acquired additional equity securities in the privately held entity and determined that the Company can exercise significant influence over the entity. In connection with this investment, two Company employees serve on the entity's board of directors. This investment is included in other assets on the consolidated balance sheets with a carrying amount of \$20,000 and \$10,000 as of September 30, 2024 and December 31, 2023, respectively. No gains or losses have been recognized to date associated with this investment.

The Company also has a master loan purchase agreement with this privately held entity to purchase up to \$ 250,000 in manufactured loan housing production over an initial five-year term. Under this agreement, the Company purchased \$ 16,970 and \$43,776 of loans for the three and nine months ended September 30, 2024, respectively, and purchased \$12,676 and \$19,125 of loans for the three and nine months ended September 30, 2023, respectively. As of September 30, 2024 and December 31, 2023, the amortized cost of these loans HFI amounted to \$73,808 and \$32,154, respectively.

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

The following is a discussion of our financial condition as of September 30, 2024 and December 31, 2023, and our results of operations for the three and nine months ended September 30, 2024 and 2023, 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, 2023, that was filed with the SEC on February 27, 2024, and with the accompanying unaudited notes to the condensed consolidated financial statements set forth in this Report.

Forward-looking statements

Certain statements contained in this Report that are not historical in nature may be considered 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 Company's future plans, results, strategies, and expectations, including expectations around changing economic markets. 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," 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 the Company's control. The inclusion of these forward-looking statements should not be regarded as a representation by the Company or any other person that such expectations, estimates, and projections will be achieved. Accordingly, the Company 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 global supply chain, supply-demand imbalances affecting local real estate prices, and high unemployment rates in the local or regional economies in which the Company operates and/or the US economy generally, (2) changes in government interest rate policies and its impact on the Company's business, net interest margin, and mortgage operations, (3) any continuation of the recent turmoil in the banking industry, including the associated impact to the Company and other financial institutions of any regulatory changes or other mitigation efforts taken by government agencies in response, (4) increased competition for deposits, (5) the Company's ability to effectively manage problem credits, (6) any deterioration in commercial real estate market fundamentals, (7) the Company's ability to identify potential candidates for, consummate, and achieve synergies from, potential future acquisitions, (8) the Company's ability to successfully execute its various business strategies, (9) changes in state and federal legislation, regulations or policies applicable to banks and other financial service providers, including legislative developments, (10) the effectiveness of the Company's cybersecurity 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, and (12) the impact of natural disasters, pandemics, and/or acts of war or terrorism, (13) events giving rise to international or regional political instability, including the broader impacts of such events on financial markets and/or global macroeconomic environments, and (14) general competitive, economic, political, and market conditions. Further information regarding the Company and factors which could affect the forward-looking statements contained herein can be found in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and in any of the Company's subsequent filings with the SEC. Many of these factors are beyond the Company'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 Report, and the Company 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 the Company to predict their occurrence or how they will affect the Company. The Company qualifies all forward-looking statements by these cautionary statements.

Critical accounting policies

Our financial statements are prepared in accordance with GAAP 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 if applicable, are discussed in further detail in Note 1, "Basis of presentation," in the notes to our consolidated financial statements in our Annual Report.

Financial highlights

The following table presents certain selected historical consolidated income statement and balance sheet data and key performance indicators and other measures as of the dates or for the periods indicated. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period.

						As of or for the year- ended
	As of or for the three months ended		As of or for the nine months ended		December 31, 2023	
	September 30, 2024		September 30, 2023			
(dollars in thousands, except share data)	2024	2023	2024	2023	2023	
Selected Balance Sheet Data						
Cash and cash equivalents	\$ 951,750	\$ 848,318	\$ 951,750	\$ 848,318	\$ 810,932	
Investment securities, at fair value	1,567,922	1,351,153	1,567,922	1,351,153	1,471,973	
Loans held for sale	103,145	103,858	103,145	103,858	67,847	
Loans HFI	9,478,129	9,287,225	9,478,129	9,287,225	9,408,783	
Allowance for credit losses on loans HFI	(156,260)	(146,134)	(156,260)	(146,134)	(150,326)	
Total assets	12,920,222	12,489,631	12,920,222	12,489,631	12,604,403	
Interest-bearing deposits (non-brokered)	8,230,867	8,105,713	8,230,867	8,105,713	8,179,430	
Brokered deposits	519,200	174,920	519,200	174,920	150,475	
Noninterest-bearing deposits	2,226,144	2,358,435	2,226,144	2,358,435	2,218,382	
Total deposits	10,976,211	10,639,068	10,976,211	10,639,068	10,548,287	
Borrowings	182,107	226,689	182,107	226,689	390,964	
Allowance for credit losses on unfunded commitments	(6,042)	(11,600)	(6,042)	(11,600)	8,770	
Total common shareholders' equity	1,562,329	1,372,901	1,562,329	1,372,901	1,454,794	
Selected Statement of Income Data						
Total interest income	\$ 185,628	\$ 173,912	\$ 539,169	\$ 503,575	\$ 678,410	
Total interest expense	79,611	72,986	231,047	197,446	271,193	
Net interest income	106,017	100,926	308,122	306,129	407,217	
Provisions for credit losses	1,914	2,821	4,920	2,234	2,539	
Total noninterest (loss) income	(16,497)	8,042	17,073	55,204	70,543	
Total noninterest expense	76,212	82,997	223,725	244,729	324,929	
Income before income taxes	11,394	23,150	96,550	114,370	150,292	
Income tax expense	1,174	3,975	18,393	23,507	30,052	
Net income applicable to noncontrolling interest	—	—	8	8	16	
Net income applicable to FB Financial Corporation	\$ 10,220	\$ 19,175	\$ 78,149	\$ 90,855	\$ 120,224	
Net interest income (tax-equivalent basis)	\$ 106,634	\$ 101,762	\$ 310,087	\$ 308,638	\$ 410,562	
Per Common Share						
Basic net income	\$ 0.22	\$ 0.41	\$ 1.67	\$ 1.94	\$ 2.57	
Diluted net income	0.22	0.41	1.67	1.94	2.57	
Book value ⁽¹⁾	33.48	29.31	33.48	29.31	31.05	
Tangible book value ⁽²⁾	28.15	23.93	28.15	23.93	25.69	
Cash dividends declared	0.17	0.15	0.51	0.45	0.60	
Selected Ratios						
Return on average:						
Assets ⁽³⁾	0.32 %	0.61 %	0.83 %	0.95 %	0.95 %	
Common shareholders' equity ⁽³⁾	2.67 %	5.46 %	7.02 %	8.86 %	8.74 %	
Tangible common equity ⁽²⁾	3.19 %	6.67 %	8.45 %	10.9 %	10.7 %	
Efficiency ratio	85.1 %	76.2 %	68.8 %	67.7 %	68.0 %	
Core efficiency ratio (tax-equivalent basis) ⁽²⁾	58.4 %	63.1 %	58.2 %	63.3 %	62.9 %	
Loans HFI to deposit ratio	86.4 %	87.3 %	86.4 %	87.3 %	89.2 %	
Noninterest-bearing deposits to total deposits	20.3 %	22.2 %	20.3 %	22.2 %	21.0 %	
Net interest margin (tax-equivalent basis)	3.55 %	3.42 %	3.51 %	3.44 %	3.44 %	
Yield on interest-earning assets	6.20 %	5.87 %	6.13 %	5.64 %	5.72 %	
Cost of interest-bearing liabilities	3.63 %	3.41 %	3.58 %	3.05 %	3.16 %	
Cost of total deposits	2.83 %	2.58 %	2.79 %	2.30 %	2.39 %	

	As of or for the three months ended		As of or for the nine months ended		As of or for the year ended
	September 30,		September 30,		December 31,
	2024	2023	2024	2023	2023
Credit Quality Ratios					
Allowance for credit losses on loans HFI as a percentage of loans HFI	1.65 %	1.57 %	1.65 %	1.57 %	1.60 %
Annualized net charge-offs as a percentage of average loans HFI	(0.03)%	(0.02)%	(0.02)%	(0.02)%	(0.01) %
Nonperforming loans HFI as a percentage of loans HFI	0.96 %	0.59 %	0.96 %	0.59 %	0.65 %
Nonperforming assets as a percentage of total assets ⁽⁴⁾	0.99 %	0.71 %	0.99 %	0.71 %	0.69 %
Capital Ratios (Company)					
Total common shareholders' equity to assets	12.1 %	11.0 %	12.1 %	11.0 %	11.5 %
Tangible common equity to tangible assets ⁽²⁾	10.4 %	9.16 %	10.4 %	9.16 %	9.74 %
Tier 1 leverage	11.5 %	11.0 %	11.5 %	11.0 %	11.3 %
Tier 1 risk-based capital	13.0 %	12.1 %	13.0 %	12.1 %	12.5 %
Total risk-based capital	15.1 %	14.1 %	15.1 %	14.1 %	14.5 %
Common Equity Tier 1	12.7 %	11.8 %	12.7 %	11.8 %	12.2 %

(1) Book value per share equals our total common shareholders' equity divided by the number of shares of our common stock outstanding as of the date presented.

(2) Non-GAAP financial measure; See "GAAP reconciliation and management explanation of non-GAAP financial measures" and non-GAAP reconciliations herein.

(3) ROAA and ROAE is calculated by dividing annualized net income or loss by average assets or average equity.

(4) Includes \$30,537, \$22,074 and \$21,229 of optional rights to repurchase delinquent GNMA loans as of September 30, 2024, September 30, 2023 and December 31, 2023, respectively.

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 common 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 consolidated 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 these, and reconciliation for, each of non-GAAP financial measures.

Core efficiency ratio (tax-equivalent basis)

The core efficiency ratio (tax-equivalent basis) is a non-GAAP measure that excludes certain gains, losses 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 and charges. The most directly comparable financial measure calculated in accordance with GAAP is the efficiency ratio.

The following table presents a reconciliation of our core efficiency ratio (tax-equivalent basis) to our efficiency ratio for the periods below:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2024	2023	2024	2023	2023
Core efficiency ratio (tax-equivalent basis)					
Total noninterest expense	\$ 76,212	\$ 82,997	\$ 223,725	\$ 244,729	\$ 324,929
Less early retirement and severance costs	—	4,809	1,015	6,235	8,449
Less (gain) loss on lease terminations	—	—	—	(73)	1,770
Less FDIC special assessment	—	—	500	—	1,788
Core noninterest expense	\$ 76,212	\$ 78,188	\$ 222,210	\$ 238,567	\$ 312,922
Net interest income	\$ 106,017	\$ 100,926	\$ 308,122	\$ 306,129	\$ 407,217
Net interest income (tax-equivalent basis)	106,634	101,762	310,087	308,638	410,562
Total noninterest (loss) income	(16,497)	8,042	17,073	55,204	70,543
Less loss from securities, net	(40,165)	(14,197)	(56,378)	(14,156)	(13,973)
Less (loss) gain on sales or write-downs of other real estate owned and other assets	(289)	115	(5)	465	(27)
Less cash life insurance benefit	—	—	2,057	—	—
Less (loss) gain on change in fair value of commercial loans held for sale acquired in previous business combination	—	(7)	—	895	(2,114)
Core noninterest income	\$ 23,957	\$ 22,131	\$ 71,399	\$ 68,000	\$ 86,657
Total revenue	\$ 89,520	\$ 108,968	\$ 325,195	\$ 361,333	\$ 477,760
Core revenue (tax-equivalent basis)	\$ 130,591	\$ 123,893	\$ 381,486	\$ 376,638	\$ 497,219
Efficiency ratio	85.1 %	76.2 %	68.8 %	67.7 %	68.0 %
Core efficiency ratio (tax-equivalent basis)	58.4 %	63.1 %	58.2 %	63.3 %	62.9 %

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 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 our 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 common 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 common shareholders' equity to total assets:

(dollars in thousands, except share data)	September 30,		December 31,	
	2024	2023	2023	2023
Tangible assets				
Total assets	\$ 12,920,222	\$ 12,489,631	\$ 12,604,403	
Adjustments:				
Goodwill	(242,561)	(242,561)	(242,561)	
Intangibles, net	(6,449)	(9,549)	(8,709)	
Tangible assets	\$ 12,671,212	\$ 12,237,521	\$ 12,353,133	
Tangible common equity				
Total common shareholders' equity	\$ 1,562,329	\$ 1,372,901	\$ 1,454,794	
Adjustments:				
Goodwill	(242,561)	(242,561)	(242,561)	
Intangibles, net	(6,449)	(9,549)	(8,709)	
Tangible common equity	\$ 1,313,319	\$ 1,120,791	\$ 1,203,524	
Common shares outstanding	46,658,019	46,839,159	46,848,934	
Book value per common share	\$ 33.48	\$ 29.31	\$ 31.05	
Tangible book value per common share	\$ 28.15	\$ 23.93	\$ 25.69	
Total common shareholders' equity to total assets	12.1 %	11.0 %	11.5 %	
Tangible common equity to tangible assets	10.4 %	9.16 %	9.74 %	

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 used by management to provide a depiction of our profitability without being impacted by intangible assets, as intangible assets are not directly managed to generate earnings. The most directly comparable financial measure calculated in accordance with GAAP is return on average common shareholders' equity.

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:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended
	2024	2023	2024	2023	December 31,
Return on average tangible common equity					
Total average common shareholders' equity	\$ 1,523,597	\$ 1,393,253	\$ 1,486,010	\$ 1,371,278	\$ 1,374,831
Adjustments:					
Average goodwill	(242,561)	(242,561)	(242,561)	(242,561)	(242,561)
Average intangibles, net	(6,795)	(10,011)	(7,536)	(10,922)	(10,472)
Average tangible common equity	\$ 1,274,241	\$ 1,140,681	\$ 1,235,913	\$ 1,117,795	\$ 1,121,798
Net income applicable to FB Financial Corporation	\$ 10,220	\$ 19,175	\$ 78,149	\$ 90,855	\$ 120,224
Return on average common shareholders' equity	2.67 %	5.46 %	7.02 %	8.86 %	8.74 %
Return on average tangible common equity	3.19 %	6.67 %	8.45 %	10.9 %	10.7 %

Company overview

We are a financial holding company headquartered in Nashville, Tennessee. We operate primarily through our wholly-owned subsidiary bank, FirstBank, and its subsidiaries. FirstBank provides a comprehensive suite of commercial and consumer banking services to clients in select markets in Tennessee, Kentucky, Alabama and North Georgia. As of September 30, 2024, our footprint included 77 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 Birmingham, Florence and Huntsville, Alabama. Our banking services extend to 17 community markets throughout Tennessee and North Georgia. FirstBank also provides retail mortgage banking services utilizing its bank branch network and mortgage banking offices strategically located throughout the southeastern United States.

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, however we have other sources of funds including unsecured credit lines, brokered CDs, and other borrowings. We generate most of our revenue in our Mortgage segment from origination fees and gains on sales in the secondary mortgage loan market, as well as from mortgage servicing revenues.

Overview of recent financial performance

Results of operations

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Our net income decreased during the three months ended September 30, 2024 to \$10.2 million from \$19.2 million for the three months ended September 30, 2023. Diluted earnings per common share were \$0.22 and \$0.41 for the three months ended September 30, 2024 and 2023, respectively. Our net income represented a ROAA of 0.32% and 0.61% for the three months ended September 30, 2024 and 2023, respectively, and a ROAE of 2.67% and 5.46% for the same periods. Our ROATCE for the three months ended September 30, 2024 and 2023 were 3.19% and 6.67%, respectively. See "GAAP reconciliation and management explanation of non-GAAP financial measures" in this Report for a discussion of tangible common equity and return on average tangible common equity.

During the three months ended September 30, 2024, our net interest income increased to \$106.0 million compared with \$100.9 million in the three months ended September 30, 2023. Our net interest margin, on a tax-equivalent basis, increased to 3.55% for the three months ended September 30, 2024 as compared to 3.42% for the three months ended September 30, 2023. The increase in net interest margin was primarily driven by higher rates for loans HFI and taxable AFS debt securities offset by a smaller increase in the volume of interest-earnings assets compared to interest-bearing liabilities.

Noninterest income for the three months ended September 30, 2024 decreased by \$24.5 million to a loss of \$16.5 million, compared to \$8.0 million for the three months ended September 30, 2023. The decrease was primarily the result of management's election to sell \$318.6 million of AFS debt securities, which resulted in a \$40.2 million net loss on investment securities during the three months ended September 30, 2024 compared to a \$14.2 million net loss on investment securities primarily related to the sale of \$76.6 million of AFS debt securities during the three months ended September 30, 2023. Refer to the section "Other earnings assets" for additional information on the sale of the AFS debt securities.

Noninterest expense decreased to \$76.2 million for the three months ended September 30, 2024, compared with \$83.0 million for the three months ended September 30, 2023. The decrease in noninterest expense is due to decreases in salaries, commissions and employee benefits of \$7.0 million primarily related to the Company's efficiency and scalability initiatives and updated methodology of deferrals for loan fees and loan origination expenses.

Nine months ended September 30, 2024 compared to the nine months ended September 30, 2023

Our net income decreased during the nine months ended September 30, 2024 to \$78.2 million from \$90.9 million for the nine months ended September 30, 2023. Diluted earnings per common share were \$1.67 and \$1.94 for the nine months ended September 30, 2024 and 2023, respectively. Our net income represented a ROAA of 0.83% and 0.95% for the nine months ended September 30, 2024 and 2023, respectively, and a ROAE of 7.02% and 8.86% for the same periods. Our ROATCE for the nine months ended September 30, 2024 and 2023 were 8.45% and 10.9%, respectively. See "GAAP

reconciliation and management explanation of non-GAAP financial measures" in this Report for a discussion of tangible common equity and return on average tangible common equity.

During the nine months ended September 30, 2024, our net interest income increased to \$308.1 million from \$306.1 million for the nine months ended September 30, 2023. Our net interest margin, on a tax-equivalent basis, increased to 3.51% for the nine months ended September 30, 2024 as compared to 3.44% for the nine months ended September 30, 2023. The increase in net interest margin was primarily driven by higher interest rates mostly offset by our volume of interest-earnings assets decreasing compared to an increase in our interest-bearing liabilities.

Noninterest income for the nine months ended September 30, 2024 decreased by \$38.1 million to \$17.1 million, down from \$55.2 million for the nine months ended September 30, 2023. The decrease in noninterest income was primarily due to a \$56.4 million net loss on investment securities related to the sale of \$526.4 million of AFS debt securities during the nine months ended September 30, 2024 compared to a \$14.2 million net loss on investment securities primarily related to the sale of \$76.6 million of AFS debt securities during the nine months ended September 30, 2023. Refer to the section "Other earnings assets" for additional information on the sale of the AFS debt securities. The decrease was partially offset by a \$2.1 million increase in investment services and trust income and a \$2.1 million cash life insurance benefit during the nine months ended September 30, 2024.

Noninterest expense decreased to \$223.7 million for the nine months ended September 30, 2024, compared with \$244.7 million for the nine months ended September 30, 2023. The decrease in noninterest expense is due to decreases in salaries, commissions and employee benefits of \$16.9 million primarily related to the Company's efficiency and scalability initiatives and updated methodology of deferrals for loan fees and loan origination expenses. Additionally, the decrease is reflective of decreases in advertising, legal and professional expenses and franchise tax expense.

Business segment highlights

We operate our business in two business segments: Banking and Mortgage. See Note 11, "Segment reporting" in the notes to our consolidated financial statements contained herein for a description of these business segments.

Banking

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Income before taxes from the Banking segment decreased for the three months ended September 30, 2024 to \$10.8 million, compared to \$23.4 million for the three months ended September 30, 2023. Net interest income increased by \$5.0 million to \$104.3 million during the three months ended September 30, 2024 compared to \$99.4 million during the three months ended September 30, 2023. Provisions for credit losses on loans HFI and unfunded loan commitments resulted in \$1.9 million of provision expense during the three months ended September 30, 2024 compared to \$3.3 million during the three months ended September 30, 2023. The Banking segment recorded a noninterest loss of \$28.4 million in the three months ended September 30, 2024 compared to a \$4.0 million loss in the three months ended September 30, 2023. This decrease includes a net loss on investment securities of \$40.2 million associated with the sale of \$318.6 million AFS debt securities during the three months ended September 30, 2024 compared to a \$14.2 million net loss on investment securities primarily related to the sale of \$76.6 million of AFS debt securities during the three months ended September 30, 2023. Noninterest expense decreased to \$63.3 million for three months ended September 30, 2024 compared to \$68.7 million for the three months ended September 30, 2023 due primarily to a decrease in salaries associated with our efficiency and scalability initiatives and updated methodology of deferrals for loan fees and loan origination expenses.

Nine months ended September 30, 2024 compared to the nine months ended September 30, 2023

Income before taxes from the Banking segment decreased for the nine months ended September 30, 2024 to \$93.2 million, compared to \$116.4 million for the nine months ended September 30, 2023. Net interest income increased by \$2.6 million to \$304.0 million during the nine months ended September 30, 2024 compared to \$301.4 million during the nine months ended September 30, 2023. Provisions for credit losses on loans HFI and unfunded loan commitments resulted in \$5.1 million of provision expense during the nine months ended September 30, 2024 compared to \$2.3 million during the nine months ended September 30, 2023. The Banking segment recorded a noninterest loss of \$19.7 million in the nine months ended September 30, 2024 as compared to income of \$18.9 million in the nine months ended September 30, 2023. This decrease includes a net loss on investment securities of \$56.4 million associated with the sale of \$526.4 million AFS debt securities during the nine months ended September 30, 2024 compared with a net loss on investment securities of \$14.2 million as noted above for the nine months ended September 30, 2023. Noninterest expense decreased to

\$186.0 million for nine months ended September 30, 2024 compared to \$201.7 million for the nine months ended September 30, 2023 due to decreases in salaries, advertising, legal and professional fees and franchise tax expense.

Mortgage

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Activity in our Mortgage segment resulted in a pre-tax net contribution of \$0.6 million for the three months ended September 30, 2024 compared to a \$0.2 million pre-tax net loss for the three months ended September 30, 2023. Net interest income was \$1.7 million for the three months ended September 30, 2024 and \$1.6 million for the three months ended September 30, 2023. Provisions for credit losses on loans HFI and unfunded loan commitments resulted in provision expense of \$0.1 million during the three months ended September 30, 2024 compared to a reversal of \$0.4 million of provision expense during the three months ended September 30, 2023. Mortgage banking income decreased \$0.4 million to \$11.6 million during the three months ended September 30, 2024 compared to \$12.0 million for the three months ended September 30, 2023. As noted below, mortgage banking income includes origination fees and realized gains and losses on the sale of mortgage loans, change in fair value of mortgage loans and derivatives, and mortgage loan servicing fees, which includes the net change in fair value of MSRs and related derivatives. Mortgage banking income is initially driven by the recognition of interest rate lock commitments at fair value at inception. 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.

The components of mortgage banking income for the three months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Three Months Ended September 30,	
	2024	2023
Mortgage banking income		
Gains and fees from origination and sale of mortgage loans held for sale	\$ 9,279	\$ 8,941
Net change in fair value of loans held for sale and derivatives	(480)	(582)
Change in fair value on MSRs, net of hedging	(4,490)	(3,724)
Mortgage servicing income	7,244	7,363
Total mortgage banking income	\$ 11,553	\$ 11,998
Interest rate lock commitment volume	\$ 381,240	\$ 373,068
Interest rate lock commitment volume by purpose (%):		
Purchase	82.5 %	88.5 %
Refinance	17.5 %	11.5 %
Mortgage sales	\$ 327,270	\$ 325,321
Mortgage sale margin	2.84 %	2.75 %
Closing volume	\$ 317,502	\$ 328,169
Outstanding principal balance of mortgage loans serviced	\$ 10,402,118	\$ 10,875,274

Noninterest expense for the three months ended September 30, 2024 and 2023 was \$12.9 million and \$14.3 million, respectively. This decrease is reflective of a decrease in salaries and employee benefits associated with our efficiency and scalability initiatives.

Nine months ended September 30, 2024 compared to the nine months ended September 30, 2023

Activity in our Mortgage segment resulted in a pre-tax net contribution of \$3.3 million for the nine months ended September 30, 2024 compared to a \$2.0 million pre-tax net loss for the nine months ended September 30, 2023. Net interest income was \$4.1 million for the nine months ended September 30, 2024 compared to \$4.7 million for the nine months ended September 30, 2023. Provisions for credit losses on loans HFI and unfunded loan commitments resulted in a reversal of \$0.2 million of provision expense during the nine months ended September 30, 2024 compared to a reversal of \$0.1 million of provision expense during the nine months ended September 30, 2023. Mortgage banking income decreased \$0.3 million to \$36.0 million during the nine months ended September 30, 2024 compared to \$36.3 million for the nine months ended September 30, 2023.

The components of mortgage banking income for the nine months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Nine Months Ended September 30,	
	2024	2023
Mortgage banking income		
Gains and fees from origination and sale of mortgage loans held for sale	\$ 24,671	\$ 25,081
Net change in fair value of loans held for sale and derivatives	1,337	(129)
Change in fair value on MSRs, net of hedging	(11,867)	(11,353)
Mortgage servicing income	21,907	22,717
Total mortgage banking income	\$ 36,048	\$ 36,316
Interest rate lock commitment volume	\$ 1,143,603	\$ 1,151,061
Interest rate lock commitment volume by purpose (%):		
Purchase	84.8 %	87.9 %
Refinance	15.2 %	12.1 %
Mortgage sales	\$ 885,775	\$ 987,954
Mortgage sale margin	2.79 %	2.54 %
Closing volume	\$ 913,315	\$ 970,131
Outstanding principal balance of mortgage loans serviced	\$ 10,402,118	\$ 10,875,274

Noninterest expense for the nine months ended September 30, 2024 and 2023 was \$37.8 million and \$43.1 million, respectively. This decrease is reflective of a decrease in salaries and employee benefits associated with our efficiency and scalability initiatives.

Results of operations

Throughout the following discussion of our operating results, we present our net interest income, net interest margin and core 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.

Our tax-exempt income is converted to a tax-equivalent basis by adjusting for the combined federal and blended state statutory income tax rate of 26.06% for the three and nine months ended September 30, 2024 and 2023.

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 or amortization of discounts or premiums 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.

During the three and nine months ended September 30, 2024, the U.S. Treasury yield curve continued its path towards normalization and became less inverted as long-term note and bond rates decreased at a slower pace than shorter-term note rates. The curve remained inverted as of September 30, 2024, which is in contrast to the more normalized upward sloping U.S. Treasury yield curve exhibited during the three and nine months ended September 30, 2023. The Federal Funds Target Rate range was 4.75% - 5.00% and 5.25% - 5.50% as of September 30, 2024 and December 31, 2023, respectively. During the Federal Open Market Committee's September 18, 2024 meeting, the federal funds rate was lowered 50 basis points, which was the first rate change since July 2023.

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net interest income increased to \$106.6 million for the three months ended September 30, 2024 as compared to \$101.8 million for the three months ended September 30, 2023. The change in net interest income was driven by a \$11.5 million increase in interest income partially offset by an increase in interest expense of \$6.6 million. Further discussion of the changes to interest income and expense are discussed below.

Interest income was \$186.2 million for the three months ended September 30, 2024, compared to \$174.7 million for the three months ended September 30, 2023, an increase of \$11.5 million, which was primarily driven by an increase in yields and somewhat by an increase in volume of loans HFI and taxable investment securities.

Interest income on loans HFI increased \$4.7 million to \$157.8 million for the three months ended September 30, 2024 from \$153.0 million for the three months ended September 30, 2023 primarily due to higher yields with a secondary driver of increased volume. The yield on loans HFI was 6.70% for the three months ended September 30, 2024, up 16 basis points from the three months ended September 30, 2023.

The components of our loan yield for the three months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Three Months Ended September 30,			
	2024		2023	
	Interest income	Average yield	Interest income	Average yield
Loan HFI yield components:				
Contractual interest rate on loans HF ⁽¹⁾	\$ 155,884	6.62 %	\$ 147,806	6.32 %
Origination and other loan fee income	1,779	0.08 %	4,345	0.19 %
(Amortization) accretion on purchased loans	(10)	— %	312	0.01 %
Nonaccrual interest collections	98	— %	575	0.02 %
Total loan HFI yield	\$ 157,751	6.70 %	\$ 153,038	6.54 %

⁽¹⁾ Includes tax equivalent adjustment using combined marginal tax rate of 26.06%.

Interest income on taxable investment securities increased \$7.5 million to \$13.9 million for the three months ended September 30, 2024 from \$6.4 million for the three months ended September 30, 2023 due to the reinvestment of proceeds from the sale of AFS debt securities that were sold during the second half of 2023 and first nine months of 2024 to higher yielding U.S. government agency and mortgage-backed securities. The yield on taxable investment securities increased 184 basis points to 3.73% for the three months ended September 30, 2024 compared to 1.89% for the three months ended September 30, 2023.

Interest expense was \$79.6 million for the three months ended September 30, 2024, an increase of \$6.6 million as compared to the three months ended September 30, 2023. The increase in interest expense was driven equally by an increase in the average balance of interest-bearing liabilities which increased interest expense \$3.6 million and an increase in the rate paid on interest-bearing liabilities which increased interest expense \$3.0 million over the comparative time period. Increases in average balances of interest-bearing liabilities were led by brokered and internet time deposits of \$140.0 million for the three months ended September 30, 2024 due to the issuance of brokered deposits as we took advantage of favorable relative terms available during the quarter. Notable contributors to the increase in interest expense are attributable to the rate paid on interest-bearing liabilities, including money market and customer time deposits, which increased \$2.7 million and \$1.6 million, respectively, from the three months ended September 30, 2023. These increases were most significantly influenced by increases in rates paid on these balances. The average rate on money market deposits increased 15 basis points to 3.93% for the three months ended September 30, 2024 from 3.78% for the three months ended September 30, 2023. The average rate on customer time deposits increased 60 basis points to 3.97% for the three months ended September 30, 2024 from 3.37% for the three months ended September 30, 2023.

More broadly, total cost of interest-bearing deposits was 3.58% for the three months ended September 30, 2024 compared to 3.33% for the three months ended September 30, 2023. As interest rates on deposits increase, we tend to experience some movement between deposit types as customers seek higher interest rates and shift from noninterest-bearing deposit accounts to interest-bearing deposit products.

Average balance and interest yield/rate 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)	Three Months Ended September 30,					
	2024			2023		
	Interest	Average	Interest	Average	Interest	Average
Interest-earning assets:						
Loans HFI ⁽¹⁾⁽²⁾	\$ 9,362,937	\$ 157,751	6.70 %	\$ 9,280,530	\$ 153,038	6.54 %
Mortgage loans held for sale	66,828	1,102	6.56 %	60,291	1,047	6.89 %
Commercial loans held for sale	—	—	— %	9,259	—	— %
Investment securities:						
Taxable	1,487,200	13,943	3.73 %	1,344,052	6,399	1.89 %
Tax-exempt ⁽²⁾	181,465	1,493	3.27 %	291,863	2,428	3.30 %
Total investment securities ⁽²⁾	1,668,665	15,436	3.68 %	1,635,915	8,827	2.14 %
Federal funds sold and reverse repurchase agreements	118,715	1,687	5.65 %	95,326	1,375	5.72 %
Interest-bearing deposits with other financial institutions	701,666	9,519	5.40 %	696,600	9,620	5.48 %
FHLB stock	32,919	750	9.06 %	36,624	841	9.11 %
Total interest-earning assets ⁽²⁾	11,951,730	186,245	6.20 %	11,814,545	174,748	5.87 %
Noninterest-earning assets:						
Cash and due from banks	131,308			128,780		
Allowance for credit losses on loans HFI	(155,665)			(140,033)		
Other assets ⁽³⁾⁽⁴⁾	814,577			753,866		
Total noninterest-earning assets	790,220			742,613		
Total assets	\$ 12,741,950			\$ 12,557,158		
Interest-bearing liabilities:						
Interest bearing deposits:						
Interest-bearing checking	\$ 2,624,046	\$ 20,998	3.18 %	\$ 2,668,970	\$ 20,506	3.05 %
Money market deposits	3,802,818	37,574	3.93 %	3,661,262	34,902	3.78 %
Savings deposits	357,165	65	0.07 %	410,403	65	0.06 %
Customer time deposits	1,349,986	13,479	3.97 %	1,400,290	11,909	3.37 %
Brokered and internet time deposits	322,667	3,972	4.90 %	182,652	2,444	5.31 %
Time deposits	1,672,653	17,451	4.15 %	1,582,942	14,353	3.60 %
Total interest-bearing deposits	8,456,682	76,088	3.58 %	8,323,577	69,826	3.33 %
Other interest-bearing liabilities:						
Securities sold under agreements to repurchase and federal funds purchased	21,734	79	1.45 %	30,520	349	4.54 %
Federal Home Loan Bank advances	—	—	— %	13,859	204	5.84 %
Subordinated debt	130,561	1,900	5.79 %	127,605	2,600	8.08 %
Other borrowings	125,616	1,544	4.89 %	1,365	7	2.03 %
Total other interest-bearing liabilities	277,911	3,523	5.04 %	173,349	3,160	7.23 %
Total Interest-bearing liabilities	8,734,593	79,611	3.63 %	8,496,926	72,986	3.41 %
Noninterest-bearing liabilities:						
Demand deposits	2,241,512			2,410,280		
Other liabilities ⁽⁴⁾	242,155			256,606		
Total noninterest-bearing liabilities	2,483,667			2,666,886		
Total liabilities	11,218,260			11,163,812		
FB Financial Corporation common shareholders' equity	1,523,597			1,393,253		
Noncontrolling interest	93			93		
Shareholders' equity	1,523,690			1,393,346		
Total liabilities and shareholders' equity	\$ 12,741,950			\$ 12,557,158		

Net interest income (tax-equivalent basis) ⁽²⁾	\$ <u>106,634</u>	\$ <u>101,762</u>
Interest rate spread (tax-equivalent basis) ⁽²⁾	2.57 %	2.46 %
Net interest margin (tax-equivalent basis) ⁽²⁾⁽⁵⁾	3.55 %	3.42 %
Cost of total deposits	2.83 %	2.58 %
Average interest-earning assets to average interest-bearing liabilities	136.8 %	139.0 %

(1) Average balances of nonaccrual loans and overdrafts are included in average loan balances (before deduction of ACL).

(2) 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 were \$0.6 million and \$0.8 million the three months ended September 30, 2024 and 2023, respectively.

(3) Includes average net unrealized losses on investment securities available for sale of \$153.8 million and \$232.6 million for the three months ended September 30, 2024 and 2023, respectively.

(4) Includes average of optional rights to repurchase government guaranteed GNMA mortgage loans previously sold that have become past due greater than 90 days of \$25.5 million and \$19.1 million for the three months ended September 30, 2024 and 2023, respectively.

(5) The NIM is calculated by dividing annualized net interest income, on a tax-equivalent basis, by average total interest earning assets.

Yield/rate and volume analysis

The table below presents the components of the changes in net interest income for the three months ended September 30, 2024 and 2023. For each major category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes due to average volume and changes due to interest rates, with the changes in both volume and interest rates allocated to these two categories based on the proportionate absolute changes in each category.

(dollars in thousands)	Three months ended September 30, 2024 compared to three months ended September 30, 2023 due to changes in			
	Volume	Yield/ rate	Net increase (decrease)	
Interest-earning assets:				
Loans held for investment ⁽¹⁾⁽²⁾	\$ 1,388	\$ 3,325	\$ 4,713	
Loans held for sale - mortgage	108	(53)	55	
Loans held for sale - commercial	—	—	—	
Investment securities:				
Taxable	1,342	6,202	7,544	
Tax Exempt ⁽²⁾	(908)	(27)	(935)	
Federal funds sold and reverse repurchase agreements	332	(20)	312	
Interest-bearing deposits with other financial institutions	69	(170)	(101)	
FHLB stock	(84)	(7)	(91)	
Total interest income ⁽²⁾	2,247	9,250	11,497	
Interest-bearing liabilities:				
Interest-bearing checking	(359)	851	492	
Money market deposits	1,399	1,273	2,672	
Savings deposits	(10)	10	—	
Customer time deposits	(502)	2,072	1,570	
Brokered and internet time deposits	1,724	(196)	1,528	
Securities sold under agreements to repurchase and federal funds purchased	(32)	(238)	(270)	
Federal Home Loan Bank advances	(204)	—	(204)	
Subordinated debt	43	(743)	(700)	
Other borrowings	1,527	10	1,537	
Total interest expense	3,586	3,039	6,625	
Change in net interest income ⁽²⁾	\$ (1,339)	\$ 6,211	\$ 4,872	

(1) Average loans are presented gross, including nonaccrual loans and overdrafts (before deduction of allowance for credit losses on loans HFI).

(2) Interest income includes the effects of the tax-equivalent adjustments to increase tax-exempt interest income to a tax-equivalent basis. The net taxable-equivalent adjustment amounts included was \$0.6 million and \$0.8 million the three months ended September 30, 2024 and 2023, respectively.

Nine months ended September 30, 2024 compared to the nine months ended September 30, 2023

Net interest income was relatively flat for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, increasing \$1.4 million to \$310.1 million from \$308.6 million. Increases in interest income of \$35.1 million were largely offset by increases in interest expense of \$33.6 million for the nine months ended September 30, 2024 compared to the prior period. The increase in interest income for the current year period was driven by an increase in yields on average earning assets incrementally offset by decreases in the average volume of interest-bearing deposits with other financial institutions. The increase in interest expense was primarily driven increases in the rate paid on interest-bearing liabilities.

Interest income on loans HFI increased \$26.0 million to \$466.9 million for the nine months ended September 30, 2024 from \$440.9 million for the nine months ended September 30, 2023 due primarily to increasing yields. The average yield on loans HFI increased by 37 basis points period-over-period to 6.68% for the nine months ended September 30, 2024

from 6.31% for the nine months ended September 30, 2023.

The components of our loan yield for the nine months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Nine Months Ended September 30,			
	2024		2023	
	Interest income	Average yield	Interest income	Average yield
Loans HFI yield components:				
Contractual interest rate on loans HFI ⁽¹⁾	\$ 460,796	6.59 %	\$ 428,000	6.13 %
Origination and other loan fee income	4,506	0.06 %	11,353	0.16 %
Accretion on purchased loans	538	0.01 %	617	0.01 %
Nonaccrual interest collections	1,093	0.02 %	950	0.01 %
Total loans HFI yield	\$ 466,933	6.68 %	\$ 440,920	6.31 %

(1) Includes tax equivalent adjustment using combined marginal tax rate of 26.06%.

Interest income on taxable investment securities increased \$15.6 million to \$35.0 million for the nine months ended September 30, 2024 from \$19.4 million for the nine months ended September 30, 2023 due to the reinvestment of proceeds from the sale of AFS debt securities that were sold during the second half of 2023 and first and third quarters of 2024 to higher yielding U.S. government agency securities and mortgage-backed securities. The yield on taxable investment securities increased 133 basis points to 3.22% for the nine months ended September 30, 2024 compared to 1.89% for the nine months ended September 30, 2023.

Interest income on interest-bearing deposits with other financial institutions decreased to \$23.2 million for the nine months ended September 30, 2024 from \$28.5 million for the nine months ended September 30, 2023 due to a decrease in volume of interest-bearing deposits with other financial institutions partially offset by higher yields. The average balance of interest-bearing deposits with other financial institutions decreased \$187.0 million to \$573.9 million for the nine months ended September 30, 2024 from \$760.9 million for the nine months ended September 30, 2023. The yield on interest-bearing deposits with other financial institutions increased 41 basis points to 5.41% for the nine months ended September 30, 2024 compared to 5.00% for the nine months ended September 30, 2023.

Interest expense was \$231.0 million for the nine months ended September 30, 2024, an increase of \$33.6 million as compared to \$197.4 million for the nine months ended September 30, 2023. The increase was largely attributed to a rise in the rate paid on interest-bearing deposit accounts, most notably, on money market and customer time deposit products. Interest expense on money market deposits increased \$22.6 million to \$112.0 million for the nine months ended September 30, 2024 compared to \$89.5 million for the nine months ended September 30, 2023. Interest expense on customer time deposits increased \$9.6 million to \$41.4 million for the nine months ended September 30, 2024 from \$31.8 million for the nine months ended September 30, 2023. The average rate on money market deposits increased 53 basis points to 3.93% for the nine months ended September 30, 2024 from 3.40% for the nine months ended September 30, 2023. The average rate on customer time deposits increased 99 basis points to 3.96% for the nine months ended September 30, 2024 from 2.97% for the nine months ended September 30, 2023. Total cost of interest-bearing deposits was 3.53% for the nine months ended September 30, 2024 compared to 2.97% for the nine months ended September 30, 2023.

The average balance of other borrowings increased \$127.9 million to \$129.4 million for the nine months ended September 30, 2024 compared to \$1.5 million for the nine months ended September 30, 2023. As a result, interest expense on other borrowings increased to \$4.7 million for the nine months ended September 30, 2024 compared to \$23 thousand for the nine months ended September 30, 2023. The yield on other borrowings increased 275 basis points to 4.83% for the nine months ended September 30, 2024 compared to 2.08% for the nine months ended September 30, 2023. The increase is due primarily of borrowings from the Bank Term Funding Program, which was paid-off at the end of this quarter. Refer to the section "Borrowings" for additional information on the BTFP.

Average balance and interest yield/rate 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.

Nine Months Ended September 30,						
(dollars in thousands)	2024			2023		
	Average	Interest	Average	Average	Interest	Average
	balances	income/ expense	yield/ rate	balances	income/ expense	yield/ rate
Interest-earning assets:						
Loans HFI ⁽¹⁾⁽²⁾	\$ 9,337,942	\$ 466,933	6.68 %	\$ 9,337,932	\$ 440,920	6.31 %
Mortgage loans held for sale	65,443	3,333	6.80 %	59,982	2,979	6.64 %
Commercial loans held for sale	—	—	— %	11,721	162	1.85 %
Investment securities:						
Taxable	1,450,295	35,014	3.22 %	1,373,461	19,449	1.89 %
Tax-exempt ⁽²⁾	205,310	5,023	3.27 %	293,408	7,313	3.33 %
Total investment securities ⁽²⁾	1,655,605	40,037	3.23 %	1,666,869	26,762	2.15 %
Federal funds sold and reverse repurchase agreements	127,365	5,310	5.57 %	114,706	4,280	4.99 %
Interest-bearing deposits with other financial institutions	573,861	23,226	5.41 %	760,895	28,457	5.00 %
FHLB stock	33,486	2,295	9.15 %	41,912	2,524	8.05 %
Total interest-earning assets ⁽²⁾	11,793,702	541,134	6.13 %	11,994,017	506,084	5.64 %
Noninterest-earning assets:						
Cash and due from banks	141,220			133,881		
Allowance for credit losses on loans HFI	(152,675)			(137,958)		
Other assets ⁽³⁾⁽⁴⁾	786,211			757,606		
Total noninterest-earning assets	774,756			753,529		
Total assets	\$ 12,568,458			\$ 12,747,546		
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing checking	\$ 2,554,739	\$ 59,088	3.09 %	\$ 2,985,265	\$ 63,317	2.84 %
Money market deposits	3,810,318	112,031	3.93 %	3,517,106	89,465	3.40 %
Savings deposits	368,262	191	0.07 %	433,811	192	0.06 %
Customer time deposits	1,398,263	41,415	3.96 %	1,432,680	31,788	2.97 %
Brokered and internet time deposits	195,785	7,489	5.11 %	80,902	3,184	5.26 %
Time deposits	1,594,048	48,904	4.10 %	1,513,582	34,972	3.09 %
Total interest-bearing deposits	8,327,367	220,214	3.53 %	8,449,764	187,946	2.97 %
Other interest-bearing liabilities:						
Securities sold under agreements to repurchase and federal funds purchased	23,537	350	1.99 %	29,249	492	2.25 %
Federal Home Loan Bank advances	—	—	— %	38,736	1,487	5.13 %
Subordinated debt	130,249	5,801	5.95 %	126,970	7,498	7.90 %
Other borrowings	129,396	4,682	4.83 %	1,478	23	2.08 %
Total other interest-bearing liabilities	283,182	10,833	5.11 %	196,433	9,500	6.47 %
Total interest-bearing liabilities	8,610,549	231,047	3.58 %	8,646,197	197,446	3.05 %
Noninterest-bearing liabilities:						
Demand deposits	2,230,271			2,475,850		
Other liabilities ⁽⁴⁾	241,535			254,128		
Total noninterest-bearing liabilities	2,471,806			2,729,978		
Total liabilities	11,082,355			11,376,175		
FB Financial Corporation common shareholders' equity	1,486,010			1,371,278		
Noncontrolling interest	93			93		
Shareholders' equity	1,486,103			1,371,371		
Total liabilities and shareholders' equity	\$ 12,568,458			\$ 12,747,546		
Net interest income (tax-equivalent basis) ⁽²⁾	\$ 310,087			\$ 308,638		
Interest rate spread (tax-equivalent basis) ⁽²⁾			2.55 %			2.59 %
Net interest margin (tax-equivalent basis) ⁽²⁾⁽⁵⁾			3.51 %			3.44 %
Cost of total deposits			2.79 %			2.30 %
Average interest-earning assets to average interest-bearing liabilities			137.0 %			138.7 %

(1) Average balances of nonaccrual loans and overdrafts are included in average loan balances.

(2) 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 tax-equivalent adjustment amounts included in income were \$2.0 million and \$2.5 million for nine months ended September 30, 2024 and 2023, respectively.

(3) Includes average net unrealized losses on investment securities available for sale of \$181.9 million and \$222.5 million for the nine months ended September 30, 2024 and 2023, respectively.

(4) Includes average of optional rights to repurchase government guaranteed GNMA mortgage loans previously sold that have become past due greater than 90 days of \$22.3 million and \$21.1 million for the nine months ended September 30, 2024 and 2023, respectively.

(5) The NIM is calculated by dividing annualized net interest income, on a tax-equivalent basis, by average total earning assets.

Yield/rate and volume analysis

The tables below present the components of the changes in net interest income for the nine months ended September 30, 2024 and 2023. For each major category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes due to average volume and changes due to interest rates, with the changes in both volume and interest rates allocated to these two categories based on the proportionate absolute changes in each category.

(dollars in thousands)	Nine months ended September 30, 2024 compared to nine months ended September 30, 2023 due to changes in							
	Volume	Yield/rate	Net increase (decrease)					
Interest-earning assets:								
Loans HFI ⁽¹⁾⁽²⁾								
Loans held for sale - mortgage	\$ 1	\$ 26,012	\$ 26,013					
Loans held for sale - commercial	(162)	—	(162)					
Investment securities:								
Taxable	1,855	13,710	15,565					
Tax-exempt ⁽²⁾	(2,155)	(135)	(2,290)					
Federal funds sold and reverse repurchase agreements	528	502	1,030					
Interest-bearing deposits with other financial institutions	(7,570)	2,339	(5,231)					
FHLB stock	(577)	348	(229)					
Total interest income ⁽²⁾	(7,802)	42,852	35,050					
Interest-bearing liabilities:								
Interest-bearing checking deposits	(9,958)	5,729	(4,229)					
Money market deposits	8,621	13,945	22,566					
Savings deposits	(34)	33	(1)					
Customer time deposits	(1,019)	10,646	9,627					
Brokered and internet time deposits	4,394	(89)	4,305					
Securities sold under agreements to repurchase and federal funds purchased	(85)	(57)	(142)					
Federal Home Loan Bank advances	(1,487)	—	(1,487)					
Subordinated debt	146	(1,843)	(1,697)					
Other borrowings	4,629	30	4,659					
Total interest expense	5,207	28,394	33,601					
Change in net interest income ⁽²⁾	\$ (13,009)	\$ 14,458	\$ 1,449					

(1) Average loans are presented gross, including nonaccrual loans and overdrafts.

(2) Interest income includes the effects of the tax-equivalent adjustments to increase tax-exempt interest income to a tax-equivalent basis. The net taxable-equivalent adjustment amounts included was \$2.0 million and \$2.5 million for the nine months ended September 30, 2024 and 2023, respectively.

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 determination of the amount of the allowance is complex and involves a high degree of judgment and subjectivity. Refer to Note 1, "Basis of presentation" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for a detailed discussion regarding ACL methodology.

Our allowance for credit losses calculation as of September 30, 2024 resulted from management's best estimate of losses over the life of loans and unfunded commitments in our portfolio in accordance with the CECL approach. Our calculation included forecasts for projected slower GDP growth over the next two to three years and expected elevated unemployment levels. We also considered the current global economic environment, including continued pressures on supply chains (and more specifically, oil and energy) and increased uncertainty due to geopolitical turmoil and its impact

on the U.S. economy. These factors may continue to lead to increased volatility in forecasted macroeconomic variables, a key input to our calculated level of allowance for credit losses.

Three months ended September 30, 2024 compared to three months ended September 30, 2023

We recognized a provision for credit losses on loans HFI of \$1.9 million and \$6.0 million for the three months ended September 30, 2024 and 2023, respectively. The decrease in our provision for credit losses on loans HFI during the three months ended September 30, 2024 was primarily due to reductions in balances outstanding for construction loans offset by growth in other classes of financing receivable in our loan portfolio. For the three months ended September 30, 2023, the decrease in the provision for credit losses on loans HFI was driven by decreased loan growth in our loans HFI combined with the economic variables signaling a possible recession in our forward-looking model partially offset by an increase in the provision for credit losses on loans HFI due to a single commercial and industrial relationship moving to nonaccrual status during the three months ended September 30, 2023.

We also estimate 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, we consider 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. We recorded a provision expense for credit losses on unfunded commitments of \$0.1 million and a reversal of provision expense of \$3.2 million for the three months ended September 30, 2024 and 2023, respectively. The reversal is due to a \$9.3 million decrease in our unfunded commitments during the three months ended September 30, 2024, including a \$6.7 million decrease in our construction portfolio. Commitments increased in commercial and industrial and residential real estate line of credit portfolios offset by reductions in construction and commercial real estate.

During the three months ended September 30, 2024 and 2023 it was determined that all AFS 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 AFS debt securities during the three months ended September 30, 2024 or 2023.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

We recognized a provision for credit losses on loans HFI for the nine months ended September 30, 2024 and 2023 of \$7.6 million and \$13.6 million, respectively. The current period provision on loans HFI is due to growth in loan balances for most loan categories offset by significant decreases in construction lending. For the nine months ended September 30, 2023, the increase in the provision for credit losses on loans HFI was driven by a single commercial and industrial relationship moving to nonaccrual status during the period and the deteriorating economic forecasts.

We recorded a reversal of provision for credit losses on unfunded commitments of \$2.7 million and \$11.4 million for the nine months ended September 30, 2024 and 2023, respectively. The reversal of provision for credit losses on unfunded commitments for the nine months ended September 30, 2024 and 2023 is primarily due to management's concentrated effort to reduce unfunded loan commitments during the periods indicated including a \$215.7 million and a \$716.8 million decrease in our construction category as these projects primarily moved to permanent financing for the nine months ended nine months ended September 30, 2024 and 2023, respectively. Decreases in commitment balances for construction and commercial real estate were offset by increases in commercial and industrial and residential segments. This resulted in a \$2.7 million and \$11.4 million decrease in required ACL related to the unfunded commitments for the nine months ended September 30, 2024 and 2023, respectively.

During the nine months ended September 30, 2024 and 2023, it was determined that all AFS 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 AFS debt securities during the nine months ended September 30, 2024 and 2023.

Noninterest income

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

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Mortgage banking income	\$ 11,553	\$ 11,998	\$ 36,048	\$ 36,316
Investment services and trust income	3,721	3,072	10,338	8,227
Service charges on deposit accounts	3,378	2,959	9,686	9,197
ATM and interchange fees	2,840	2,639	8,598	7,664
Loss from investment securities, net	(40,165)	(14,197)	(56,378)	(14,156)
(Loss) gain on sales or write-downs of other real estate owned and other assets	(289)	115	(5)	465
Other income	2,465	1,456	8,786	7,491
Total noninterest (loss) income	\$ (16,497)	\$ 8,042	\$ 17,073	\$ 55,204

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Noninterest income amounted to a \$16.5 million loss for the three months ended September 30, 2024, a decrease of \$24.5 million, or 305%, as compared to income of \$8.0 million for the three months ended September 30, 2023. The decrease in noninterest income was driven by the net loss from investment securities.

Net loss from investment securities was \$40.2 million and \$14.2 million for the three months ended September 30, 2024 and 2023, respectively. The net loss from investment securities during the three months ended September 30, 2024 is the result of management's election to sell \$318.6 million of AFS debt securities to reinvest the proceeds of the sale into higher yielding AFS debt securities compared to a \$14.2 million net loss on investment securities primarily related to the sale of \$76.6 million of AFS debt securities during the three months ended September 30, 2023. Refer to the section "Other earnings assets" for additional information on the sale of the AFS debt securities.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Noninterest income amounted to \$17.1 million for the nine months ended September 30, 2024, a decrease of \$38.1 million, or 69%, as compared to \$55.2 million for the nine months ended September 30, 2023. The decrease in noninterest income was driven by the net loss from investment securities, offset by increases in investment services and trust income and BOLI income recognized in other noninterest income.

Investment services and trust income increased \$2.1 million during the nine months ended September 30, 2024 to \$10.3 million as compared to \$8.2 million during the nine months ended September 30, 2023. The increase is primarily attributable to fees earned from higher assets under management stemming from market value improvement and existing account growth, as well as customer acquisition efforts through a mix of financial advisors joining the Company bringing new business and the addition of new accounts by the financial advisors already at the Company.

Net loss from investment securities was \$56.4 million for the nine months ended September 30, 2024 compared to a net loss of \$14.2 million for the nine months ended September 30, 2023. The net loss from investment securities during the nine months ended September 30, 2024 is the result of management's election to sell \$526.4 million of AFS debt securities to reinvest the proceeds into higher yielding AFS securities compared to a \$14.2 million net loss on investment securities primarily related to the sale of \$76.6 million of AFS debt securities during the nine months ended September 30, 2023. Refer to the section "Other earning assets" for additional information on the sale of the AFS debt securities.

Other income increased \$1.3 million to \$8.8 million during the nine months ended September 30, 2024 as compared to \$7.5 million during the nine months ended September 30, 2023. This increase was primarily related to a \$2.1 million increase in BOLI income resulting from a cash life insurance benefit during the nine months ended September 30, 2024 offset by a \$0.9 million gain during the nine months ended September 30, 2023 associated with the change in fair value of the commercial loans held for sale portfolio that was exited during the year ended December 31, 2023.

Noninterest expense

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

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Salaries, commissions and employee benefits	\$ 47,538	\$ 54,491	\$ 138,381	\$ 155,299
Occupancy and equipment expense	6,640	6,428	19,582	18,618
Data processing	2,486	2,338	7,180	6,796
Advertising	1,947	2,124	4,977	6,258
Legal and professional fees	1,900	1,760	5,798	7,067
Amortization of core deposit and other intangibles	719	889	2,260	2,819
Other expense	14,982	14,967	45,547	47,872
Total noninterest expense	\$ 76,212	\$ 82,997	\$ 223,725	\$ 244,729

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Noninterest expense decreased by \$6.8 million, or 8%, during the three months ended September 30, 2024 to \$76.2 million as compared to \$83.0 million in the three months ended September 30, 2023. The decrease in noninterest expense was attributable to a decrease in salaries, commissions and employee benefits.

Salaries, commissions and employee benefits expense is the largest component of noninterest expense and is comprised of salaries and wages in addition to other employee benefit costs. During the three months ended September 30, 2024, salaries and employee benefits expense decreased \$7.0 million, or 13%, to \$47.5 million as compared to \$54.5 million for the three months ended September 30, 2023. This change was attributable to the impact of the Company's efficiency and scalability initiatives, as well as a \$2.9 million decrease from the Company applying an updated deferral methodology for loan fees and loan origination expenses.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Noninterest expense decreased by \$21.0 million, or 9%, during the nine months ended September 30, 2024 to \$223.7 million as compared to \$244.7 million in the nine months ended September 30, 2023. The decrease in noninterest expense was attributable to a decrease in salaries, commissions and employee benefits, legal and professional fees, advertising expense, and franchise tax expense recognized in other noninterest expense offset slightly by a FDIC special assessment expense.

Salaries, commissions and employee benefits expense is the largest component of noninterest expense. For the nine months ended September 30, 2024, salaries, commissions and employee benefits expense decreased \$16.9 million, or 11%, to \$138.4 million as compared to \$155.3 million for the nine months ended September 30, 2023. This change was attributable to the impact of the Company's efficiency and scalability initiatives, as well as a \$7.8 million decrease from the Company applying an updated deferral methodology for loan fees and loan origination expenses.

Advertising expense includes expenses related to sponsorships, advertising, marketing, customer relations and business development, and public relations. During the nine months ended September 30, 2024, advertising expense decreased \$1.3 million to \$5.0 million compared to \$6.3 million during the nine months ended September 30, 2023. This decrease was primarily attributable to marketing rebate activity with partners earned through higher transaction volumes during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023.

Legal and professional fees decreased by \$1.3 million during the nine months ended September 30, 2024 to \$5.8 million as compared to \$7.1 million during the nine months ended September 30, 2023. The decrease was primarily driven by the completion of internal projects in the prior year.

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 decreased \$2.3 million during the nine months ended September 30, 2024 to \$45.5 million compared to \$47.9 million during the nine months ended September 30, 2023. The decrease was primarily related to a \$3.1 million decrease in franchise tax expense which was partially offset by \$0.5 million expense related to the FDIC special assessment.

Efficiency ratio

The efficiency ratio is one measure of productivity in the banking industry. This ratio is a measure of 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. This ratio is calculated by dividing noninterest expense by the sum of net interest income and noninterest income. For a core efficiency ratio, we exclude certain gains, losses and expenses we do not consider core to our business.

Our efficiency ratio was 85.1% and 68.8% for the three and nine months ended September 30, 2024, respectively, and 76.2% and 67.7% for the three and nine months ended September 30, 2023, respectively. Our core efficiency ratio, on a tax-equivalent basis, was 58.4% and 58.2% for the three and nine months ended September 30, 2024, respectively, and 63.1% and 63.3% the three and nine months ended September 30, 2023, respectively. See "GAAP reconciliation and management explanation of non-GAAP financial measures" in this Report for a discussion of the core efficiency ratio.

Income taxes

Income tax expense was \$1.2 million and \$4.0 million for the three months ended September 30, 2024 and 2023, respectively, and \$18.4 million and \$23.5 million for the nine months ended September 30, 2024 and 2023, respectively. This represents effective tax rates of 10.3% and 17.2% for the three months ended September 30, 2024 and 2023, respectively, and 19.1% and 20.6% for the nine months ended September 30, 2024 and 2023, respectively. The primary differences from the enacted rates are applicable state income taxes and certain expenses that are not deductible, reduced for non-taxable income. Refer to Note 7 "Income taxes" in the notes to the consolidated financial statements for additional information regarding the Company's income tax expense and effective tax rates.

Financial condition

The following discussion of our financial condition compares balances as of September 30, 2024 and December 31, 2023.

Loan portfolio

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)	September 30,			December 31,		
	2024		% of total outstanding	2023		% of total outstanding
	Committed	Outstanding		Committed	Outstanding	
Loan Type:						
Commercial and industrial	\$ 3,003,498	\$ 1,688,815	18 %	\$ 2,982,967	\$ 1,720,733	18 %
Construction	1,589,883	1,079,726	11 %	2,123,177	1,397,313	15 %
Residential real estate:						
1-to-4 family mortgage	1,615,696	1,612,031	17 %	1,569,525	1,568,552	17 %
Residential line of credit	1,326,977	591,049	6 %	1,231,038	530,912	6 %
Multi-family mortgage	665,959	654,188	7 %	627,387	603,804	6 %
Commercial real estate:						
Owner-occupied	1,392,083	1,324,208	14 %	1,305,503	1,232,071	13 %
Non-owner occupied	2,099,996	2,048,036	22 %	2,026,491	1,943,525	21 %
Consumer and other	497,397	480,076	5 %	437,382	411,873	4 %
Total loans	\$ 12,191,489	\$ 9,478,129	100 %	\$ 12,303,470	\$ 9,408,783	100 %

Our loans HFI portfolio is our most significant earning asset, comprising 73.4% and 74.6% of our total assets at September 30, 2024 and December 31, 2023, respectively. Our strategy is to grow our loan portfolio by originating quality commercial and consumer type 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 in the markets we serve. However, we are also party to loan syndications and participations from other banks (collectively, "participated loans"). As of September 30, 2024 and December 31, 2023, loans HFI included approximately \$224.9 million and \$254.6 million, respectively, related to participated loans.

We also sell loan participations to unaffiliated third-parties as part of our credit risk management and balance sheet management strategy. During the three months ended September 30, 2024 and 2023, we sold \$7.5 million and \$14.5 million in loan participations, respectively. During the nine months ended September 30, 2024 and 2023, we sold \$24.5 million and \$30.8 million in loan participations, respectively. All loans, whether or not we act as a participant, are underwritten to the same standards as all other loans we originate. We believe our loan portfolio is well-balanced, which provides us with the opportunity to grow while monitoring our loan concentrations.

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. Our lending activity is heavily concentrated in the geographic market areas we serve, with the highest concentration in Tennessee. This geographic concentration subjects our loan portfolio to the general economic conditions within the state. The risks created by this concentration have been considered by management in the determination of the appropriateness of the allowance for credit losses on loans HFI. As of September 30, 2024 and December 31, 2023, there were no concentrations of loans exceeding 10% of total loans other than our geographic exposure to Tennessee and Alabama, as well as 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. For additional details related to the concentrations within our loan portfolio, refer to the industry classification and collateral property type concentration tables detailed later in this section.

Banking regulators have established guidelines 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 our 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 September 30, 2024 and December 31, 2023.

	As a percentage (%) of tier 1 capital plus allowance for credit losses	
	FirstBank	FB Financial Corporation
September 30, 2024		
Construction	69.3 %	67.8 %
Commercial real estate	244.5 %	239.1 %
December 31, 2023		
Construction	93.3 %	91.2 %
Commercial real estate	265.1 %	259.0 %

Loan categories:

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

Commercial and industrial loans.

Commercial and industrial loans are typically made to small and medium-sized manufacturing, wholesale, retail and service businesses, and farmers for working capital and operating needs and business expansions. This category also includes loans secured by manufactured housing receivables made primarily to manufactured housing communities. Commercial and industrial loans generally include lines of credit and loans with maturities of five years or less. 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.

Construction loans.

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 and repayment depends upon project completion and sale, refinancing, or operation of the 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. Repayment depends primarily upon the cash flow of the borrower as well as the value of the real estate collateral.

Residential line of credit loans.

Our residential line of credit loans are primarily revolving, open-end lines of credit secured by 1-4 residential properties. Repayment depends primarily upon the cash flow of the borrower as well as the value of the real estate collateral.

Multi-family residential loans.

Our multi-family residential loans are primarily secured by multi-family properties, such as apartments and condominium buildings. Repayment depends primarily upon the cash flow of the borrower as well as the value of the real estate collateral.

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.

Commercial real estate non-owner occupied loans.

Our commercial real estate non-owner occupied loans include loans to finance commercial real estate 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 or refinancing of the property or rental income from such property.

Consumer and other loans.

Consumer and other loans include loans to individuals for personal, family and household purposes, including car, boat and other recreational vehicle loans, manufactured homes (without real estate) and personal lines of credit. Consumer loans are generally secured by vehicles and other household goods, with repayment depending primarily on the cash flow of the borrower. Other loans also include loans to states and political subdivisions in the U.S. and are repaid through tax revenues or refinancing.

As part of our lending policy and risk management activities, we track lending exposure of commercial and industrial and owner-occupied commercial real estate by industry classification (as defined by the North American Industry Classification System) and type to determine potential risks associated with industry concentrations, and if any risk issues could lead to additional credit loss exposure. The table below provides a summary of our commercial and industrial and owner-occupied commercial real estate portfolios by industry classification.

(dollars in thousands)	September 30, 2024		
	Committed	Amount Outstanding	Nonperforming
Commercial and industrial			
Real estate rental and leasing	\$ 508,255	\$ 298,075	\$ 466
Finance and insurance	407,479	270,974	—
Construction	386,956	105,519	4,997
Manufacturing	264,815	177,027	4,479
Information	192,980	132,659	—
Professional, scientific and technical services	186,531	102,860	2,331
Wholesale trade	174,878	92,282	151
Educational services	166,043	29,091	—
Other services (except public administration)	113,673	72,358	102
Retail trade	111,667	77,198	7,257
Administrative and support and waste management and remediation services	105,871	63,542	2,264
Transportation and warehousing	90,698	81,378	37
Health care and social assistance	84,012	53,490	520
Arts, entertainment and recreation	45,827	36,710	—
Management of companies and enterprises	44,537	26,221	—
Accommodation and food services	30,339	26,288	26
Other	88,937	43,143	428
Total	\$ 3,003,498	\$ 1,688,815	\$ 23,058
Commercial real estate owner-occupied			
Real estate rental and leasing	\$ 236,083	\$ 221,943	\$ —
Other services (except public administration)	195,278	191,731	3,865
Retail trade	183,710	179,210	—
Health care and social assistance	128,408	125,926	225
Manufacturing	120,042	116,877	60
Accommodation and food services	105,308	104,506	—
Transportation and warehousing	73,864	59,086	—
Construction	70,906	61,799	—
Wholesale trade	69,625	66,698	—
Professional, scientific and technical services	41,154	39,280	95
Arts, entertainment and recreation	36,195	33,759	—
Agriculture, forestry, fishing and hunting	26,798	25,144	644
Educational services	20,980	18,551	—
Management of companies and enterprises	18,639	16,769	—
Finance and insurance	17,926	17,520	2,668
Administrative and support and waste management and remediation services	15,149	13,483	546
Other	32,018	31,926	896
Total	\$ 1,392,083	\$ 1,324,208	\$ 8,999

Additionally, we track our lending exposure of non-owner occupied commercial real estate and construction by collateral property type to determine potential risks associated with collateral types, and if any risk issues could lead to additional credit loss exposure.

The table below provides a summary of our non-owner occupied commercial real estate and construction loan portfolios by collateral property type.

(dollars in thousands)	September 30, 2024		
	Committed	Amount Outstanding	Nonperforming
Commercial real estate non-owner occupied			
Retail	\$ 505,372	\$ 491,584	\$ 3,866
Office	357,751	346,093	23
Warehouse and industrial	328,025	310,647	—
Hotel	310,401	310,169	2,678
Assisted living and special care facilities	141,652	141,233	—
Self-storage	135,755	134,081	—
Land-mobile home park	112,683	108,770	—
Healthcare facility	83,663	83,308	—
Restaurants, bars and event venues	39,809	37,944	—
Recreation, sports and entertainment	30,357	30,357	—
Other	54,528	53,850	—
Total	\$ 2,099,996	\$ 2,048,036	\$ 6,567
Construction			
Consumer:			
Construction	\$ 168,485	\$ 120,225	\$ 2,751
Land	40,463	36,616	—
Commercial:			
Land	279,959	235,560	1,654
Multi-family	217,827	139,848	—
Office	26,893	15,972	6,151
Recreation, sports and entertainment	18,252	5,836	—
Convenience store and gas station	17,192	12,681	—
Retail	14,389	13,267	—
Self-storage	11,149	5,544	—
Car wash	3,975	3,975	—
Other	24,466	8,868	—
Residential Development:			
Construction	624,298	371,975	990
Land	109,182	76,006	—
Lots	33,353	33,353	—
Total	\$ 1,589,883	\$ 1,079,726	\$ 11,546

Loan maturity and sensitivities

The following table presents the contractual maturities of our loan portfolio as of September 30, 2024. 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.

Loan type (dollars in thousands)						September 30, 2024	
	Maturing in one year or less		Maturing in one to five years		Maturing in five to fifteen years	Maturing after fifteen years	Total
Commercial and industrial	\$ 737,069	\$ 822,003	\$ 128,991	\$ 752	\$ 1,688,815		
Construction	612,612	404,083	60,638	2,393		1,079,726	
Residential real estate:							
1-to-4 family mortgage	84,252	463,065	214,711	850,003		1,612,031	
Residential line of credit	60,311	99,751	430,859	128		591,049	
Multi-family mortgage	79,684	430,987	114,795	28,722		654,188	
Commercial real estate:							
Owner-occupied	144,441	788,045	374,420	17,302		1,324,208	
Non-owner occupied	182,661	1,191,033	661,681	12,661		2,048,036	
Consumer and other	29,904	69,168	82,092	298,912		480,076	
Total (\$)	\$ 1,930,934	\$ 4,268,135	\$ 2,068,187	\$ 1,210,873		\$ 9,478,129	
Total (%)	20.4 %	45.0 %	21.8 %	12.8 %		100.0 %	

For loans due after one year or more, the following table presents the interest rate composition for loans outstanding as of September 30, 2024.

Loan type (dollars in thousands)						September 30, 2024
			Fixed interest rate		Floating interest rate	Total
Commercial and industrial	\$ 414,481	\$ 537,265	\$ 951,746			
Construction	122,953	344,161	467,114			
Residential real estate:						
1-to-4 family mortgage	1,152,011	375,768	1,527,779			
Residential line of credit	4,161	526,577	530,738			
Multi-family mortgage	342,022	232,482	574,504			
Commercial real estate:						
Owner-occupied	832,662	347,105	1,179,767			
Non-owner occupied	966,952	898,423	1,865,375			
Consumer and other	424,680	25,492	450,172			
Total (\$)	\$ 4,259,922	\$ 3,287,273	\$ 7,547,195			
Total (%)	56.4 %	43.6 %	100.0 %			

The following table presents the contractual maturities of our loan portfolio segregated into fixed and floating interest rate loans as of September 30, 2024.

Contractual maturity (dollars in thousands)						September 30, 2024
	Fixed interest rate		Floating interest rate		Total	
One year or less	\$ 550,570	\$ 1,380,364	\$ 1,930,934			
One to five years	2,413,685	1,854,450	4,268,135			
Five to fifteen years	989,251	1,078,936	2,068,187			
Over fifteen years	856,986	353,887	1,210,873			
Total (\$)	\$ 4,810,492	\$ 4,667,637	\$ 9,478,129			
Total (%)	50.8 %	49.2 %	100.0 %			

Of the loans shown above with floating interest rates as of September 30, 2024, 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)		Weighted average Maturing in one to five years (bps)		Weighted average level of support (bps)		Weighted average level of support (bps)		Weighted average level of support (bps)
		Maturing in support	Maturing in years	Maturing in support	Maturing in years	Maturing after fifteen years	Total	Maturing after fifteen years	Total	
Loans with current rates above floors:										
1-25 bps	\$ 1,120	25	\$ 9,395	20	\$ —	—	\$ 1,950	25	\$ 12,465	22
26-50 bps	14,490	50	18,335	36	12,642	47	—	—	45,467	43
51-75 bps	2,555	75	18,515	66	2,774	68	3,525	63	27,369	67
76-100 bps	14,260	100	35,706	90	6,784	100	1,749	83	58,499	94
101-200 bps	75,588	179	174,774	162	57,647	161	9,395	164	317,404	166
201-300 bps	114,805	259	226,774	252	138,872	248	25,903	244	506,354	252
301-400 bps	368,409	376	268,431	363	184,998	360	33,831	367	855,669	368
401-500 bps	431,013	459	478,397	462	433,448	456	65,845	454	1,408,703	459
501-600 bps	9,737	525	7,492	539	26,080	553	178,363	517	221,672	522
601 bps and above	452	687	21,512	697	8,792	690	2,178	792	32,934	370
Total loans with current rates above floors	\$ 1,032,429	375	\$ 1,259,331	340	\$ 872,037	378	\$ 322,739	447	\$ 3,486,536	370
Loans at interest rate floors providing support:										
1-25 bps	\$ —	—	\$ 16	10	\$ 531	15	\$ —	—	\$ 547	15
26-50 bps	900	50	—	—	393	50	132	50	1,425	50
51-75 bps	399	75	38	65	—	—	—	—	437	74
76-100 bps	—	—	1,888	100	—	—	—	—	1,888	100
101-200 bps	—	—	698	136	—	—	—	—	698	136
Total loans at interest rate floors providing support	\$ 1,299	58	\$ 2,640	108	\$ 924	30	\$ 132	50	\$ 4,995	79

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 interest rate reduction, a term extension, principal forgiveness, payment deferral, or a combination thereof, 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. 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 repossessed non-earning assets. As of September 30, 2024 and December 31, 2023, we had \$127.3 million and \$86.5 million, respectively, in nonperforming 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. Accrued interest receivable written off as an adjustment to interest income amounted to \$0.1 million and \$0.3 million for the three months ended September 30, 2024 and 2023, respectively. Accrued interest receivable written off as an adjustment to interest income amounted to \$0.5 million and \$0.7 million for the nine months ended September 30, 2024 and 2023, respectively. Additionally, we had net interest recoveries on nonperforming assets previously charged off of \$0.1 million and \$0.6 million for the three months ended September 30, 2024 and 2023, respectively, and \$1.1 million and \$1.0 million for the nine months ended September 30, 2024 and 2023, respectively.

Nonperforming loans HFI increased by \$29.9 million to \$90.8 million as of September 30, 2024 compared to \$60.9 million as of December 31, 2023. The increase in nonperforming loans primarily occurred in our 1-4 family mortgage residential real estate and construction portfolios.

As of September 30, 2024 and December 31, 2023, we had \$30.5 million and \$21.2 million, respectively, of delinquent GNMA optional repurchase loans previously sold included on our consolidated balance sheets in loans held for sale. These are considered nonperforming assets as we do not earn any interest on the unexercised option to repurchase these loans.

As of both September 30, 2024 and December 31, 2023, other real estate owned included \$0.1 million of excess land and facilities held for sale resulting from our prior acquisitions. Other repossessed assets also included other repossessed non-real estate amounting to \$2.2 million and \$1.1 million as of September 30, 2024 and December 31, 2023, respectively.

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)	September 30,		December 31,
	2024	2023	2023
Loan Type:			
Commercial and industrial	\$ 23,058	\$ 12,108	\$ 21,730
Construction	11,546	2,454	3,037
Residential real estate:			
1-to-4 family mortgage	23,848	18,020	16,073
Residential line of credit	1,558	2,490	2,473
Multi-family mortgage	25	35	32
Commercial real estate:			
Owner-occupied	8,999	3,521	3,188
Non-owner occupied	6,567	5,402	3,351
Consumer and other	15,234	10,497	11,039
Total nonperforming loans HFI	\$ 90,835	\$ 54,527	\$ 60,923
Commercial loans held for sale	—	9,260	—
Mortgage loans held for sale ⁽¹⁾	30,537	22,074	21,229
Other real estate owned	3,779	1,504	3,192
Other repossessed assets	2,182	1,300	1,139
Total nonperforming assets	\$ 127,333	\$ 88,665	\$ 86,483
Nonperforming loans HFI as a percentage of total loans HFI	0.96 %	0.59 %	0.65 %
Nonperforming assets as a percentage of total assets	0.99 %	0.71 %	0.69 %
Nonaccrual loans HFI as a percentage of loans HFI	0.68 %	0.46 %	0.51 %

⁽¹⁾ Represents optional right to repurchase government guaranteed GNMA mortgage loans previously sold that have become past due greater than 90 days.

We have evaluated our loans HFI classified as nonperforming and believe all nonperforming loans have been adequately reserved for in the allowance for credit losses on loans HFI as of September 30, 2024 and December 31, 2023. Management also continually monitors past due loans for potential credit quality deterioration. Loans not considered nonperforming include loans 30-89 days past due that continue to accrue interest amounting to \$40.5 million at September 30, 2024 as compared to \$47.0 million at December 31, 2023. The decrease from December 31, 2023 to September 30, 2024 primarily occurred within our construction and commercial real estate non-owner occupied portfolios.

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. 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 uncollectible accrued interest receivable.

We calculate our expected credit loss using a lifetime loss rate methodology. We utilize probability-weighted forecasts, which consider multiple macroeconomic variables from Moody's that are applicable to each type of loan. See Note 1, "Basis of presentation," in the notes to our consolidated financial statements in our Annual Report that was filed with the SEC on February 27, 2024 for additional information regarding our methodology.

The following table presents the allocation of the allowance for credit losses on loans HFI 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)	September 30,		December 31,	
	2024		2023	
	Amount	ACL as a % of loans HFI category	Amount	ACL as a % of loans HFI category
Loan Type:				
Commercial and industrial	\$ 24,133	1.43 %	\$ 19,599	1.14 %
Construction	30,558	2.83 %	35,372	2.53 %
Residential real estate:				
1-to-4 family mortgage	25,979	1.61 %	26,505	1.69 %
Residential line of credit	10,724	1.81 %	9,468	1.78 %
Multi-family mortgage	9,644	1.47 %	8,842	1.46 %
Commercial real estate:				
Owner-occupied	11,567	0.87 %	10,653	0.86 %
Non-owner occupied	24,641	1.20 %	22,965	1.18 %
Consumer and other	19,014	3.96 %	16,922	4.11 %
Total allowance for credit losses on loans HFI	\$ 156,260	1.65 %	\$ 150,326	1.60 %

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

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,	
	2024	2023	2024	2023	2023	
Allowance for credit losses on loans HFI at beginning of period	\$ 155,055	\$ 140,664	\$ 150,326	\$ 134,192	\$ 134,192	
Charge-offs:						
Commercial and industrial	(90)	(154)	(159)	(211)	(462)	
Construction	—	—	(92)	—	—	
Residential real estate:						
1-to-4 family mortgage	(2)	(4)	(295)	(36)	(46)	
Residential line of credit	(53)	—	(73)	—	—	
Commercial real estate:						
Owner-occupied	—	—	—	(144)	(144)	
Consumer and other	(770)	(638)	(2,136)	(2,064)	(2,851)	
Total charge-offs	\$ (915)	\$ (796)	\$ (2,755)	\$ (2,455)	\$ (3,503)	
Recoveries:						
Commercial and industrial	\$ 23	\$ 112	\$ 57	\$ 192	\$ 273	
Construction	—	—	—	10	10	
Residential real estate:						
1-to-4 family mortgage	9	16	75	56	100	
Residential line of credit	18	1	18	1	1	
Commercial real estate:						
Owner-occupied	12	13	240	95	109	
Non-owner occupied	—	—	—	—	1,833	
Consumer and other	202	93	651	440	573	
Total recoveries	\$ 264	\$ 235	\$ 1,041	\$ 794	\$ 2,899	
Net charge-offs	(651)	(561)	(1,714)	(1,661)	(604)	
Provision for credit losses on loans HFI	1,856	6,031	7,648	13,603	16,738	
Allowance for credit losses on loans HFI at the end of period	\$ 156,260	\$ 146,134	\$ 156,260	\$ 146,134	\$ 150,326	
Ratio of annualized net charge-offs during the period to average loans outstanding during the period	(0.03)%	(0.02)%	(0.02)%	(0.02)%	(0.01)%	
Allowance for credit losses on loans HFI as a percentage of loans	1.65 %	1.57 %	1.65 %	1.57 %	1.60 %	
Allowance for credit losses on loans HFI as a percentage of nonaccrual loans HFI	241.9 %	340.8 %	241.9 %	340.8 %	311.7 %	
Allowance for credit losses on loans HFI as a percentage of nonperforming loans	172.0 %	268.0 %	172.0 %	268.0 %	246.7 %	

The following tables details our provision for (reversal of) credit losses on loans HFI and net (charge-offs) recoveries to average loans HFI outstanding by loan category during the periods indicated:

(dollars in thousands)	Provision for (reversal of) credit losses on loans HFI	Net (charge-offs) recoveries	Average loans HFI	Ratio of annualized net (charge-offs) recoveries to average loans HFI
Three months ended September 30, 2024				
Commercial and industrial	\$ 1,670	\$ (67)	\$ 1,640,508	(0.02) %
Construction	(3,612)	—	1,143,612	— %
Residential real estate:				
1-to-4 family mortgage	341	7	1,594,875	— %
Residential line of credit	662	(35)	573,962	(0.02) %
Multi-family mortgage	834	—	617,951	— %
Commercial real estate:				
Owner-occupied	243	12	1,287,095	— %
Non-owner occupied	98	—	2,045,146	— %
Consumer and other	1,620	(568)	459,788	(0.49) %
Total	\$ 1,856	\$ (651)	\$ 9,362,937	(0.03) %
Three months ended September 30, 2023				
Commercial and industrial	\$ 6,293	\$ (42)	\$ 1,670,570	(0.01) %
Construction	(2,025)	—	1,576,975	— %
Residential real estate:				
1-to-4 family mortgage	(1,724)	12	1,549,929	— %
Residential line of credit	(23)	1	508,509	— %
Multi-family mortgage	20	—	513,579	— %
Commercial real estate:				
Owner-occupied	2,046	13	1,180,755	— %
Non-owner occupied	(130)	—	1,891,470	— %
Consumer and other	1,574	(545)	388,743	(0.56) %
Total	\$ 6,031	\$ (561)	\$ 9,280,530	(0.02) %
Nine Months Ended September 30, 2024				
Commercial and industrial	\$ 4,636	\$ (102)	\$ 1,646,771	(0.01) %
Construction	(4,722)	(92)	1,231,310	(0.01) %
Residential real estate:				
1-to-4 family mortgage	(306)	(220)	1,581,697	(0.02) %
Residential line of credit	1,311	(55)	554,235	(0.01) %
Multi-family mortgage	802	—	621,897	— %
Commercial real estate:				
Owner-occupied	674	240	1,257,455	0.03 %
Non-owner occupied	1,676	—	2,007,605	— %
Consumer and other	3,577	(1,485)	436,972	(0.45) %
Total	\$ 7,648	\$ (1,714)	\$ 9,337,942	(0.02) %
Nine Months Ended September 30, 2023				
Commercial and industrial	\$ 6,475	\$ (19)	\$ 1,674,103	— %
Construction	(1,923)	10	1,650,585	— %
Residential real estate:				
1-to-4 family mortgage	(466)	20	1,559,052	— %
Residential line of credit	1,668	1	503,558	— %
Multi-family mortgage	358	—	499,082	— %
Commercial real estate:				
Owner-occupied	2,792	(49)	1,153,056	(0.01) %
Non-owner occupied	831	—	1,922,824	— %
Consumer and other	3,868	(1,624)	375,672	(0.58) %
Total	\$ 13,603	\$ (1,661)	\$ 9,337,932	(0.02) %

(dollars in thousands)	Provision for (reversal of) credit losses on loans	HFI	Net (charge-offs) recoveries	Average loans HFI	Ratio of annualized net (charge-offs) recoveries to average loans HFI
Year Ended December 31, 2023					
Commercial and industrial	\$ 8,682	\$ (189)	\$ 1,678,832	(0.01) %	
Construction	(4,446)	10	1,594,317	— %	
Residential real estate:					
1-to-4 family mortgage	310	54	1,558,477	— %	
Residential line of credit	1,973	1	507,884	— %	
Multi-family mortgage	2,352	—	519,554	— %	
Commercial real estate:					
Owner occupied	2,905	(35)	1,169,680	— %	
Non-owner occupied	(784)	1,833	1,925,759	0.10 %	
Consumer and other	5,746	(2,278)	381,474	(0.60) %	
Total	\$ 16,738	\$ (604)	\$ 9,335,977	(0.01) %	

The ACL on loans HFI was \$156.3 million and \$150.3 million and represented 1.65% and 1.60% of loans HFI as of September 30, 2024 and December 31, 2023, respectively. For further information related to the change in the ACL refer to "Provision for credit losses" section herein and Note 3, "Loans and allowance for credit losses on loans HFI" in the notes to our consolidated financial statements.

For the three months ended September 30, 2024, we experienced net charge-offs of \$0.7 million, or 0.03% of average loans HFI, compared to net charge-offs of \$0.6 million, or 0.02% for the three months ended September 30, 2023. For both the nine months ended September 30, 2024 and 2023, we experienced net charge-offs of \$1.7 million, or 0.02% of average loans HFI. Our ratio of total nonperforming loans HFI as a percentage of total loans HFI increased by 31 basis points to 0.96% as of September 30, 2024 compared to December 31, 2023.

Management has made an effort to reduce exposure to construction lending during three and nine months ended September 30, 2024. The reduction in construction balances and related allowance offset some of the additional allowance needed related to growth in other loan segments.

We also maintain an allowance for credit losses on unfunded commitments, which decreased to \$6.0 million as of September 30, 2024 from \$8.8 million as of December 31, 2023 due to a 6.26% or \$181.3 million decrease in unfunded loan commitments during the period. Notably, there was a \$215.7 million decrease in unfunded loan commitments in our construction segment, which resulted in a \$2.7 million decrease in required ACL related to unfunded construction commitments. Our unfunded commitments in our construction loan category decreased as a result of management's concentrated effort to reduce commitments in specific categories judged to be inherently higher risk considering the current and projected economic conditions. The decrease in ACL related to unfunded construction commitment was primarily offset by increases in our ACL related to unfunded commercial and industrial and residential line of credit commitments.

Loans held for sale

Mortgage loans held for sale consisted of \$72.6 million of residential real estate mortgage loans in the process of being sold to third-party private investors or government sponsored agencies and \$30.5 million of GNMA optional repurchase loans. This compares to \$46.6 million of residential real estate mortgage loans in the process of being sold to third-party private investors or government sponsored agencies and \$21.2 million of GNMA optional repurchase loans as of December 31, 2023.

Deposits

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

Total deposits were \$10.98 billion and \$10.55 billion as of September 30, 2024 and December 31, 2023, respectively. Noninterest-bearing deposits at September 30, 2024 and December 31, 2023 were \$2.23 billion and \$2.22 billion, respectively, while interest-bearing deposits were \$8.75 billion and \$8.33 billion at September 30, 2024 and December 31, 2023, respectively.

Our noninterest-bearing deposits include mortgage escrow deposits which increased to \$126.9 million as of September 30, 2024 from \$63.6 million as of December 31, 2023. This increase was slightly offset by a migration to interest-yielding products such as interest-bearing checking deposits, which increased by \$249.8 million from December 31, 2023.

In addition to customers seeking higher rates on noninterest-bearing deposit balances, customers also migrated from money market account balances to interest-bearing checking accounts. Money market and savings deposits decreased by \$106.4 million from December 31, 2023.

Our deposits from municipal and governmental entities, also known as public funds, decreased by \$184.6 million during the period within the interest-bearing checking category. The decrease in public funds was due to management's decision to not renew certain maturing public deposits due to rising costs of these deposits.

Additionally, customer time deposits decreased by \$91.7 million from December 31, 2023 which was largely driven by three large depositor relationship customers shifting deposits away from the bank for higher yields; however, each of the customers still maintain a relationship with us.

Brokered and internet time deposits increased by \$368.4 million to \$519.2 million as of September 30, 2024 compared to December 31, 2023. The increase was driven by an issuance of brokered deposits of \$369.1 million at an average coupon of 4.15% as we took advantage of favorable relative terms available during the quarter.

Our deposit base may include certain deposits from related parties as disclosed within Note 14, "Related party transactions" in the notes to our consolidated financial statements included in this Report.

As a result of the changing interest rate environment and the shift in our deposit composition, we have experienced an increase in our cost of interest-bearing deposits and a decrease in our total deposits. 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)	September 30,			December 31,		
	2024			2023		
	Amount	% of total deposits	Average rate ⁽¹⁾	Amount	% of total deposits	Average rate ⁽¹⁾
Deposit Type						
Noninterest-bearing demand	\$ 2,226,144	20 %	— %	\$ 2,218,382	21 %	— %
Interest-bearing demand	2,754,253	25 %	3.09 %	2,504,421	24 %	2.86 %
Money market	3,744,610	34 %	3.93 %	3,819,814	36 %	3.53 %
Savings deposits	353,886	3 %	0.07 %	385,037	4 %	0.06 %
Customer time deposits	1,378,118	13 %	3.96 %	1,469,811	14 %	3.15 %
Brokered and internet time deposits	519,200	5 %	5.11 %	150,822	1 %	5.27 %
Total deposits	\$ 10,976,211	100 %	2.79 %	\$ 10,548,287	100 %	2.39 %
Customer Time Deposits⁽²⁾						
0.00-1.00%	\$ 32,899	3 %		\$ 62,464	4 %	
1.01-2.00%	70,979	5 %		114,521	8 %	
2.01-3.00%	40,861	3 %		51,346	4 %	
3.01-4.00%	127,294	9 %		268,550	18 %	
4.01-5.00%	1,021,880	74 %		812,781	55 %	
Above 5.00%	84,205	6 %		160,149	11 %	
Total customer time deposits	\$ 1,378,118	100 %		\$ 1,469,811	100 %	
Brokered and Internet Time Deposits⁽²⁾						
0.00-1.00%	\$ —	— %		\$ 99	— %	
1.01-2.00%	—	— %		—	— %	
2.01-3.00%	—	— %		248	— %	
3.01-4.00%	169,088	33 %		—	— %	
4.01-5.00%	200,000	38 %		—	— %	
Above 5.00%	150,112	29 %		150,475	100 %	
Total brokered and internet time deposits	\$ 519,200	100 %		\$ 150,822	100 %	
Total time deposits	\$ 1,897,318			\$ 1,620,633		

(1) Average rates are presented for the nine months ended September 30, 2024 and the year ended December 31, 2023, respectively.

(2) Rates are presented as of period-end.

Further details related to our deposit customer base is presented below as of the dates indicated:

(dollars in thousands)	September 30,			December 31,		
	2024			2023		
	Amount	% of total deposits	Average rate ⁽¹⁾	Amount	% of total deposits	Average rate ⁽¹⁾
Deposits by customer segment⁽¹⁾						
Consumer	\$ 4,676,492	43 %	\$ 4,880,890	46 %		
Commercial	4,886,660	45 %		4,069,724	39 %	
Public	1,413,059	12 %		1,597,673	15 %	
Total deposits	\$ 10,976,211	100 %		\$ 10,548,287	100 %	

(1) Segments are determined based on the customer account level.

The tables below set forth maturity information on time deposits and amounts in excess of the FDIC insurance limit as of September 30, 2024:

(dollars in thousands)	Amount	Weighted average interest rate at period end
Time deposits of \$250 and less		
Months to maturity:		
Three or less	\$ 335,506	4.19 %
Over Three to Six	351,813	4.25 %
Over Six to Twelve	438,118	4.14 %
Over Twelve	319,260	3.75 %
Total	\$ 1,444,697	4.09 %
Time deposits of greater than \$250		
Months to maturity:		
Three or less	\$ 126,953	4.51 %
Over Three to Six	125,210	4.46 %
Over Six to Twelve	174,473	4.30 %
Over Twelve	25,985	3.58 %
Total	\$ 452,621	4.36 %

Uninsured deposits are defined as the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit and amounts in any other uninsured investment or deposit account that are classified as deposits and are not subject to any federal or state deposit insurance regimes. Collateralized deposits are included within our total uninsured deposits.

Further details related to our estimated insured or collateralized deposits and uninsured and uncollateralized deposits is presented below as of the dates indicated:

	September 30,	December 31,
	2024	2023
Estimated insured or collateralized deposits ⁽¹⁾	\$ 7,654,786	\$ 7,414,224
Estimated uninsured and uncollateralized deposits ⁽¹⁾	\$ 3,321,425	\$ 3,134,063
Estimated uninsured and uncollateralized deposits as a % of total deposits ⁽¹⁾	30.3 %	29.7 %
Estimated uninsured deposits ⁽²⁾	\$ 4,792,505	\$ 4,899,349

(1) Amounts are shown on a fully consolidated basis and exclude deposits of affiliates that are eliminated in consolidation.

(2) Amounts are shown on an unconsolidated basis consistent with regulatory reporting requirements.

Other earning assets

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

We enter into agreements with certain customers to purchase investment securities under agreements to resell at specific dates in the future. This investment deploys some of our liquidity position into an instrument that improves the return on those funds. Securities purchased under agreements to resell totaled \$60.2 million and \$47.8 million at September 30, 2024 and December 31, 2023, respectively.

Federal Funds Sold

Federal funds may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity. Federal funds sold totaled \$37.1 million and \$35.5 million at September 30, 2024 and December 31, 2023, respectively.

AFS debt securities 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 certain deposit types, various lines of credit and other borrowings. The investment objectives guide the portfolio allocation among security types, maturities, and other attributes.

The fair value of our AFS debt securities portfolio was \$1.57 billion and \$1.47 billion as of September 30, 2024 and December 31, 2023, respectively. Included in the fair value of AFS debt securities were net unrealized losses of \$105.2 million and \$186.8 million as of September 30, 2024 and December 31, 2023, respectively. Current net unrealized losses are due to interest rate increases.

During the three months ended September 30, 2024, we sold \$318.5 million of AFS debt securities with a weighted average yield of 2.25% and reinvested the proceeds of the sales into AFS securities with a weighted average yield of 5.25%. The sales resulted in a loss on securities of \$40.2 million. We primarily sold low yielding mortgage-backed securities and municipal securities. Including the reinvestment of these proceeds into higher yielding U.S. government agency and mortgage-backed securities, we purchased \$457.4 million of AFS debt securities during the three months ended September 30, 2024. Maturities, prepayments and calls of AFS debt securities totaled \$89.9 million for the three months ended September 30, 2024.

During the nine months ended September 30, 2024, we sold \$526.4 million of AFS debt securities, resulting in a loss on securities of \$56.4 million. We primarily sold fixed rate, deeply discounted mortgage bonds and low yielding municipal bonds and reinvested the proceeds into U.S. government agency AFS debt securities and a blend of fixed and floating rate securities to achieve the best accretion profile for the Bank. Including the reinvestment of these proceeds, we purchased \$824.0 million of AFS debt securities during the nine months ended September 30, 2024. Maturities, prepayments and calls of AFS debt securities totaled \$224.1 million for the nine months ended September 30, 2024.

During the three and nine months ended September 30, 2023, we sold \$76.6 million of AFS debt securities, contributing to a net loss on securities of \$14.2 million. During the three and nine months ended September 30, 2023, we purchased \$92.9 million and \$93.8 million of AFS debt securities, respectively. During the three and nine months ended September 30, 2023, maturities, prepayments and calls of AFS debt securities totaled \$33.0 million and \$91.4 million, respectively.

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

(dollars in thousands)	September 30,			December 31,		
	2024			2023		
	Fair value	% of total investment securities	Weighted average yield ⁽¹⁾	Fair value	% of total investment securities	Weighted average yield ⁽¹⁾
U.S. Treasury securities:						
Maturing within one year	\$ —	— %	— %	\$ 61,466	4.2 %	2.50 %
Maturing in one to five years	—	— %	— %	47,030	3.2 %	1.59 %
Maturing in five to ten years	—	— %	— %	—	— %	— %
Maturing after ten years	—	— %	— %	—	— %	— %
Total U.S. Treasury securities	—	— %	— %	108,496	7.4 %	2.10 %
U.S. government agency securities:						
Maturing within one year	—	— %	— %	—	— %	— %
Maturing in one to five years	—	— %	— %	13,094	0.9 %	1.96 %
Maturing in five to ten years	213,073	13.6 %	5.76 %	6,000	0.4 %	6.40 %
Maturing after ten years	303,760	19.4 %	5.95 %	184,862	12.6 %	6.23 %
Total U.S. government agency securities	516,833	33.0 %	5.87 %	203,956	13.9 %	5.96 %
Municipal securities:						
Maturing within one year	1,892	0.1 %	3.14 %	2,813	0.2 %	2.23 %
Maturing in one to five years	3,161	0.2 %	3.29 %	11,677	0.8 %	5.85 %
Maturing in five to ten years	15,403	1.0 %	3.22 %	40,304	2.7 %	3.60 %
Maturing after ten years	133,773	8.5 %	2.91 %	187,469	12.7 %	2.94 %
Total municipal securities	154,229	9.8 %	2.95 %	242,263	16.4 %	3.00 %
Mortgage-backed securities - residential and commercial:						
Maturing within one year	2,226	0.1 %	3.35 %	126	— %	1.57 %
Maturing in one to five years	356	— %	2.16 %	3,239	0.2 %	2.91 %
Maturing in five to ten years	14,878	0.9 %	2.77 %	33,121	2.3 %	2.97 %
Maturing after ten years	878,418	56.1 %	3.31 %	877,446	59.6 %	1.86 %
Total mortgage-backed securities - residential and commercial	895,878	57.1 %	3.31 %	913,932	62.1 %	1.90 %
Corporate securities:						
Maturing within one year	—	— %	— %	—	— %	— %
Maturing in one to five years	982	0.1 %	2.78 %	—	— %	— %
Maturing in five to ten years	—	— %	— %	3,326	0.2 %	4.33 %
Maturing after ten years	—	— %	— %	—	— %	— %
Total corporate securities	982	0.1 %	2.78 %	3,326	0.2 %	4.33 %
Total AFS debt securities	\$ 1,567,922	100.0 %	4.12 %	\$ 1,471,973	100.0 %	2.66 %

(1) Yields on a tax-equivalent basis.

Borrowed funds

Deposits are the primary source of funds for our lending activities and general business purposes. However, we may also obtain advances from the FHLB, borrow from the Federal Reserve's Discount Window, one-off borrowing programs from the Federal Reserve, purchase federal funds and engage in overnight borrowing with 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 sources of funds to satisfy those needs, in addition to the overall interest rate environment and cost of public funds.

Securities sold under agreements to repurchase and federal funds purchased

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 products

as a short-term return for their excess funds. Securities sold under agreements to repurchase totaled \$19.7 million and \$19.3 million at September 30, 2024 and December 31, 2023, respectively.

We also maintain lines with certain correspondent banks that provide borrowing capacity in the form of federal funds purchased. Federal funds purchased are short-term borrowings that typically mature within one to ninety days. Borrowings against these lines (i.e., federal funds purchased) totaled \$89.4 million as of December 31, 2023. There were no such borrowings as of September 30, 2024.

FHLB short-term advances

As a member of the FHLB system, we may utilize advances from the FHLB in order to provide additional liquidity and funding. Under these short-term agreements, we maintain a line of credit that as of September 30, 2024 and December 31, 2023 had total borrowing capacity of \$1.36 billion and \$1.76 billion, respectively. As of September 30, 2024 and December 31, 2023, we had qualifying loans pledged as collateral securing these lines amounting to \$2.53 billion and \$3.01 billion, respectively. There were no FHLB advances outstanding as of September 30, 2024 or December 31, 2023.

Bank Term Funding Program

In March 2023, the Federal Reserve established the Bank Term Funding Program to make available funding to eligible depository institutions in order to help assure they have the ability to meet the needs of their depositors following the March 2023 high-profile bank failures. The program allows for advances for up to one year secured by eligible high-quality securities at par value extended at the one-year overnight index swap rate, plus 10 basis points, as of the day the advance is made. The interest rate is fixed for the term of the advance and there are no prepayment penalties. The BTFP ceased extending new borrowings on March 11, 2024. As of December 31, 2023, we had outstanding borrowings of \$130.0 million under the BTFP at a borrowing rate of 4.85% with a maturity date of December 26, 2024. During the three months ended September 30, 2024, we repaid the \$130.0 million borrowings in full.

Subordinated debt

During the year ended December 31, 2003, we formed two separate trusts which issued \$9.0 million and \$21.0 million of floating rate trust preferred securities as part of a pooled offering of such securities. We issued junior subordinated debentures of \$9.3 million, which included proceeds of common securities which we purchased for \$0.3 million, and junior subordinated debentures of \$21.7 million which included proceeds of common securities of \$0.7 million. 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 us. Both issuances were to the trusts in exchange for the proceeds of the securities offerings, which represent the sole asset of the trusts.

Additionally, during the year ended December 31, 2020, we placed \$100.0 million of ten year fixed-to-floating rate subordinated notes, maturing September 1, 2030.

Further information related to our subordinated debt as of September 30, 2024 is detailed below:

(dollars in thousands)	Year established	Maturity	Call date	Total debt outstanding	Interest rate	Coupon structure
Subordinated debt issued by trust preferred securities:						
FBK Trust I ⁽¹⁾	2003	06/09/2033	6/09/2008	\$ 9,280	8.12%	3-month SOFR plus 3.51%
FBK Trust II ⁽¹⁾	2003	06/26/2033	6/26/2008	21,650	8.07%	3-month SOFR plus 3.41%
Additional subordinated debt:						
FBK subordinated debt I ⁽²⁾	2020	09/01/2030	9/1/2025	100,000	4.50%	Semi-annual fixed ⁽³⁾
Unamortized debt issuance costs				(322)		
Total subordinated debt, net				\$ 130,608		

(1)The Company classifies \$30.0 million of the Trusts' subordinated debt as Tier 1 capital.

(2)The Company classifies the issuance, net of unamortized issuance costs as Tier 2 capital, which will be phased out 20% per year in the final five years before maturity.

(3)Beginning on September 1, 2025 the coupon structure migrates to the 3-month SOFR plus a spread of 439 basis points through the end of the term of the debenture.

Other borrowings

Other borrowings on our consolidated balance sheets includes our finance lease liability totaling \$1.3 million as of both September 30, 2024 and December 31, 2023. In addition, other borrowings on our consolidated balance sheets include

guaranteed rebooked GNMA loans previously sold that have become past due over 90 days and are eligible for repurchase totaling \$30.5 million and \$21.2 million as of September 30, 2024 and December 31, 2023, respectively. See Note 5, "Leases" and Note 10, "Fair value of financial instruments" within the notes to our consolidated financial statements herein for additional information regarding our finance lease and guaranteed GNMA loans eligible for repurchase, respectively.

Liquidity and capital resources

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 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 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 optimize our net interest margin. 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.

As part of our liquidity management strategy, we 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. 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. Increasing interest rates generally attracts customers to higher cost interest-bearing deposit products as they seek to maximize their yield.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. AFS debt securities within our investment portfolio are used to secure government, public, trust and other deposits and as collateral for short-term borrowings, letters of credit and derivative instruments. As of September 30, 2024 and December 31, 2023, we had pledged securities related to these items with carrying values of \$1.06 billion and \$0.93 billion, respectively.

Additional sources of liquidity include federal funds purchased, 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. Overnight 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 FHLB advances outstanding as of September 30, 2024 or December 31, 2023. As of September 30, 2024, we had the ability to borrow \$1.36 billion through these channels with remaining capacity of \$1.36 billion. As of December 31, 2023, there was \$1.76 billion available to borrow against with a remaining capacity of \$1.30 billion.

We also maintained unsecured lines of credit with other commercial banks totaling \$370.0 million as of both September 30, 2024 and December 31, 2023. These are unsecured, uncommitted lines of credit typically maturing at various times within the next twelve months. Borrowings against these lines (i.e., federal funds purchased) totaled \$89.4 million as of December 31, 2023. There were no such borrowings against these lines as of September 30, 2024. As of both September 30, 2024 and December 31, 2023, we also had \$50.0 million available through the IntraFi network, which allows us to offer banking customers access to FDIC insurance protection on deposits through our Bank which exceed FDIC insurance limits.

Our current on-balance sheet liquidity and available sources of liquidity are summarized in the table below:

	September 30,	December 31,
(dollars in thousands)	2024	2023
Current on-balance sheet liquidity:		
Cash and cash equivalents	\$ 951,750	\$ 810,932
Unpledged AFS debt securities	510,538	542,427
Total on-balance sheet liquidity	<u>\$ 1,462,288</u>	<u>\$ 1,353,359</u>
Available sources of liquidity:		
Unsecured borrowing capacity ⁽¹⁾	\$ 3,199,575	\$ 3,350,026
FHLB remaining borrowing capacity	1,355,884	1,297,702
Federal Reserve discount window	2,133,951	2,431,084
Total available sources of liquidity	<u>\$ 6,689,410</u>	<u>\$ 7,078,812</u>
On-balance sheet liquidity as a percentage of total assets	11.3 %	10.7 %
On-balance sheet liquidity and available sources of liquidity as a percentage of estimated uninsured and uncollateralized deposits ⁽²⁾	245.4 %	269.0 %

(1) Includes capacity available per internal policy in the form of brokered deposits and unsecured lines of credit.

(2) Amounts are shown on a fully consolidated basis and exclude deposits of affiliates that are eliminated in consolidation.

The Company also maintains the ability to access capital markets to meet its liquidity needs. The Company may utilize various methods to raise capital, including through the sale of common stock, preferred stock, debt securities, warrants, rights, or other securities. Specific terms and prices would be determined at the time of any such offering. In the past, the Company has utilized capital markets to generate liquidity in the form of common stock and subordinated debt primarily for the purpose of funding acquisitions.

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 by the Bank to the Company. 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 - Dividends," 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 TDFI. Based upon this regulation, as of September 30, 2024 and December 31, 2023, \$191.2 million and \$218.4 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 nine months ended September 30, 2024, there were \$9.0 million and \$37.5 million in cash dividends approved by the board for payment from the Bank to the holding company. Additionally, an asset dividend of an equity security amounting to \$1.7 million was paid from the Bank to the holding company during the nine months ended September 30, 2024. During the three and nine months ended September 30, 2023, there were \$8.5 million and \$40.5 million in cash dividends approved by the board for payment from the Bank to the holding company. None of these required approval from the TDFI. Subsequent to September 30, 2024, the Board approved a dividend from the Bank to the holding company to be paid in the fourth quarter for \$24.0 million that also did not require approval from the TDFI.

During the three and nine months ended September 30, 2024, the Company declared shareholder dividends of \$0.17 per share, or \$8.0 million and \$0.51 per share, or \$24.1 million, respectively. During the three and nine months ended September 30, 2023, the Company declared shareholder dividends of \$0.15 per share, or \$7.1 million and \$0.45 per share, or \$21.3 million, respectively. Subsequent to September 30, 2024, the Company declared a quarterly dividend in the amount of \$0.17 per share, payable on November 19, 2024, to stockholders of record as of November 5, 2024.

Shareholders' equity and capital management

Our total shareholders' equity was \$1.56 billion as of September 30, 2024 and \$1.45 billion as of December 31, 2023. The increase in shareholders' equity was primarily attributable to an increase in retained net income, net of dividends declared and unrealized loss reclassification adjustment for loss on sale of securities included in net income of \$41.7 million (net of tax benefit) from December 31, 2023. The increase in shareholders' equity as of September 30, 2024 was partially off-set by dividends declared of \$24.1 million and stock repurchases of \$12.7 million. Book value per common share was \$33.48 as of September 30, 2024 and \$31.05 as of December 31, 2023.

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. As of September 30, 2024 and December 31, 2023, we met all capital adequacy requirements for which we were subject. See additional discussion regarding our capital adequacy and ratios within Note 12, "Minimum capital requirements" in the notes to our consolidated financial statements contained herein.

September 30, 2024	FB Financial Corporation	FirstBank	To be Well-Capitalized ⁽¹⁾
Total risk-based capital	15.1 %	14.9 %	10.0 %
Tier 1 risk-based capital	13.0 %	12.7 %	8.0 %
Common Equity Tier 1 ratio	12.7 %	12.7 %	6.5 %
Tier 1 leverage	11.5 %	11.2 %	5.0 %

⁽¹⁾ Applicable to Bank level capital.

Capital ratios are well above regulatory requirements for well-capitalized institutions. Management uses risk-based capital ratios in its analysis of the measures to assess the quality of capital and believes that investors may find it useful in their analysis of the Company.

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 ALCO, 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 effect 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⁾		
	September 30,		December 31,
	2024	2023	
+400	8.51	%	8.99 %
+300	6.90	%	6.81 %
+200	5.03	%	4.65 %
+100	2.65	%	2.44 %
-100	(2.75)	%	(2.86) %
-200	(5.74)	%	(6.54) %

Change in interest rates (in basis points)	Percentage change in: Economic value of equity ⁽²⁾		
	September 30,		December 31,
	2024	2023	
+400	(15.5)	%	(16.6) %
+300	(13.2)	%	(13.6) %
+200	(8.37)	%	(8.05) %
+100	(3.96)	%	(3.29) %
-100	3.10	%	1.03 %
-200	5.22	%	(0.63) %

(1) The percentage change represents the projected net interest income for 12 months on a flat balance sheet in a stable interest rate environment versus the projected net interest 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 September 30, 2024 and December 31, 2023 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 customer deposits. Our floating-rate loan portfolio is indexed to market rates and timing of repricing of loans and deposits varies in proportion to market rate fluctuations. We actively monitor and perform stress tests on our deposit betas as part of our overall management of interest rate risk. This requires the use of various assumptions based on historical relationships of these variables in reaching any conclusion. Since these correlations are based on competitive pricing in the market, we anticipate that our future results will likely be different from the scenario results presented above and such differences could be material.

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. For more information about our derivative financial instruments, see Note 9, "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 Securities Exchange Act of 1934, as amended (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 September 30, 2024, 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, 2023.

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

On March 21, 2024, the Company announced that its board of directors re-authorized the Company's stock repurchase program pursuant to which the Company may purchase up to \$100 million in shares of the Company's issued and outstanding common stock. The current repurchase plan will terminate either on the date on which the maximum dollar amount is repurchased under the new repurchase plan or on January 31, 2026, whichever date occurs earlier. The repurchase plan will be conducted pursuant to a written plan and is intended to comply with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended.

The Company did not complete any share repurchases during the three months ended September 30, 2024. The dollar value of shares that may yet be repurchased under the program was \$87.3 million as of September 30, 2024.

ITEM 5 — OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the quarter ended September 30, 2024, none of the Company's directors or executive officers adopted, modified, or terminated any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

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

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Charter, as amended for SEC filing purposes only (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (File No. 001-37875) filed on August 4, 2023)
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) filed 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)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer*
31.2	Rule 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.

† Represents a management contract or a compensatory plan or arrangement.

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.

FB Financial Corporation

/s/ Michael M. Mettee

Michael M. Mettee

Chief Financial Officer

(Principal Financial Officer)

/s/ Jonathan Pennington

Jonathan Pennington

Chief Accounting Officer

(Principal Accounting Officer)

November 4, 2024

November 4, 2024

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.

November 4, 2024

/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: November 4, 2024

/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 September 30, 2024, 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: November 4, 2024

/s/ Christopher T. Holmes

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

Date: November 4, 2024

/s/ Michael M. Mettee

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