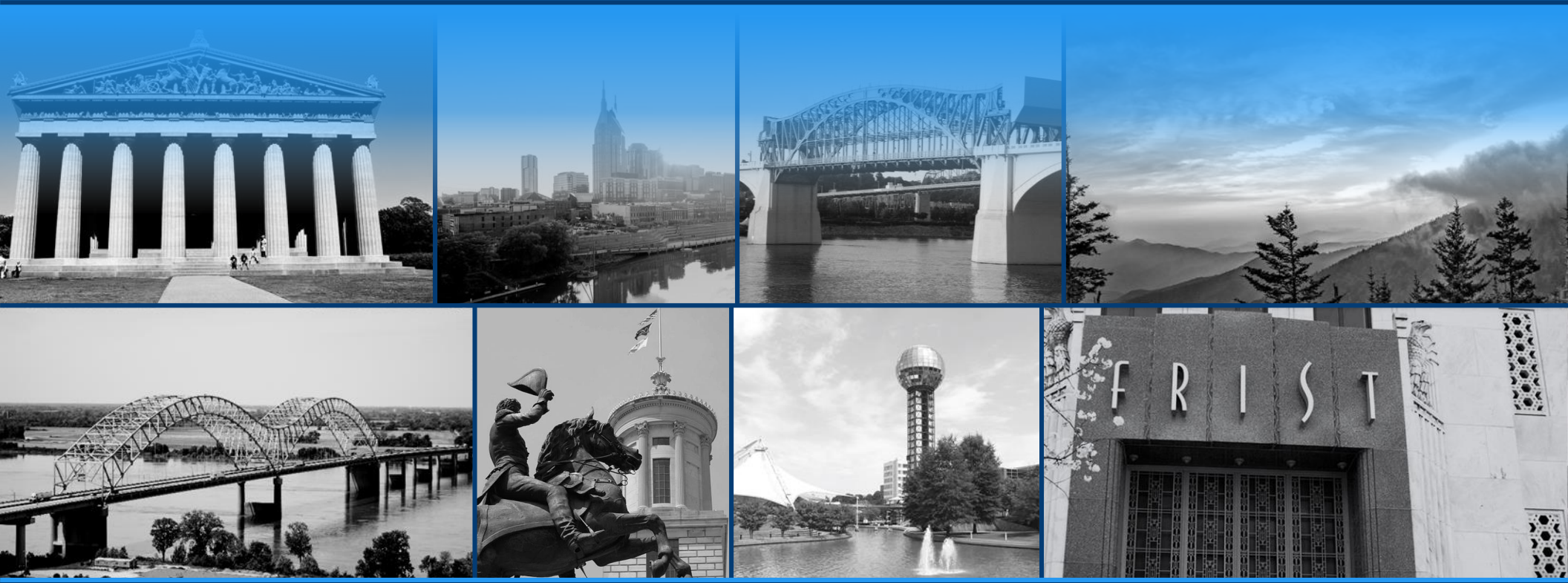
FB Financial Corporation



2021 Fourth Quarter Earnings Presentation

January 18, 2022

Forward–Looking Statements

Certain statements contained in this presentation 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 FB Financial Corporation's (the "Company") business operations and statements related to the Company's future plans, results, strategies, and expectations. These statements can generally be identified by the use of the words and phrases "may," "will," "should," "could," "would," "goal," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target," "aim," "predict," "continue," "seek," "project," 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) the ongoing effects of the COVID-19 pandemic, including the magnitude and duration of the pandemic and the emergence of new variants, and its impact on general economic and financial market conditions and on the Company's business and the Company's customers' business, results of operations, asset quality and financial condition, (3) ongoing public response to the vaccines that were developed against the virus as well as the decisions of governmental agencies with respect to vaccines, including recommendations related to booster shots and requirements that seek to mandate that individuals receive or employers require that their employees receive the vaccine, (4) those vaccines' efficacy against the virus, including new variants, (5) changes in government interest rate policies and its impact on the Company's business, net interest margin, and mortgage operations, (6) the Company's ability to effectively manage problem credits, (7) the Company's ability to identify potential candidates for, consummate, and achieve synergies from, potential future acquisitions, (8) difficulties and delays in integrating acquired businesses or fully realizing costs savings, revenue synergies and other benefits from future and prior acquisitions, (9) the Company's ability to successfully execute its various business strategies, (10) changes in state and federal legislation, regulations or policies applicable to banks and other financial service providers, including legislative developments, (11) the potential impact of the proposed phase-out of the London Interbank Offered Rate ("LIBOR") or other changes involving LIBOR, (12) the effectiveness of the Company's cybersecurity controls and procedures to prevent and mitigate attempted intrusions, (13) 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 (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, 2020, and in any of the Company's subsequent filings with the Securities and Exchange Commission. 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 presentation, 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.

Use of non-GAAP financial measures

This presentation contains certain financial measures that are not measures recognized under U.S. generally accepted accounting principles ("GAAP") and therefore are considered non-GAAP financial measures. These non-GAAP financial measures may include, without limitation, adjusted net income , adjusted diluted earnings per common share, adjusted and unadjusted pre-tax pre-provision earnings, core revenue, core noninterest expense and core noninterest income, core efficiency ratio (tax equivalent basis), Banking segment core efficiency ratio (tax equivalent basis), Mortgage segment core efficiency ratio (tax equivalent basis), adjusted mortgage contribution, adjusted mortgage pre-tax net contribution, adjusted mortgage pre-tax pre-provision net contribution, adjusted return on average assets and equity, and adjusted pre-tax pre-provision return on average assets and equity. Each of these non-GAAP metrics excludes certain income and expense items that the Company's management considers to be non-core/adjusted in nature. The Company also includes an adjusted allowance for credit losses, adjusted loans held for investment, and adjusted allowance for credit losses to loans held for investment, which all exclude the impact of PPP loans. The Company refers to these non-GAAP measures as adjusted (or core) measures. Also, the Company presents tangible assets, tangible common equity, tangible book value per common share, tangible common equity to tangible assets, return on average tangible common equity, adjusted return on average tangible common equity, and adjusted pre-tax pre-provision return on average tangible common equity. Each of these non-GAAP metrics excludes the impact of goodwill and other intangibles.

The Company's management uses these non-GAAP financial measures in their analysis of the Company's performance, financial condition and the efficiency of its operations as management believes such measures facilitate period-to-period comparisons and provide meaningful indications of its operating performance as they eliminate both gains and charges that management views as non-recurring or not indicative of operating performance. Management believes that these non-GAAP financial measures provide a greater understanding of ongoing operations and enhance comparability of results with prior periods as well as demonstrate the effects of significant non-core gains and charges in the current and prior periods. The Company's management also believes that investors find these non-GAAP financial measures useful as they assist investors in understanding the Company's underlying operating performance and in the analysis of ongoing operating trends. In addition, because intangible assets such as goodwill and other intangibles, and the other items excluded each vary extensively from company to company, the Company believes that the presentation of this information allows investors to more easily compare the Company's results to the results of other companies. However, the non-GAAP financial measures discussed herein 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 the Company calculates the non-GAAP financial measures discussed herein may differ from that of other companies reporting measures with similar names. Investors should understand how such other banking organizations calculate their financial measures similar or with names similar to the non-GAAP financial measures the Company has discussed herein when comparing such non-GAAP financial measures. The following tables in this presentation provide a reconciliation of these measures to the most directly comparable GAAP financial measures.

4Q 2021 and annual highlights

Key highlights

- Excluding PPP loans, loans HFI grew 17.2% annualized in 4Q 2021, or $315 million. 2021 annual growth, excluding PPP loans, of 10.6%, or $730 million
- Noninterest bearing deposits increased by $130.6 million in 4Q 2021 (19.9% annualized) and by $466 million, or 20.5%, in FY 2021. Excluding mortgage-escrow deposits, noninterest bearing deposits increased by $193.7 million in 4Q 2021 (31.8% annualized) and by $486 million, or 22.9%, in FY 2021.
- Cost of total deposits decreased by 4 basis points from 3Q 2021, while contractual yield on loans HFI declined by 6 basis points
- ACL to loans HFI declined from 1.91% as of 3Q 2021 to 1.65% as of 4Q 2021 as outlooks for the local economy and Covid-impacted industries continue to improve
- Commercial Loans Held For Sale portfolio balances down to $79.3 million as of 4Q 2021 compared to $430 million at announcement of Franklin Financial Network transaction and $100.5 million as of 3Q 2021. Experienced gain on the portfolio of $9.9 million in 4Q 2021 and $11.2 million in FY 2021.
- Total mortgage contribution of $0.7 million in 4Q 2021 and $26.5 million for FY 2021
- Grew tangible book value per share[1] to $24.67, or a 15.5% CAGR since the IPO in September of 2016

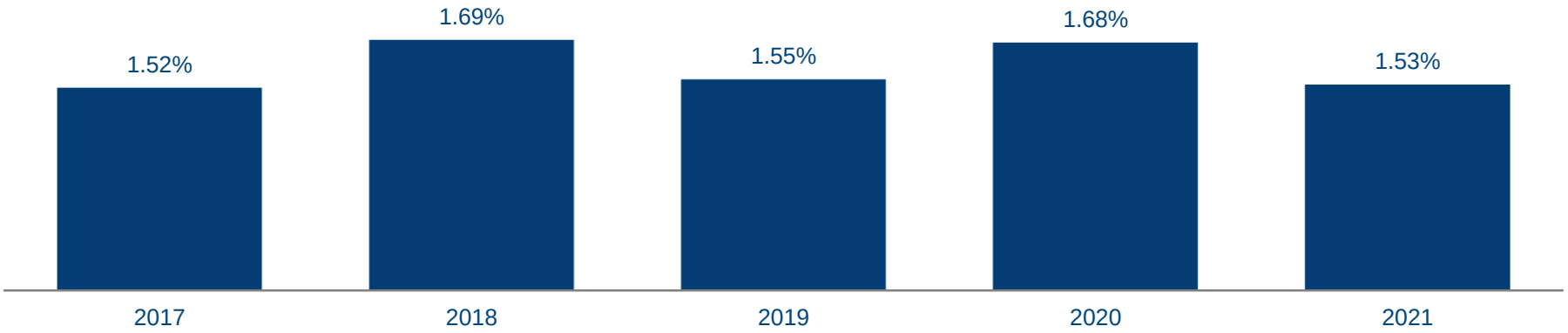
Financial results

	4Q 2021	FY 2021
Diluted earnings per share	$1.02	$3.97
Adjusted diluted earnings per share[1]	*$0.89*	*$3.78*
Net income ($mm)	$48.8	$190.3
Adjusted net income[1] ($mm)	*$42.6*	*$181.1*
Return on average assets	1.60%	1.61%
Adjusted return on average assets[1]	*1.40%*	*1.53%*
Return on average equity	13.7%	14.0%
Adjusted return on average equity[1]	*12.0%*	*13.3%*
Return on average tangible common equity[1]	16.8%	17.3%
Adjusted return on average tangible common equity[1]	*14.7%*	*16.5%*
Adjusted pre-tax, pre-provision earnings[1] ($mm)	$43.6	$191.6
Adjusted pre-tax, pre-provision return on average assets[1]	1.43%	1.62%
Adjusted pre-tax, pre-provision return on average tangible common equity[1]	15.0%	17.4%
Net interest margin	3.19%	3.19%
Impact of accretion and nonaccrual interest (bps)	*0*	*1*
Tangible common equity / tangible assets[1]	9.5%	9.5%

[1] Results are non-GAAP financial measures that adjust GAAP reported net income, total assets, equity and other metrics for certain intangibles, income and expense items as outlined in the non-GAAP reconciliation calculations, using a combined marginal income tax rate of 26.06% excluding one-time items. See “Use of non-GAAP financial measures” and the Appendix hereto for a discussion and reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures.

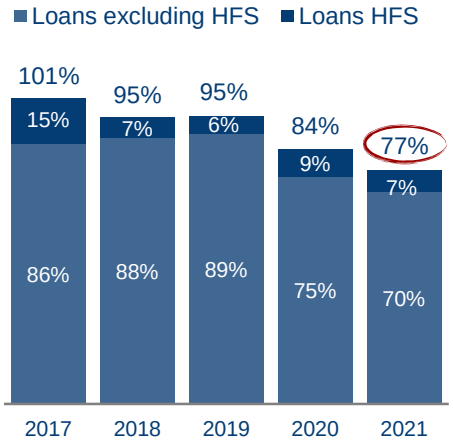
Core earnings power

Adjusted return on average assets[1]

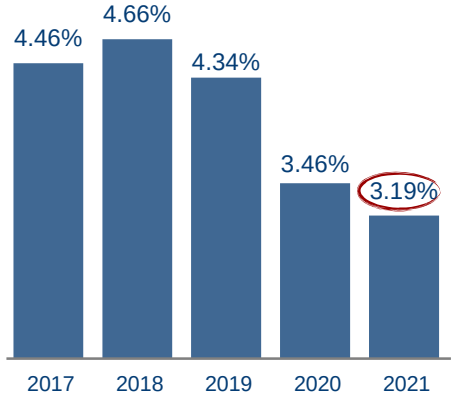


Drivers of profitability

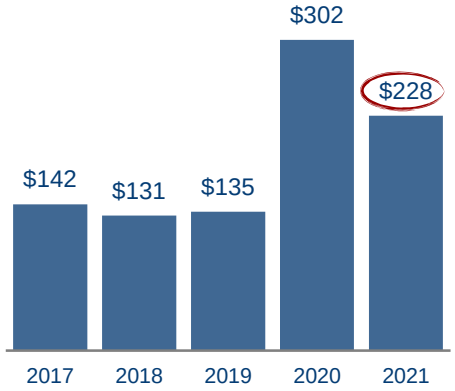
Loans/deposits



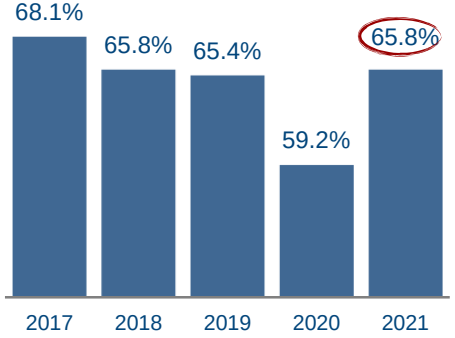
Net interest margin



Noninterest income ($mm)



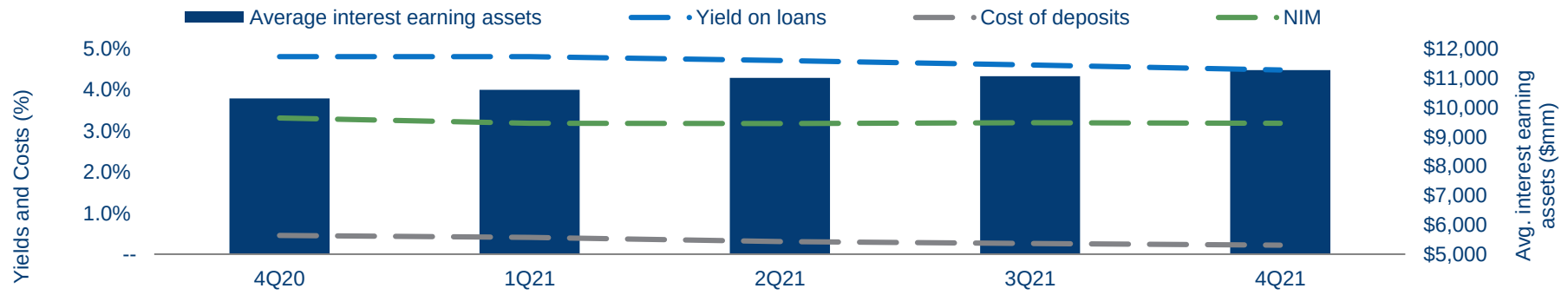
Core efficiency ratio[1]



[1] See "Use of non-GAAP financial measures" and the Appendix hereto for a discussion and reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures.

Stable net interest margin

Historical yield and costs



NIM[1]	**3.32%**	**3.19%**	**3.18%**	**3.20%**	**3.19%**
Impact of accretion and nonaccrual interest (bps)	4	3	1	2	0
Impact of excess liquidity[2] (bps)	(22)	(33)	(37)	(28)	(22)
Deposit Cost:					
Cost of MMDA	0.57%	0.50%	0.38%	0.31%	0.27%
Cost of customer time	1.04%	0.90%	0.63%	0.61%	0.53%
Cost of interest-bearing	0.63%	0.53%	0.41%	0.34%	0.30%
Total deposit cost	**0.46%**	**0.41%**	**0.31%**	**0.26%**	**0.22%**
Loans HFI Yield:					
Contractual interest	4.39%	4.39%	4.31%	4.23%	4.17%
Origination and other loan fee income	0.36%	0.38%	0.39%	0.35%	0.33%
Nonaccrual interest	0.05%	0.04%	0.03%	0.02%	0.03%
Accretion on purchased loans	0.02%	0.00%	(0.01%)	0.01%	(0.04%)
Total loan (HFI) yield	**4.81%**	**4.81%**	**4.72%**	**4.61%**	**4.49%**

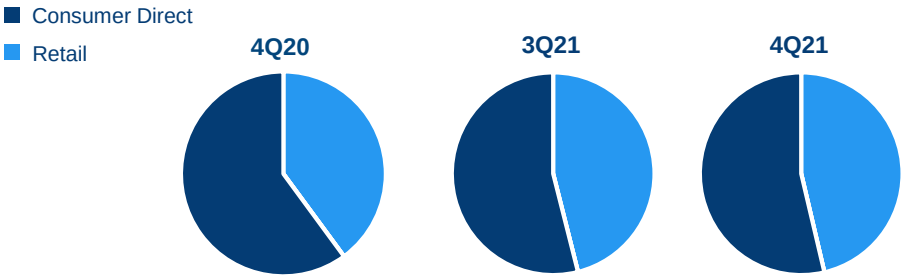
[1] Includes tax-equivalent adjustment.
[2] Excess liquidity defined as interest-bearing deposits with other financial institutions in excess of 5% of average tangible assets. Assumes funded from all interest bearing liabilities.

Mortgage performance in 4Q 2021

Highlights

- Total mortgage pre-tax contribution[1] of $0.7 million for the fourth quarter
- Rising rates are weighing on refinance volumes, which is expected to continue throughout 2022
- The decline in refinance volumes has led to over capacity in the industry, putting pressure on margins
- Pipeline at the end of 4Q 2021 of $487 million, as compared to $738 million at the end of 3Q 2021
- Mortgage banking income of $31.4 million in 4Q 2021 compared to $45.4 million in 3Q 2021

Quarterly mortgage production

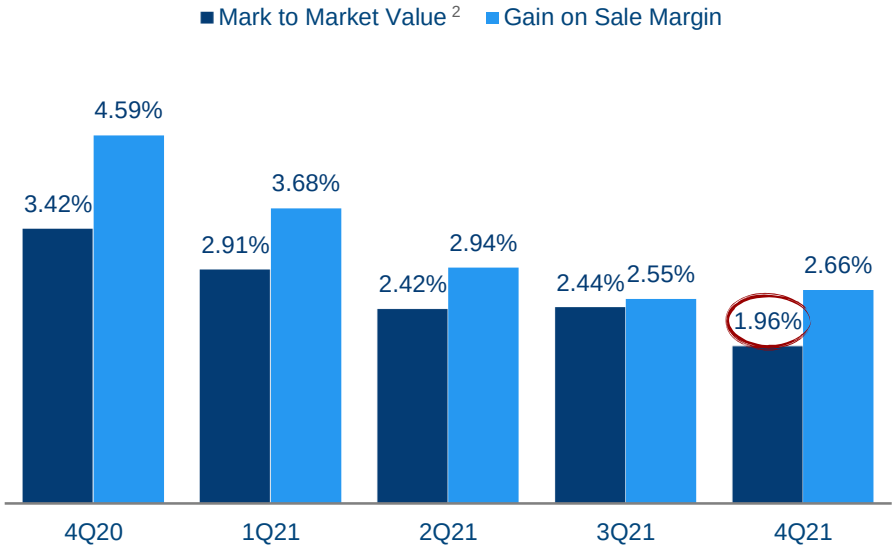


	4Q20	3Q21	4Q21
IRLC volume:	$2,187mm	$2,012mm	$1,484mm
IRLC pipeline[2]:	$1,192mm	$738mm	$487mm
Refinance %:	76%	66%	57%
Purchase %:	24%	34%	43%

Mortgage banking income ($mm)

	4Q20	3Q21	4Q21
Gain on Sale	$84.0	$39.2	$37.5
Fair value changes	($16.9)	$1.0	($12.5)
Servicing Revenue	$6.4	$7.6	$7.7
Fair value MSR changes	($7.8)	($2.4)	($1.3)
Total Income	**$65.7**	**$45.4**	**$31.4**

Mark to Market Value and Gain on Sale Margin



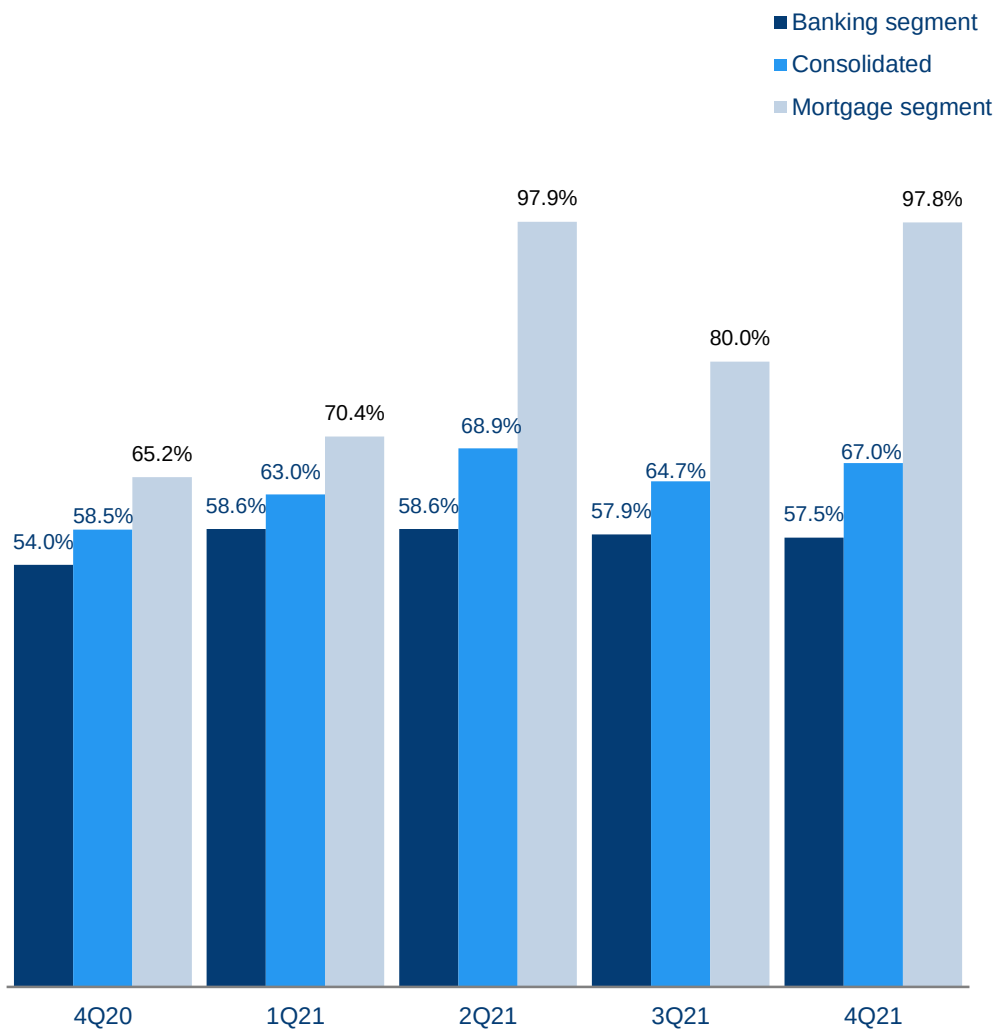
[1] See "Use of non-GAAP financial measures" and the Appendix hereto for a discussion and reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures.
[2] Defined as the fair value plus related derivatives for mandatory and best efforts divided by their pull-through weighted volume.

Managing expenses and investing to support growth

Highlights

- Consolidated 4Q 2021 core efficiency ratio[1] of 67.0%
- Banking segment improvement reflects relatively flat expense base paired with growth in revenue. Continue to balance managing expenses in a zero-rate environment while making prudent investments in people and technology
- Mortgage efficiency declined as rising rates impacted both volumes and margin
- Change in segment definitions 1Q 2021 as mortgage retail footprint no longer included in the banking segment

Core efficiency ratio (tax-equivalent basis)[1]



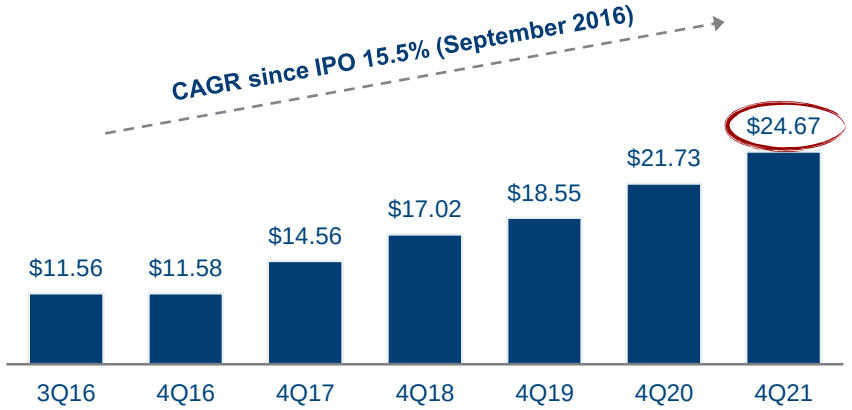
[1] See "Use of non-GAAP financial measures" and the Appendix hereto for a discussion and reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures. During the first quarter of 2021, the Company re-evaluated its reportable business segments to align all retail mortgage activities with the Mortgage segment. Previously, the Company chose to assign retail mortgage activities within the Banking geographical footprint to the Banking segment. The results of mortgage retail footprint have been assigned to the Mortgage segment for all periods presented. As such, historical segment efficiency ratios have been recast for consistency with these changes.

Well-capitalized for future opportunities

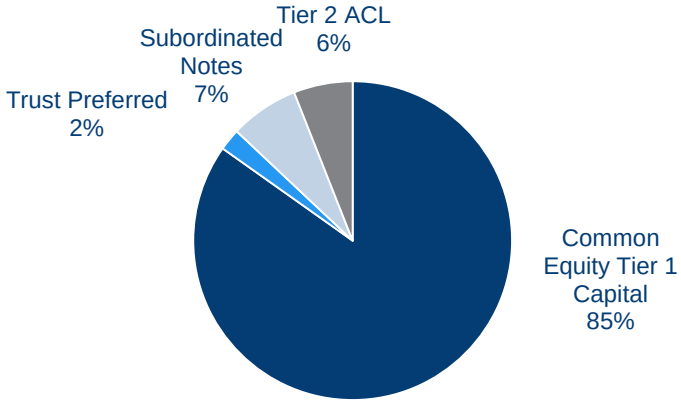
Capital position

	4Q20[1]	3Q21[1]	4Q21[1,2]
Shareholder's equity/Assets	11.5%	11.9%	11.4%
TCE/TA[3]	9.4%	9.9%	9.5%
Common equity tier 1/Risk-weighted assets	11.7%	12.4%	12.3%
Tier 1 capital/Risk-weighted assets	12.0%	12.7%	12.6%
Total capital/Risk-weighted assets	15.0%	14.6%	14.4%
Tier 1 capital /Average assets	10.0%	10.4%	10.5%
C&D loans subject to 100% tier 1 capital plus ACL[4]	93%	91%	99%
CRE loans subject to 300% tier 1 capital plus ACL[4]	228%	247%	254%

Tangible book value per share[3]



Simple capital structure

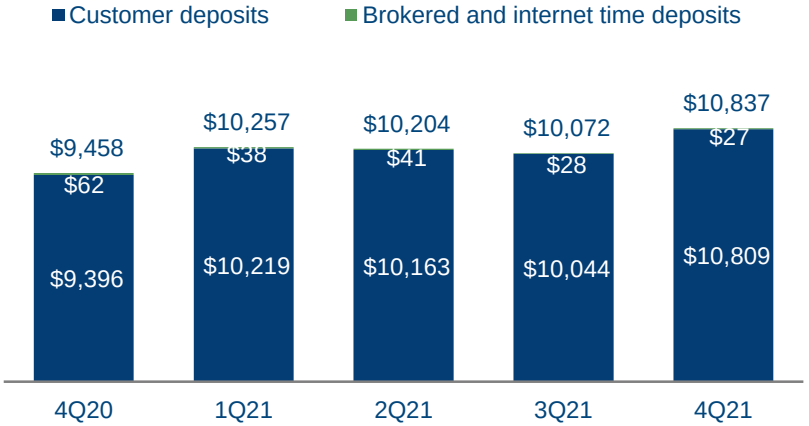


Total regulatory capital $1,429[2] mm

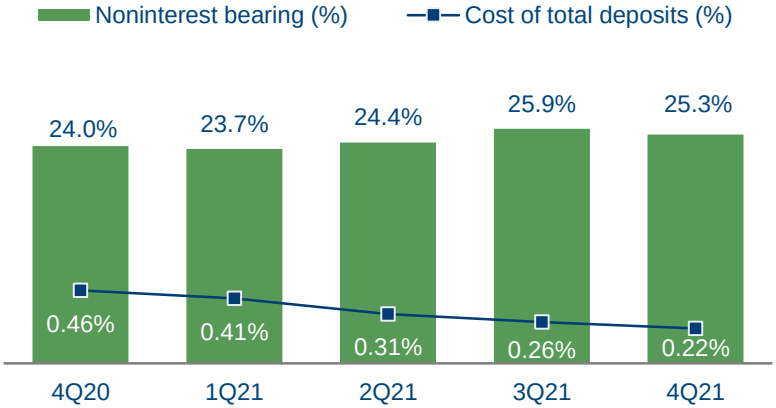
[1] For regulatory capital purposes, the CECL impact over 2020 and 2021 is gradually phased-in from Common Equity Tier 1 Capital to Tier 2 capital. As of 4Q20, 3Q21 and 4Q21, respectively, $52.1 million, $44.4 million and $40.9 million are being added back to CET 1 and Tier 1 Capital, and $58.0 million, $50.2 million and $46.8 million are being taken out of Tier 2 capital. [2] Total regulatory capital, FB Financial Corporation. 4Q21 calculation is preliminary and subject to change. [3] See "Use of non-GAAP financial measures" and the Appendix hereto for a discussion and reconciliation of non-GAAP measures. [4] Tier 1 capital at FirstBank as defined in Call Report.

Valuable core deposit base

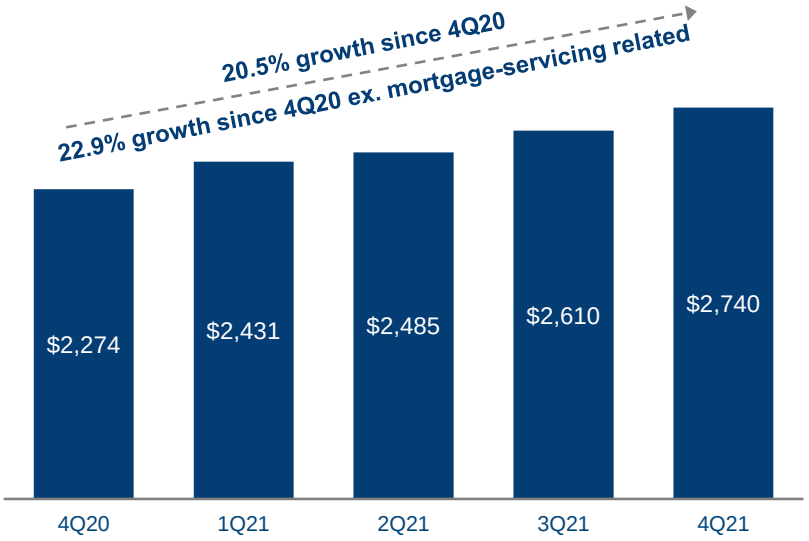
Total deposits ($mm)



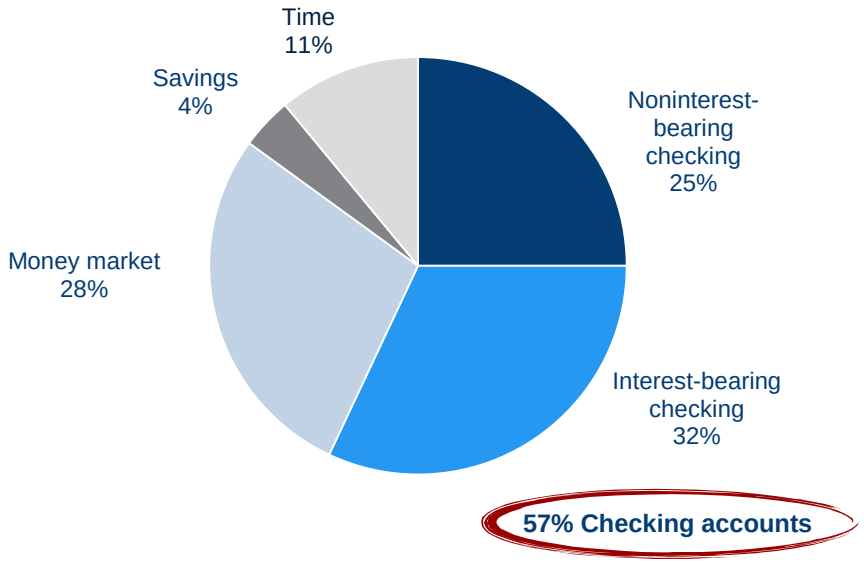
Cost of deposits



Noninterest bearing deposits[1] ($mm)



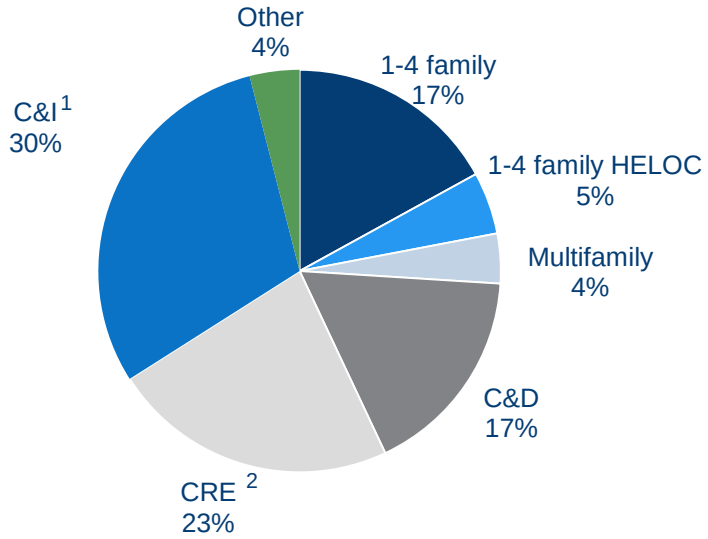
Deposit composition



[1] Includes mortgage servicing-related deposits of $147.9 million, $170.9 million, $166.1 million, $190.6 million and $127.6 million for the quarters ended December 31, 2020, March 31, 2021, June 30, 2021, September 30, 2021 and December 31, 2021, respectively.

Balanced loan portfolio

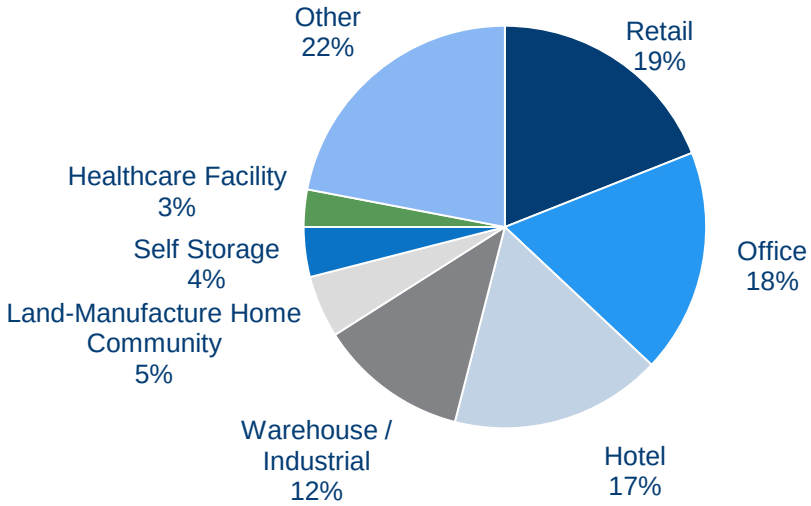
Portfolio mix



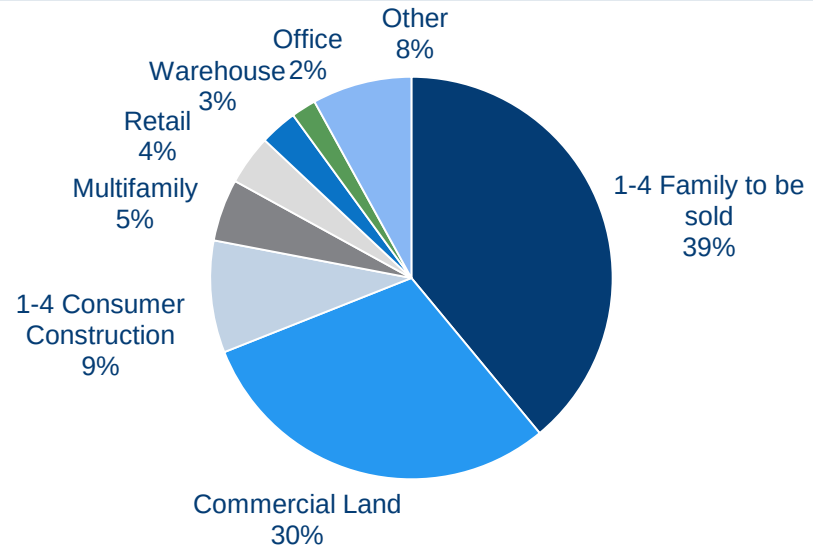
C&I[1] exposure by industry

	Balance Ex. PPP				PPP
	C&I	CRE-OO	Total	% of Total	Loans
Real Estate Rental and Leasing	$ 256.6	$ 160.5	$ 417.1	18.6%	0.1
Finance and Insurance	246.9	11.3	258.2	11.5%	0.4
Retail Trade	117.4	127.2	244.6	10.9%	0.2
Manufacturing	148.9	59.0	207.9	9.3%	0.2
Health Care and Social Assistance	55.5	118.9	174.4	7.8%	0.2
Wholesale Trade	100.6	55.2	155.8	7.0%	-
Other Services (except Public Administration)	20.4	132.1	152.5	6.8%	0.0
Construction	73.4	48.1	121.5	5.4%	0.1
Accomodation and Food Services	22.5	88.0	110.5	5.0%	0.4
Transportation and Warehousing	78.8	18.5	97.3	4.3%	1.1
Professional, Scientific and Technical Services	34.2	24.4	58.6	2.6%	0.0
Arts, Entertainment and Recreation	22.7	33.5	56.2	2.5%	-
Information	19.8	14.7	34.5	1.6%	0.0
Other	88.9	60.2	149.1	6.7%	1.3
Total	**$ 1,286.6**	**$ 951.6**	**$ 2,238.2**	**100.0%**	**$ 4.0**

CRE[2] exposure by type



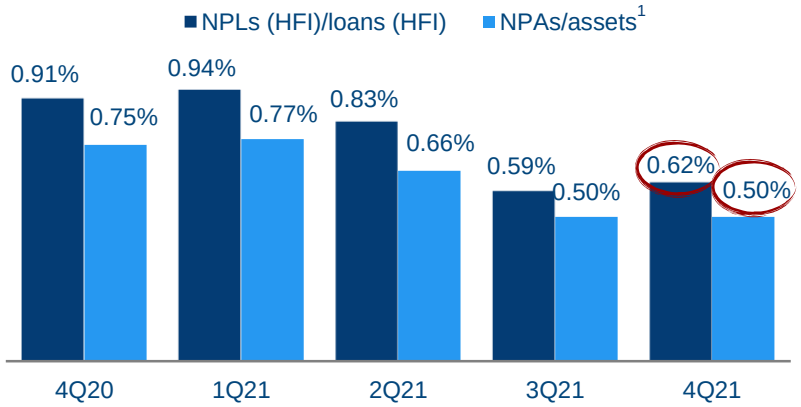
C&D exposure by type



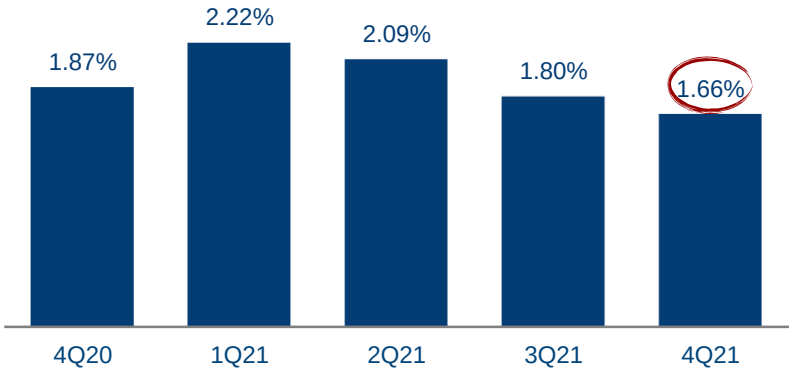
[1] C&I includes owner-occupied CRE. [2] Excludes owner-occupied CRE.

Asset quality remains solid

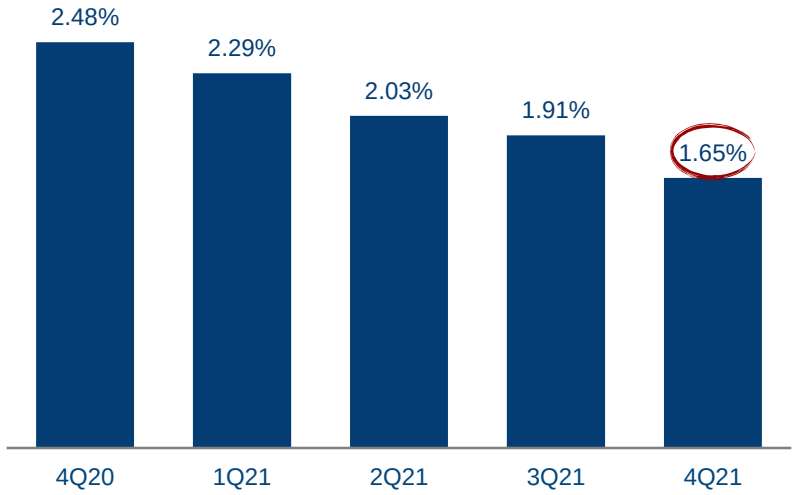
Nonperforming ratios



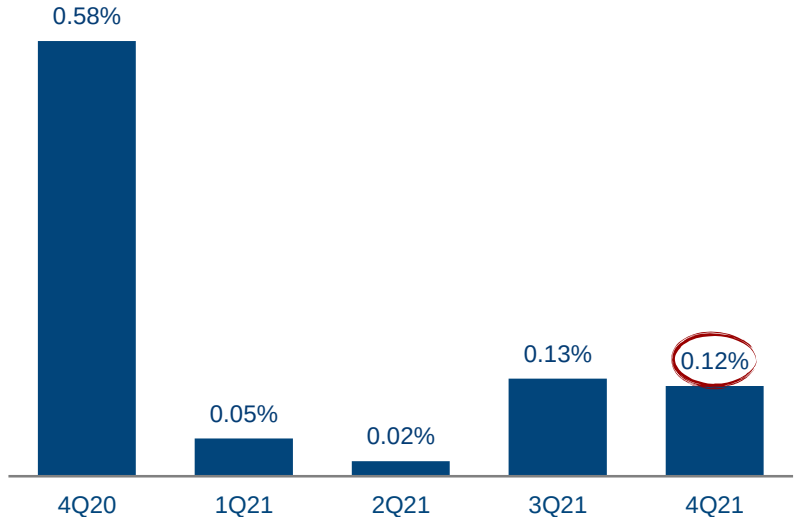
Classified loans / loans HFI



LLR/loans HFI (excluding PPP loans)[2]



Net charge-offs / average loans



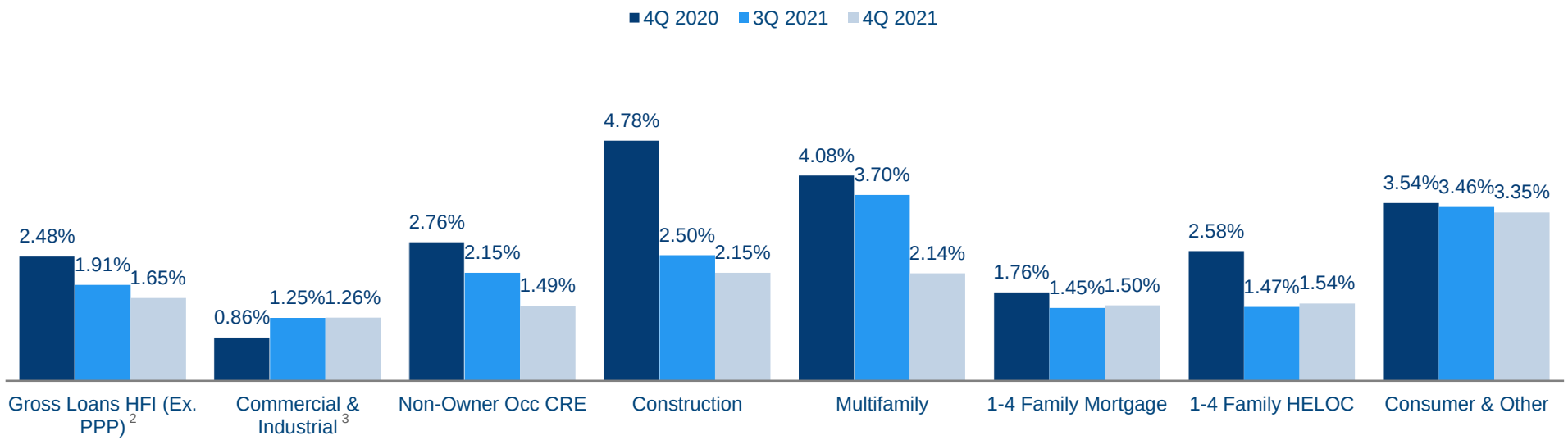
[1] Includes acquired excess land and facilities held for sale–see page 14 of the Quarterly Financial Supplement.
[2] See "Use of non-GAAP financial measures" and the Appendix hereto for a discussion and reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures.

Allowance for credit losses overview

- Current Expected Credit Loss (CECL) Allowance for Credit Losses (ACL) model utilizes Moody's model with key economic data summarized below:

	FQE,		FYE 12/31,				
	1Q 2022	2Q 2022	2021	2022	2023	2024	2025
GDP (bcw$)	$ 19,728.5	$ 19,782.0	$ 19,403.0	$ 19,819.0	$ 20,278.0	$ 20,882.1	$ 21,841.8
Annualized % Change	1.4%	1.1%	5.5%	2.1%	2.3%	3.0%	2.9%
Total Employment (millions)	146.4	147.1	145.7	147.8	150.6	151.9	153.4
Unemployment Rate	6.6%	6.1%	5.9%	5.6%	4.3%	4.5%	4.1%
CRE Price Index	313.0	304.0	320.7	308.1	348.1	372.9	396.6
NCREIF Property Index: Rate of Return	1.3%	0.8%	1.8%	1.1%	2.2%	2.9%	2.9%

ACL / Loans HFI by Category



[1]Source: Moody's "November 2021 U.S. Macroeconomic Outlook Baseline and Alternative Scenarios". [2] See "Use of non-GAAP financial measures" and the Appendix hereto for a discussion and reconciliation of non-GAAP measures. [3] Commercial and Industrial includes Owner-Occupied CRE; excludes $4.0 million, $9.4 million and $212.6 million in PPP loans for December 31, 2021, September 30, 2021 and December 31, 2020, respectively.

Appendix

GAAP reconciliation and use of non-GAAP financial measures

Adjusted net income and diluted earnings per share

(Dollars in thousands, except share data)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Income before income taxes	$ 62,841	$ 55,006	$ 56,742	$ 68,462	$ 58,947
Plus merger, conversion and offering expenses	—	—	605	—	9,513
Less other non-operating items[1]	8,499	1,235	2,151	(853)	(2,448)
Adjusted pre-tax net income	54,342	53,771	55,196	69,315	70,908
Adjusted income tax expense [2]	11,791	11,072	12,879	15,810	16,454
Adjusted net income	$ 42,551	$ 42,699	$ 42,317	$ 53,505	$ 54,454
Weighted average common shares outstanding - fully diluted	47,896,715	48,007,147	47,993,773	47,969,106	47,791,659
Adjusted diluted earnings per common share					
Diluted earnings per common share	$ 1.02	$ 0.94	$ 0.90	$ 1.10	$ 0.95
Plus merger, conversion and offering expenses	—	—	0.01	—	0.20
Less other non-operating items	0.18	0.02	0.04	(0.02)	(0.05)
Less tax effect	(0.05)	0.03	(0.01)	—	0.06
Adjusted diluted earnings per common share	$ 0.89	$ 0.89	$ 0.88	$ 1.12	$ 1.14

[1] 4Q21 includes $9,921 gain from change in fair value of commercial loans held for sale acquired from Franklin and $1,422 related to certain nonrecurring charitable contributions; 3Q21 includes a $740 gain from change in fair value of commercial loans held for sale acquired from Franklin, a $1,510 loss on swap, and a gain of $2,005 from sales other real estate owned; 2Q21 includes a $1,364 gain from change in fair value of commercial loans held for sale acquired from Franklin and a $787 gain from lease terminations; 1Q21 includes a $853 loss from change in fair value of commercial loans held for sale acquired from Franklin; 4Q20 includes $4,533 FHLB prepayment penalty offset by $715 cash life insurance benefit and $1,370 gain from change in fair value of commercial loans held for sale acquired from Franklin.

[2] 3Q21 includes a $1,678 tax benefit related to a change in the value of a net operating loss tax asset related to Franklin.

GAAP reconciliation and use of non-GAAP financial measures

Adjusted pre-tax, pre-provision earnings

	2021				2020
(Dollars in thousands, except share data)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Income before income taxes	$ 62,841	$ 55,006	$ 56,742	$ 68,462	$ 58,947
Plus provisions for credit losses	(10,769)	(2,531)	(13,839)	(13,854)	(2,920)
Pre-tax pre-provision earnings	52,072	52,475	42,903	54,608	56,027
Plus merger, conversion and offering expenses	—	—	605	—	9,513
Less other non-operating items	8,499	1,235	2,151	(853)	(2,448)
Adjusted pre-tax pre-provision earnings	$ 43,573	$ 51,240	$ 41,357	$ 55,461	$ 67,988

GAAP reconciliation and use of non-GAAP financial measures

Adjusted earnings and diluted earnings per share*

(Dollars in thousands, except share data)	2021	2020	2019	2018	2017
Income before income taxes	$ 243,051	$ 82,461	$ 109,539	$ 105,854	$ 73,485
Plus merger, conversion, offering, and mortgage restructuring expenses	605	34,879	7,380	2,265	19,034
Plus initial provision for credit losses on acquired loans and unfunded commitments	—	66,136	—	—	—
Less other non-operating items[1]	11,032	(4,400)	—	—	—
Adjusted pre-tax net income	232,624	187,876	116,919	108,119	92,519
Adjusted income tax expense[2]	51,553	45,944	27,648	26,034	34,749
Adjusted net income	$ 181,071	$ 141,932	$ 89,271	$ 82,085	$ 57,770
Weighted average common shares outstanding - fully diluted	47,955,880	38,099,744	31,402,897	31,314,981	28,207,602
Adjusted diluted earnings per common share					
Diluted earnings per common share	$ 3.97	$ 1.67	$ 2.65	$ 2.55	$ 1.86
Plus merger, conversion, offering, and mortgage restructuring expenses	0.01	0.92	0.24	0.07	0.67
Plus initial provision for credit losses on acquired loans and unfunded commitments	—	1.74	—	—	—
Less other non-operating items	0.22	(0.11)	—	—	—
Less tax effect	(0.02)	0.71	0.06	0.01	0.48
Adjusted diluted earnings per common share	$ 3.78	$ 3.73	$ 2.83	$ 2.61	$ 2.05

[1] 2021 includes a $11,172 gain from change in fair value on commercial loans held for sale acquired from Franklin, a loss on swap cancellation of $1,510, a $2,005 gain on other real estate owned, a $787 gain from lease terminations and $1,422 related to certain charitable contributions; 2020 includes $6,838 FHLB prepayment penalties, $1,505 losses on other real estate owned offset by $715 cash life insurance benefit and $3,228 gain from change in fair value on commercial loans held for sale acquired from Franklin.

[2] 2021 includes a $1,678 tax benefit related to a change in the value of a net operating loss tax asset related to Franklin.

GAAP reconciliation and use of non-GAAP financial measures

Adjusted pre-tax, pre-provision earnings

(Dollars in thousands, except share data)	2021	2020	2019	2018	2017
Income before income taxes	$ 243,051	$ 82,461	$ 109,539	$ 105,854	$ 73,485
Plus provisions for credit losses	(40,993)	107,967	7,053	5,398	(950)
Pre-tax pre-provision earnings	202,058	190,428	116,592	111,252	72,535
Plus merger, conversion, offering, and mortgage restructuring expenses	605	34,879	7,380	2,265	19,034
Less other non-operating items	11,032	(4,400)	—	—	—
Adjusted pre-tax pre-provision earnings	$ 191,631	$ 229,707	$ 123,972	$ 113,517	$ 91,569

GAAP reconciliation and use of non-GAAP financial measures

Core efficiency ratio (tax-equivalent basis)

(Dollars in thousands)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Total noninterest expense	$ 90,902	$ 95,007	$ 92,960	$ 94,698	$ 109,855
Less merger, conversion and offering expenses	—	—	605	—	9,513
Less gain on lease terminations	—	—	(787)	—	—
Less FHLB prepayment penalties	—	—	—	—	4,533
Less certain charitable contributions	$ 1,422	$ —	$ —	$ —	$ —
Core noninterest expense	$ 89,480	$ 95,007	$ 93,142	$ 94,698	$ 95,809
Net interest income (tax-equivalent basis)	$ 90,537	$ 89,230	$ 87,321	$ 83,368	$ 86,111
Total noninterest income	53,219	59,006	49,300	66,730	80,638
Less gain (loss) on change in fair value on commercial loans held for sale	9,921	740	1,364	(853)	1,370
Less loss on swap cancellation	—	(1,510)	—	—	—
Less cash life insurance benefit	—	—	—	—	715
Less gain (loss) on sales or write-downs of other real estate owned and other assets	187	2,182	(27)	485	(57)
Less gain from securities, net	46	51	144	83	1,013
Core noninterest income	43,065	57,543	47,819	67,015	77,597
Core revenue	$ 133,602	$ 146,773	$ 135,140	$ 150,383	$ 163,708
Efficiency ratio (GAAP)[a]	63.6%	64.4%	68.4 %	63.4%	66.2%
Core efficiency ratio (tax-equivalent basis)	67.0%	64.7%	68.9 %	63.0%	58.5%

(a) Efficiency ratio (GAAP) is calculated by dividing noninterest expense by total revenue

GAAP reconciliation and use of non-GAAP financial measures

Core efficiency ratio (tax-equivalent basis)

(Dollars in thousands, except share data)	2021	2020	2019	2018	2017
Core efficiency ratio (tax-equivalent basis)					
Total noninterest expense	$ 373,567	$ 377,085	$ 244,841	$ 223,458	$ 222,317
Less merger, conversion, offering, and mortgage restructuring-related expenses	605	34,879	7,380	2,265	19,034
Less gain on lease terminations	(787)	—	—	—	—
Less FHLB prepayment penalties	—	6,838	—	—	—
Less variable compensation charge related to cash settled equity awards	—	—	—	—	635
Less impairment and loss on sale of mortgage servicing rights	—	—	—	—	249
Less certain charitable contributions	$ 1,422	$ —	$ —	$ —	$ —
Core noninterest expense	$ 372,327	$ 335,368	$ 237,461	$ 221,193	$ 202,399
Net interest income (tax-equivalent basis)	350,456	268,497	227,930	205,668	156,094
Total noninterest income	228,255	301,855	135,397	130,642	141,581
Less gain on change in fair value on commercial - loans held for sale	11,172	3,228	—	—	—
Less loss on swap cancellation	(1,510)	—	—	—	—
Less cash life insurance benefit	—	715	—	—	—
Less gain (loss) on sales or write-downs of other real estate owned and other assets	2,827	(1,581)	441	229	110
Less gain (loss) from securities, net	324	1,631	57	(116)	285
Core noninterest income	215,442	297,862	134,899	130,529	141,186
Core revenue	$ 565,898	$ 566,359	$ 362,829	$ 336,197	$ 297,280
Efficiency ratio (GAAP)[(a)]	64.9 %	66.4 %	67.7 %	66.8 %	75.4 %
Core efficiency ratio (tax-equivalent basis)	65.8 %	59.2 %	65.4 %	65.8 %	68.1 %

(a) Efficiency ratio (GAAP) is calculated by dividing noninterest expense by total revenue

GAAP reconciliation and use of non-GAAP financial measures

Segment core efficiency ratios (tax-equivalent basis)

(Dollars in thousands)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Banking segment core efficiency ratio (tax-equivalent basis)					
Core noninterest expense	$ 89,480	$ 95,007	$ 93,142	$ 94,698	$ 95,809
Less Mortgage segment core noninterest expense	30,798	36,230	34,766	38,963	42,884
Core Banking segment noninterest expense	$ 58,682	$ 58,777	$ 58,376	$ 55,735	$ 52,925
Core revenue	$ 133,602	$ 146,773	$ 135,140	$ 150,383	$ 163,708
Less Core Mortgage segment total revenue	31,489	45,284	35,509	55,311	65,766
Core Banking segment total revenue	$ 102,113	$ 101,489	$ 99,631	$ 95,072	$ 97,942
Banking segment core efficiency ratio (tax-equivalent basis)	57.5%	57.9%	58.6%	58.6%	54.0%
Mortgage segment core efficiency ratio (tax-equivalent basis)					
Mortgage segment noninterest expense	$ 30,798	$ 36,230	$ 34,766	$ 38,963	$ 43,609
Less Mortgage segment merger expense	—	—	—	—	725
Core Mortgage segment noninterest expense	$ 30,798	$ 36,230	$ 34,766	$ 38,963	$ 42,884
Mortgage segment total revenue	$ 31,508	$ 45,083	$ 35,308	$ 55,311	$ 65,766
Less gain (loss) on sales or write-downs of other real estate owned	19	(201)	(201)	—	—
Core Mortgage segment total revenue	$ 31,489	$ 45,284	$ 35,509	$ 55,311	$ 65,766
Mortgage segment core efficiency ratio (tax-equivalent basis)	97.8%	80.0%	97.9%	70.4%	65.2%

During the first quarter of 2021, the Company re-evaluated its reportable business segments to align all retail mortgage activities with the Mortgage segment. Previously, the Company chose to assign retail mortgage activities within the Banking geographical footprint to the Banking Segment. The results of mortgage retail footprint have been assigned to the Mortgage segment for all periods presented. As such, 4Q20 historical segment efficiency ratios have been recast for consistency with these changes.

GAAP reconciliation and use of non-GAAP financial measures

Adjusted mortgage contribution

(Dollars in thousands)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Mortgage pre-tax net contribution	$ 710	$ 8,853	$ 542	$ 16,348	$ 22,157
Plus Mortgage segment merger expense	—	—	—	—	725
Adjusted Mortgage pre-tax net contribution	$ 710	$ 8,853	$ 542	$ 16,348	$ 22,882
Pre-tax pre-provision earnings	$ 52,072	$ 52,475	$ 42,903	$ 54,608	$ 56,027
% Mortgage pre-tax pre-provision net contribution	1.36%	16.9 %	1.26%	29.9%	39.5%
Adjusted pre-tax pre-provision earnings	$ 43,573	$ 51,240	$ 41,357	$ 55,461	$ 67,988
% total adjusted Mortgage pre-tax pre-provision net contribution	1.63%	17.3 %	1.31%	29.5%	33.7%

GAAP reconciliation and use of non-GAAP financial measures

Tangible assets and equity and tangible book value per share

(Dollars in thousands, except share data)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Tangible assets					
Total assets	$ 12,597,686	$ 11,810,290	$ 11,918,367	$ 11,935,826	$ 11,207,330
Less goodwill	242,561	242,561	242,561	242,561	242,561
Less intangibles, net	16,953	18,248	19,592	20,986	22,426
Tangible assets	$ 12,338,172	$ 11,549,481	$ 11,656,214	$ 11,672,279	$ 10,942,343
Tangible common equity					
Total common shareholders' equity	$ 1,432,602	$ 1,400,913	$ 1,371,721	$ 1,329,103	$ 1,291,289
Less goodwill	242,561	242,561	242,561	242,561	242,561
Less intangibles, net	16,953	18,248	19,592	20,986	22,426
Tangible common equity	$ 1,173,088	$ 1,140,104	$ 1,109,568	$ 1,065,556	$ 1,026,302
Common shares outstanding	47,549,241	47,707,634	47,360,950	47,331,680	47,220,743
Book value per common share	$ 30.13	$ 29.36	$ 28.96	$ 28.08	$ 27.35
Tangible book value per common share	$ 24.67	$ 23.90	$ 23.43	$ 22.51	$ 21.73
Total common shareholders' equity to total assets	11.4%	11.9%	11.5%	11.1%	11.5%
Tangible common equity to tangible assets	9.51%	9.87%	9.52%	9.13%	9.38%

GAAP reconciliation and use of non-GAAP financial measures

Return on average tangible common equity and adjusted pre-tax pre-provision return on average tangible common equity

(Dollars in thousands)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Average common shareholders' equity	$ 1,411,987	$ 1,389,201	$ 1,339,938	$ 1,303,493	$ 1,261,101
Less average goodwill	242,561	242,561	242,561	242,561	242,983
Less average intangibles, net	17,580	18,950	20,253	21,695	23,178
Average tangible common equity	$ 1,151,846	$ 1,127,690	$ 1,077,124	$ 1,039,237	$ 994,940
Net income	$ 48,827	$ 45,290	$ 43,294	$ 52,874	$ 45,602
Return on average common equity	13.7%	12.9%	13.0%	16.5%	14.4%
Return on average tangible common equity	16.8%	15.9%	16.1%	20.6%	18.2%
Adjusted net income	$ 42,551	$ 42,699	$ 42,317	$ 53,505	$ 54,454
Adjusted return on average tangible common equity	14.7%	15.0%	15.8%	20.9%	21.8%
Adjusted pre-tax pre-provision earnings	$ 43,573	$ 51,240	$ 41,357	$ 55,461	$ 67,988
Adjusted pre-tax pre-provision return on average tangible common equity	15.0%	18.0%	15.4%	21.6%	27.2%

GAAP reconciliation and use of non-GAAP financial measures

Return on average tangible common equity and adjusted pre-tax pre-provision return on average tangible common equity

(Dollars in thousands)	2021	2020	2019	2018	2017
Average common shareholders' equity	$ 1,361,637	$ 966,336	$ 723,494	$ 629,922	$ 466,219
Less average goodwill	242,561	199,104	160,587	137,190	84,997
Less average intangibles, net	19,606	22,659	17,236	12,815	8,047
Average tangible common equity	$ 1,099,470	$ 744,573	$ 545,671	$ 479,917	$ 373,175
Net income	$ 190,285	$ 63,621	$ 83,814	$ 80,236	$ 52,398
Return on average common equity	14.0 %	6.58 %	11.6 %	12.7 %	11.2 %
Return on average tangible common equity	17.3 %	8.54 %	15.4 %	16.7 %	14.0 %
Adjusted net income	$ 181,071	$ 141,932	$ 89,271	$ 82,085	$ 57,770
Adjusted return on average tangible common equity	16.5 %	19.1 %	16.4 %	17.1 %	15.5 %
Adjusted pre-tax pre-provision earnings	$ 191,631	$ 229,707	$ 123,972	$ 113,517	$ 91,569
Adjusted pre-tax pre-provision return on average tangible common equity	17.4 %	30.9 %	22.7 %	23.7 %	24.5 %

GAAP reconciliation and use of non-GAAP financial measures

Adjusted return on average assets and equity and adjusted pre-tax pre-provision return on average assets and equity

(Dollars in thousands)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Net income	$ 48,827	$ 45,290	$ 43,294	$ 52,874	$ 45,602
Average assets	12,085,817	11,915,062	11,900,450	11,508,783	11,111,163
Average common equity	1,411,987	1,389,201	1,339,938	1,303,493	1,261,101
Return on average assets	1.60%	1.51%	1.46%	1.86%	1.63%
Return on average common equity	13.7%	12.9%	13.0%	16.5%	14.4%
Adjusted net income	$ 42,551	$ 42,699	$ 42,317	$ 53,505	$ 54,454
Adjusted return on average assets	1.40%	1.42%	1.43%	1.89%	1.95%
Adjusted return on average common equity	12.0%	12.2%	12.7%	16.6%	17.2%
Adjusted pre-tax pre-provision earnings	$ 43,573	$ 51,240	$ 41,357	$ 55,461	$ 67,988
Adjusted pre-tax pre-provision return on average assets	1.43%	1.71%	1.39%	1.95%	2.43%
Adjusted pre-tax pre-provision return on average common equity	12.2%	14.6%	12.4%	17.3%	21.4%

GAAP reconciliation and use of non-GAAP financial measures

Adjusted return on average assets and equity and adjusted pre-tax pre-provision return on average assets and equity

(Dollars in thousands)	2021	2020	2019	2018	2017
Net income	$ 190,285	$ 63,621	$ 83,814	$ 80,236	$ 52,398
Average assets	11,848,460	8,438,100	5,777,672	4,844,865	3,811,158
Average common equity	1,361,637	966,336	723,494	629,922	466,219
Return on average assets	1.61%	0.75%	1.45%	1.66%	1.37%
Return on average common equity	14.0%	6.58%	11.6%	12.7%	11.2%
Adjusted net income	$ 181,071	$ 141,932	$ 89,271	$ 82,085	$ 57,770
Adjusted return on average assets	1.53%	1.68%	1.55%	1.69%	1.52%
Adjusted return on average common equity	13.3%	14.7%	12.3%	13.0%	12.4%
Adjusted pre-tax pre-provision earnings	$ 191,631	$ 229,707	$ 123,972	$ 113,517	$ 91,569
Adjusted pre-tax pre-provision return on average assets	1.62%	2.72%	2.15%	2.34%	2.40%
Adjusted pre-tax pre-provision return on average common equity	14.1%	23.8%	17.1%	18.0%	19.6%

GAAP reconciliation and use of non-GAAP financial measures

Adjusted Allowance for Credit Losses to Loans Held for Investment

(Dollars in thousands)	2021 Fourth Quarter	2021 Third Quarter	2021 Second Quarter	2021 First Quarter	2020 Fourth Quarter
Allowance for credit losses	$ 125,559	$ 139,446	$ 144,663	$ 157,954	$ 170,389
Less allowance for credit losses attributed to PPP loans	—	2	9	23	34
Adjusted allowance for credit losses	$ 125,559	$ 139,444	$ 144,654	$ 157,931	$ 170,355
Loans held for investment	7,604,662	7,294,674	7,198,954	7,047,342	7,082,959
Less PPP loans	3,990	9,415	57,406	145,697	212,645
Adjusted loans held for investment	$ 7,600,672	$ 7,285,259	$ 7,141,548	$ 6,901,645	$ 6,870,314
Allowance for credit losses to loans held for investment	1.65%	1.91%	2.01 %	2.24 %	2.41 %
Adjusted allowance for credit losses to loans held for investment	1.65%	1.91%	2.03 %	2.29 %	2.48 %