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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 July 31, 2024 was 46,643,150.

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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 June 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	FHLB	Federal Home Loan Bank
AFS	Available-for-sale	GAAP	U.S. generally accepted accounting principles
ALCO	Asset Liability Management Committee	GDP	Gross domestic product
ASC	Accounting Standard Codification	GNMA	Government National Mortgage Association
ASU	Accounting Standard Update	HFI	Held for investment
Bank	FirstBank, subsidiary bank	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 June 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
Federal Reserve	Board of Governors of the Federal Reserve System		

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

	June 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Cash and due from banks	$ 192,571	$ 146,542
Federal funds sold and reverse repurchase agreements	91,909	83,324
Interest-bearing deposits in financial institutions	516,422	581,066
Cash and cash equivalents	800,902	810,932
Investments:		
Available-for-sale debt securities, at fair value	1,482,379	1,471,973
Federal Home Loan Bank stock, at cost	33,030	34,190
Loans held for sale (includes $84,521 and $46,618 at fair value, respectively)	106,875	67,847
Loans held for investment	9,309,553	9,408,783
Less: allowance for credit losses on loans HFI	155,055	150,326
Net loans held for investment	9,154,498	9,258,457
Premises and equipment, net	154,731	155,731
Operating lease right-of-use assets	49,123	54,295
Interest receivable	52,781	52,715
Mortgage servicing rights, at fair value	164,505	164,249
Bank-owned life insurance	71,930	76,143
Other real estate owned, net	4,173	3,192
Goodwill	242,561	242,561
Core deposit and other intangibles, net	7,168	8,709
Other assets	210,513	203,409
Total assets	$ 12,535,169	$ 12,604,403
LIABILITIES		
Deposits		
Noninterest-bearing	$ 2,187,185	$ 2,218,382
Interest-bearing checking	2,628,554	2,504,421
Money market and savings	4,157,968	4,204,851
Customer time deposits	1,343,934	1,469,811
Brokered and internet time deposits	150,361	150,822
Total deposits	10,468,002	10,548,287
Borrowings	360,944	390,964
Operating lease liabilities	61,932	67,643
Accrued expenses and other liabilities	143,696	142,622
Total liabilities	11,034,574	11,149,516
SHAREHOLDERS' EQUITY		
Common stock, $1 par value per share; 75,000,000 shares authorized; 46,642,958 and 46,848,934 shares issued and outstanding, respectively	46,643	46,849
Additional paid-in capital	855,391	864,258
Retained earnings	730,242	678,412
Accumulated other comprehensive loss, net	(131,774)	(134,725)
Total FB Financial Corporation common shareholders' equity	1,500,502	1,454,794
Noncontrolling interest	93	93
Total equity	1,500,595	1,454,887
Total liabilities and shareholders' equity	$ 12,535,169	$ 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest income:				
Interest and fees on loans	$ 155,379	$ 149,220	$ 310,985	$ 289,576
Interest on investment securities				
Taxable	11,966	6,480	21,071	13,050
Tax-exempt	1,168	1,808	2,610	3,612
Other	8,900	12,675	18,875	23,425
Total interest income	177,413	170,183	353,541	329,663
Interest expense:				
Deposits	71,501	65,257	144,126	118,120
Borrowings	3,297	3,383	7,310	6,340
Total interest expense	74,798	68,640	151,436	124,460
Net interest income	102,615	101,543	202,105	205,203
Provision for credit losses on loans HFI	3,940	2,575	5,792	7,572
Reversal of credit losses on unfunded commitments	(1,716)	(3,653)	(2,786)	(8,159)
Net interest income after provision for credit losses	100,391	102,621	199,099	205,790
Noninterest income:				
Mortgage banking income	11,910	12,232	24,495	24,318
Investment services and trust income	3,387	2,777	6,617	5,155
Service charges on deposit accounts	3,167	3,185	6,308	6,238
ATM and interchange fees	2,814	2,629	5,758	5,025
(Loss) gain from investment securities, net	—	(28)	(16,213)	41
(Loss) gain on sales or write-downs of other real estate owned and other assets	(281)	533	284	350
Other income	4,611	2,485	6,321	6,035
Total noninterest income	25,608	23,813	33,570	47,162
Noninterest expenses:				
Salaries, commissions and employee benefits	46,225	52,020	90,843	100,808
Occupancy and equipment expense	6,328	6,281	12,942	12,190
Data processing	2,286	2,345	4,694	4,458
Legal and professional fees	1,979	2,199	3,898	5,307
Advertising	1,859	2,001	3,030	4,134
Amortization of core deposit and other intangibles	752	940	1,541	1,930
Other expense	15,664	15,506	30,565	32,905
Total noninterest expense	75,093	81,292	147,513	161,732
Income before income taxes	50,906	45,142	85,156	91,220
Income tax expense	10,919	9,835	17,219	19,532
Net income applicable to FB Financial Corporation and noncontrolling interest	39,987	35,307	67,937	71,688
Net income applicable to noncontrolling interest	8	8	8	8
Net income applicable to FB Financial Corporation	$ 39,979	$ 35,299	$ 67,929	$ 71,680
Earnings per common share:				
Basic	$ 0.85	$ 0.75	$ 1.45	$ 1.53
Diluted	0.85	0.75	1.45	1.53

See the accompanying notes to the consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 39,987	$ 35,307	$ 67,937	$ 71,688
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) in available-for-sale securities, net of tax expense (benefit) of $485, $(4,890), $(2,947) and $2,169	905	(13,858)	(8,668)	6,206
Reclassification adjustment for loss on sale of securities included in net income, net of tax benefit of $—, $—, $4,225 and $—	—	—	11,988	—
Net unrealized (loss) gain in hedging activities, net of tax (benefit) expense of $(68), $6, $(130) and $(64)	(195)	17	(369)	(180)
Total other comprehensive income (loss), net of tax	710	(13,841)	2,951	6,026
Comprehensive income applicable to FB Financial Corporation and noncontrolling interest	40,697	21,466	70,888	77,714
Comprehensive income applicable to noncontrolling interest	8	8	8	8
Comprehensive income applicable to FB Financial Corporation	$ 40,689	$ 21,458	$ 70,880	$ 77,706

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries
Consolidated statements of changes in shareholders’ equity
(Unaudited)
(Amounts are in thousands except per share amounts)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss, net	Total common shareholders' equity	Noncontrolling interest	Total shareholders' equity
Balance at March 31, 2023:	$ 46,763	$ 856,628	$ 615,871	$ (149,566)	$ 1,369,696	$ 93	$ 1,369,789
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—	35,299	—	35,299	8	35,307
Other comprehensive income, net of taxes	—	—	—	(13,841)	(13,841)	—	(13,841)
Stock based compensation expense	5	3,243	—	—	3,248	—	3,248
Restricted stock units vested, net of taxes	23	(177)	—	—	(154)	—	(154)
Performance-based restricted stock units vested, net of taxes	8	(178)	—	—	(170)	—	(170)
Dividends declared and paid ($0.15 per share)	—	—	(7,127)	—	(7,127)	—	(7,127)
Noncontrolling interest distribution	—	—	—	—	—	(8)	(8)
Balance at June 30, 2023	$ 46,799	$ 859,516	$ 644,043	$ (163,407)	$ 1,386,951	$ 93	$ 1,387,044
Balance at March 31, 2024:	$ 46,897	$ 866,803	$ 698,310	$ (132,484)	$ 1,479,526	$ 93	$ 1,479,619
Net income attributable to FB Financial Corporation and noncontrolling interest	—	—	39,979	—	39,979	8	39,987
Other comprehensive income, net of taxes	—	—	—	710	710	—	710
Repurchase of common stock	(353)	(12,346)	—	—	(12,699)	—	(12,699)
Stock based compensation expense	3	2,087	—	—	2,090	—	2,090
Restricted stock units vested, net of taxes	91	(1,149)	—	—	(1,058)	—	(1,058)
Performance-based restricted stock units vested, net of taxes	5	(4)	—	—	1	—	1
Dividends declared and paid ($0.17 per share)	—	—	(8,047)	—	(8,047)	—	(8,047)
Noncontrolling interest distribution	—	—	—	—	—	(8)	(8)
Balance at June 30, 2024	$ 46,643	$ 855,391	$ 730,242	$ (131,774)	$ 1,500,502	$ 93	$ 1,500,595

See the accompanying notes to the consolidated financial statements.

FB Financial Corporation and subsidiaries
Consolidated statements of changes in shareholders' equity
(Unaudited)
(Amounts are in thousands except per share amounts)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss, net	Total common shareholders' equity	Noncontrolling interest	Total shareholders' 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	—	—	71,680	—	71,680	8	71,688
Other comprehensive income, net of taxes	—	—	—	6,026	6,026	—	6,026
Repurchase of common stock	(136)	(4,808)	—	—	(4,944)	—	(4,944)
Stock based compensation expense	6	5,527	—	—	5,533	—	5,533
Restricted stock units vested, net of taxes	115	(1,721)	—	—	(1,606)	—	(1,606)
Performance-based restricted stock units vested, net of taxes	68	(1,383)	—	—	(1,315)	—	(1,315)
Shares issued under employee stock purchase program	8	313	—	—	321	—	321
Dividends declared and paid ($0.30 per share)	—	—	(14,169)	—	(14,169)	—	(14,169)
Noncontrolling interest distribution	—	—	—	—	—	(8)	(8)
Balance at June 30, 2023:	$ 46,799	$ 859,516	$ 644,043	$ (163,407)	$ 1,386,951	$ 93	$ 1,387,044
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	—	—	67,929	—	67,929	8	67,937
Other comprehensive income, net of taxes	—	—	—	2,951	2,951	—	2,951
Repurchase of common stock	(353)	(12,346)	—	—	(12,699)	—	(12,699)
Stock based compensation expense	4	4,906	—	—	4,910	—	4,910
Restricted stock units vested, net of taxes	102	(1,441)	—	—	(1,339)	—	(1,339)
Performance-based restricted stock units vested, net of taxes	30	(374)	—	—	(344)	—	(344)
Shares issued under employee stock purchase program	11	388	—	—	399	—	399
Dividends declared and paid ($0.34 per share)	—	—	(16,099)	—	(16,099)	—	(16,099)
Noncontrolling interest distribution	—	—	—	—	—	(8)	(8)
Balance at June 30, 2024	$ 46,643	$ 855,391	$ 730,242	$ (131,774)	$ 1,500,502	$ 93	$ 1,500,595

See the accompanying notes to the consolidated financial statements.

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

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net income applicable to FB Financial Corporation and noncontrolling interest	$ 67,937	$ 71,688
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets and software	5,702	4,680
Amortization of core deposit and other intangibles	1,541	1,930
Amortization of issuance costs on subordinated debt	193	194
Capitalization of mortgage servicing rights	(2,649)	(4,061)
Net change in fair value of mortgage servicing rights	2,393	5,993
Stock-based compensation expense	4,910	5,533
Provision for credit losses on loans HFI	5,792	7,572
Reversal of credit losses on unfunded commitments	(2,786)	(8,159)
Provision for (reversal of) mortgage loan repurchases	125	(450)
Accretion of discounts and premiums on acquired loans, net	(548)	(305)
Amortization of premiums and discounts on securities, net	2,440	2,691
Loss (gain) from investment securities, net	16,213	(41)
Originations of loans held for sale	(595,813)	(641,962)
Proceeds from sale of loans held for sale	575,246	679,456
Gain on sale and change in fair value of loans held for sale	(17,209)	(17,495)
Net gain on write-downs of other real estate owned and other assets	(284)	(350)
Provision for deferred income taxes	(47)	2,629
Earnings on bank-owned life insurance	(2,911)	(983)
Changes in:		
Operating lease assets and liabilities, net	(539)	1,033
Other assets and interest receivable	(1,765)	(2,727)
Accrued expenses and other liabilities	8,950	(250)
Net cash provided by operating activities	66,891	106,616
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Sales	207,882	—
Maturities, prepayments and calls	134,236	58,415
Purchases	(366,579)	(905)
Net change in loans	94,773	(15,832)
Proceeds from sales of FHLB stock, net	1,160	18,375
Purchases of premises and equipment	(3,861)	(12,576)
Proceeds from the sale of premises and equipment	287	—
Proceeds from the sale of other real estate owned	1,434	5,155
Proceeds from the sale of other assets	550	775
Proceeds from bank-owned life insurance	—	236
Net cash provided by investing activities	69,882	53,643
Cash flows from financing activities:		
Net (decrease) increase in deposits	(84,782)	15,489
Net (decrease) increase in securities sold under agreements to repurchase and federal funds purchased	(31,963)	29,275
Net decrease in short-term FHLB advances	—	(50,000)
Share based compensation withholding payments	(1,683)	(2,921)
Net proceeds from sale of common stock under employee stock purchase program	399	321
Repurchase of common stock	(12,699)	(4,944)
Dividends paid on common stock	(15,916)	(14,011)
Dividend equivalent payments made upon vesting of equity compensation	(151)	(158)
Noncontrolling interest distribution	(8)	(8)
Net cash used in financing activities	(146,803)	(26,957)
Net change in cash and cash equivalents	(10,030)	133,302
Cash and cash equivalents at beginning of the period	810,932	1,027,052
Cash and cash equivalents at end of the period	$ 800,902	$ 1,160,354

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

	Six Months Ended June 30,	
	2024	**2023**
Supplemental cash flow information:		
Interest paid	$ 150,100	$ 116,211
Taxes paid, net	20,134	29,338
Supplemental noncash disclosures:		
Transfers from loans to other real estate owned	$ 2,400	$ 593
Transfers from loans to other assets	1,831	1,391
Transfers from loans to loans held for sale	167	10,545
Transfers from loans held for sale to loans	40	2,755
Loans provided for sales of other assets	416	424
Increase (decrease) in rebooked GNMA loans under optional repurchase program	1,125	(5,986)
Dividends declared not paid on restricted stock units and performance stock units	183	158
Right-of-use assets obtained in exchange for operating lease liabilities	—	3,477

See the accompanying notes to the consolidated financial statements.

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 June 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.

(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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Basic earnings per common share:				
Net income applicable to FB Financial Corporation	$ 39,979	$ 35,299	$ 67,929	$ 71,680
Dividends paid on and undistributed earnings allocated to participating securities	—	—	—	—
Earnings available to common shareholders	$ 39,979	$ 35,299	$ 67,929	$ 71,680
Weighted average basic shares outstanding	46,762,488	46,779,388	46,818,685	46,729,778
Basic earnings per common share	$ 0.85	$ 0.75	$ 1.45	$ 1.53
Diluted earnings per common share:				
Earnings available to common shareholders	$ 39,979	$ 35,299	$ 67,929	$ 71,680
Weighted average basic shares outstanding	46,762,488	46,779,388	46,818,685	46,729,778
Weighted average diluted shares contingently issuable[(1)]	82,655	35,466	92,781	47,825
Weighted average diluted shares outstanding	46,845,143	46,814,854	46,911,466	46,777,603
Diluted earnings per common share	$ 0.85	$ 0.75	$ 1.45	$ 1.53

[(1)] Excludes 36,507 and 2,412 restricted stock units outstanding considered to be antidilutive for the three and six months ended June 30, 2024 and 315,989 and 250,074 restricted stock units outstanding considered to be antidilutive for the three and six months ended June 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 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 June 30, 2024, but prior to the issuance of these financial statements that would have a material impact on the Company’s consolidated financial statements.

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

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 June 30, 2024 and December 31, 2023:

	June 30, 2024				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses on investments	Fair Value
Investment Securities					
AFS debt securities					
U.S. government agency securities	$ 428,514	$ 962	$ (868)	$ —	$ 428,608
Mortgage-backed securities - residential	1,021,125	439	(157,292)	—	864,272
Mortgage-backed securities - commercial	17,398	—	(1,295)	—	16,103
Municipal securities	194,050	33	(24,106)	—	169,977
Corporate securities	3,500	—	(81)	—	3,419
Total	$ 1,664,587	$ 1,434	$ (183,642)	$ —	$ 1,482,379

	December 31, 2023				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses on investments	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 June 30, 2024 and December 31, 2023, total accrued interest receivable on AFS debt securities was $6,549 and $7,212, respectively.

AFS debt securities pledged at June 30, 2024 and December 31, 2023 had carrying amounts of $869,623 and $929,546, respectively, and were pledged to secure a Federal Reserve line of credit, Bank Term Funding Program borrowings, public deposits and repurchase agreements.

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 June 30, 2024 and December 31, 2023, there were no trade date receivables nor payables that related to sales or purchases settled after period end.

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

The following tables show gross unrealized losses on AFS debt securities for which an allowance for credit losses has not been recorded at June 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:

						June 30, 2024
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
U.S. government agency securities	$ 191,125	$ (232)	$ 7,218	$ (636)	$ 198,343	$ (868)
Mortgage-backed securities - residential	—	—	754,282	(157,292)	754,282	(157,292)
Mortgage-backed securities - commercial	—	—	16,103	(1,295)	16,103	(1,295)
Municipal securities	31,931	(2,197)	132,733	(21,909)	164,664	(24,106)
Corporate securities	—	—	3,419	(81)	3,419	(81)
Total	$ 223,056	$ (2,429)	$ 913,755	$ (181,213)	$ 1,136,811	$ (183,642)

						December 31, 2023
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross 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 June 30, 2024 and December 31, 2023, the Company’s AFS debt securities portfolio consisted of 341 and 439 securities, 316 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 June 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 June 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 June 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.

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

The amortized cost and fair value of AFS debt securities by contractual maturity as of June 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.

	June 30, 2024		December 31, 2023	
	Available-for-sale		Available-for-sale	
	Amortized cost	Fair Value	Amortized cost	Fair Value
Due in one year or less	$ 3,188	$ 3,174	$ 64,776	$ 64,279
Due in one to five years	10,586	9,832	75,996	71,801
Due in five to ten years	157,552	156,768	51,162	49,630
Due in over ten years	454,738	432,230	391,270	372,331
	626,064	602,004	583,204	558,041
Mortgage-backed securities - residential	1,021,125	864,272	1,057,389	896,971
Mortgage-backed securities - commercial	17,398	16,103	18,186	16,961
Total AFS debt securities	$ 1,664,587	$ 1,482,379	$ 1,658,779	$ 1,471,973

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Proceeds from sales	$ —	$ —	$ 207,882	$ —
Proceeds from maturities, prepayments and calls	67,609	31,588	134,236	58,415
Gross realized gains	—	—	90	—
Gross realized losses	—	—	16,303	—

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 $27,150 and $25,191 at June 30, 2024 and December 31, 2023, respectively. Additionally, the Company had $33,030 and $34,190 of FHLB stock carried at cost at June 30, 2024 and December 31, 2023, respectively, included separately from the other equity securities discussed above.

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

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

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

	June 30, 2024	December 31, 2023
Commercial and industrial	$ 1,614,307	$ 1,720,733
Construction	1,200,123	1,397,313
Residential real estate:		
1-to-4 family mortgage	1,584,029	1,568,552
Residential line of credit	559,359	530,912
Multi-family mortgage	597,039	603,804
Commercial real estate:		
Owner-occupied	1,274,705	1,232,071
Non-owner occupied	2,035,102	1,943,525
Consumer and other	444,889	411,873
Gross loans	9,309,553	9,408,783
Less: Allowance for credit losses on loans HFI	(155,055)	(150,326)
Net loans	$ 9,154,498	$ 9,258,457

As of June 30, 2024 and December 31, 2023, $962,358 and $1,030,016, respectively, of qualifying residential mortgage loans (including loans held for sale) and $1,533,000 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 June 30, 2024 and December 31, 2023, qualifying commercial and industrial, construction and consumer loans, of $2,743,982 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 June 30, 2024 and December 31, 2023, accrued interest receivable on loans HFI amounted to $44,351 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.

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

The following tables present the credit quality of the Company's commercial type loan portfolio as of June 30, 2024 and December 31, 2023 and the gross charge-offs for the six months ended June 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 six months ended June 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial and industrial								
Pass	$ 54,634	$ 201,189	$ 169,826	$ 67,439	$ 34,393	$ 123,665	$ 901,459	$ 1,552,605
Special Mention	55	3,279	15,314	—	—	235	7,730	26,613
Classified	—	48	5,962	5,113	2,925	6,123	14,918	35,089
Total	54,689	204,516	191,102	72,552	37,318	130,023	924,107	1,614,307
Current-period gross charge-offs	—	—	—	24	16	7	22	69
Construction								
Pass	90,338	184,198	464,801	115,507	25,809	75,400	189,161	1,145,214
Special Mention	—	404	12,534	645	11	623	—	14,217
Classified	—	—	5,287	680	8,489	—	26,236	40,692
Total	90,338	184,602	482,622	116,832	34,309	76,023	215,397	1,200,123
Current-period gross charge-offs	—	—	—	—	—	—	92	92
Residential real estate:								
Multi-family mortgage								
Pass	5,217	6,085	206,098	235,467	52,784	70,920	19,434	596,005
Special Mention	—	—	—	—	—	—	—	—
Classified	—	—	—	—	—	1,034	—	1,034
Total	5,217	6,085	206,098	235,467	52,784	71,954	19,434	597,039
Current-period gross charge-offs	—	—	—	—	—	—	—	—
Commercial real estate:								
Owner occupied								
Pass	85,878	113,724	246,192	224,546	110,767	410,746	62,949	1,254,802
Special Mention	—	—	1,396	2,616	—	2,532	—	6,544
Classified	—	—	6,862	16	64	5,361	1,056	13,359
Total	85,878	113,724	254,450	227,178	110,831	418,639	64,005	1,274,705
Current-period gross charge-offs	—	—	—	—	—	—	—	—
Non-owner occupied								
Pass	46,629	43,016	546,369	467,839	120,570	720,971	41,761	1,987,155
Special Mention	—	—	5,341	3,955	—	19,486	—	28,782
Classified	—	—	—	996	—	18,169	—	19,165
Total	46,629	43,016	551,710	472,790	120,570	758,626	41,761	2,035,102
Current-period gross charge-offs	—	—	—	—	—	—	—	—
Total commercial loan types								
Pass	282,696	548,212	1,633,286	1,110,798	344,323	1,401,702	1,214,764	6,535,781
Special Mention	55	3,683	34,585	7,216	11	22,876	7,730	76,156
Classified	—	48	18,111	6,805	11,478	30,687	42,210	109,339
Total	$ 282,751	$ 551,943	$1,685,982	$1,124,819	$ 355,812	$1,455,265	$ 1,264,704	$ 6,721,276
Current-period gross charge-offs	$ —	$ —	$ —	$ 24	$ 16	$ 7	$ 114	$ 161

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

As of and for the year ended December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	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

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

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.

The following tables present the credit quality by classification (performing or nonperforming) of the Company's consumer type loan portfolio as of June 30, 2024 and December 31, 2023 and the gross charge-offs for the six months ended June 30, 2023 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 six months ended June 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Residential real estate:								
1-to-4 family mortgage								
Performing	$ 90,475	$ 178,755	$ 491,769	$ 383,927	$ 139,696	$ 281,077	$ —	$ 1,565,699
Nonperforming	—	146	4,001	3,686	3,026	7,471	—	18,330
Total	90,475	178,901	495,770	387,613	142,722	288,548	—	1,584,029
Current-period gross charge-offs	—	—	150	130	—	—	13	293
Residential line of credit								
Performing	—	—	—	—	—	—	557,386	557,386
Nonperforming	—	—	—	—	—	—	1,973	1,973
Total	—	—	—	—	—	—	559,359	559,359
Current-period gross charge-offs	—	—	—	—	—	—	20	20
Consumer and other								
Performing	61,846	103,413	83,702	40,625	31,828	110,286	1,366	433,066
Nonperforming	—	881	1,307	2,401	2,107	5,127	—	11,823
Total	61,846	104,294	85,009	43,026	33,935	115,413	1,366	444,889
Current-period gross charge-offs	515	368	123	164	46	150	—	1,366
Total consumer type loans								
Performing	152,321	282,168	575,471	424,552	171,524	391,363	558,752	2,556,151
Nonperforming	—	1,027	5,308	6,087	5,133	12,598	1,973	32,126
Total	$ 152,321	$ 283,195	$ 580,779	$ 430,639	$ 176,657	$ 403,961	$ 560,725	$ 2,588,277
Current-period gross charge-offs	$ 515	$ 368	$ 273	$ 294	$ 46	$ 150	$ 33	$ 1,679

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

As of and for the year ended December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
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

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

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

June 30, 2024	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
Commercial and industrial	$ 1,334	$ 65	$ 22,797	$ 1,590,111	$1,614,307
Construction	11,767	1,306	4,590	1,182,460	1,200,123
Residential real estate:					
1-to-4 family mortgage	23,244	11,643	6,687	1,542,455	1,584,029
Residential line of credit	2,282	1,738	235	555,104	559,359
Multi-family mortgage	—	—	29	597,010	597,039
Commercial real estate:					
Owner occupied	274	—	9,163	1,265,268	1,274,705
Non-owner occupied	3,512	—	3,147	2,028,443	2,035,102
Consumer and other	13,767	2,306	9,517	419,299	444,889
Total	$ 56,180	$ 17,058	$ 56,165	$ 9,180,150	$9,309,553

(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	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 June 30, 2024 and December 31, 2023 by class of financing receivable.

June 30, 2024	Nonaccrual with no related allowance	Nonaccrual with related allowance	Related allowance
Commercial and industrial	$ 9,109	$ 13,688	$ 8,941
Construction	2,753	1,837	270
Residential real estate:			
1-to-4 family mortgage	1,972	4,715	126
Residential line of credit	148	87	2
Multi-family mortgage	—	29	1
Commercial real estate:			
Owner occupied	7,684	1,479	287
Non-owner occupied	3,119	28	1
Consumer and other	—	9,517	493
Total	$ 24,785	$ 31,380	$ 10,121

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Commercial and industrial	$ 345	$ 28	$ 569	$ 48
Construction	79	46	140	52
Residential real estate:				
1-to-4 family mortgage	34	70	34	149
Residential line of credit	23	27	39	51
Multi-family mortgage	1	—	1	1
Commercial real estate:				
Owner occupied	75	39	124	97
Non-owner occupied	54	55	89	137
Consumer and other	—	143	—	316
Total	$ 611	$ 408	$ 996	$ 851

Accrued interest receivable written off as an adjustment to interest income amounted to $207 and $408 for the three and six months ended June 30, 2024, respectively, and $163 and $344 for the three and six months ended June 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.

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

Three Months Ended June 30, 2024	Term extension	Payment deferral and term extension	Interest rate reduction and term extension	Total	% of total class of financing receivables
Consumer and other	$ 18	$ —	$ 98	$ 116	— %
Total	$ 18	$ —	$ 98	$ 116	— %

Six Months Ended June 30, 2024	Term extension	Payment deferral and term extension	Interest rate reduction and term extension	Total	% of total class of financing receivables
Construction	$ —	$ 14,236	$ —	$ 14,236	1.2 %
Commercial real estate:					
Non-owner occupied	10,351	—	—	10,351	0.5 %
Consumer and other	40	—	98	138	— %
Total	$ 10,391	$ 14,236	$ 98	$ 24,725	0.3 %

During the three and six months ended June 30, 2023, the Company modified two residential mortgage loans in the form of term extensions for borrowers experiencing financial difficulties with balances totaling $141.

No financing receivables modified in the preceding twelve months had a payment default during the three and six months ended June 30, 2024. Defaults are defined as the earlier of the FDM being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments. At June 30, 2024 and December 31, 2023, the Company had no commitments to lend additional funds to borrowers whose loans were classified as an FDM.

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

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

Three Months Ended June 30, 2024	Weighted average term extension (in months)	Weighted average payment deferral (in months)	Weighted average interest rate reduction
Consumer and other	21	—	1.49%

Six Months Ended June 30, 2024	Weighted average term extension (in months)	Weighted average payment deferral (in months)	Weighted average interest rate reduction
Construction	6	3	—
Commercial real estate:			
Non-owner occupied	6	—	—
Consumer and other	25	—	1.49%

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 held for investment as of June 30, 2024 made to borrowers experiencing financial difficulty that were modified in the prior twelve months.

June 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
Construction	$ —	$ —	$ —	$ 14,236	$ 14,236
Residential real estate:					
1-to-4 family mortgage	—	—	24	—	24
Commercial real estate:					
Non-owner occupied	—	—	—	10,351	10,351
Consumer and other	—	—	—	138	138
Total	$ —	$ —	$ 24	$ 24,725	$ 24,749

(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.

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

	June 30, 2024				
	Type of Collateral				
	Real Estate	Farmland	Business Assets	Total	Individually assessed allowance for credit loss
Commercial and industrial	$ 82	$ 363	$ 21,687	$ 22,132	$ 8,870
Construction	23,041	1,653	—	24,694	567
Residential real estate:					
1-to-4 family mortgage	3,892	—	—	3,892	58
Residential line of credit	733	—	—	733	15
Multi-family mortgage	—	—	—	—	—
Commercial real estate:					
Owner occupied	1,426	7,142		8,568	258
Non-owner occupied	18,141	—	—	18,141	—
Total	$ 47,315	$ 9,158	$ 21,687	$ 78,160	$ 9,768

	December 31, 2023				
	Type of Collateral				
	Real Estate	Farmland	Business Assets	Total	Individually assessed allowance for credit loss
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 persistent high inflation on economic growth, potential negative economic forecasts, and other considerations. The increase in the allowance for credit losses on loans HFI as of June 30, 2024 compared with December 31, 2023 is primarily the result of expected deterioration in the CRE portfolio which was adjusted upward qualitatively to address risks not captured by the 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 June 30, 2024, all CRE asset classes are expected to be negatively impacted by slowing demand coupled with refinancing risk in the current rate environment.

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

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

	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total
Three Months Ended June 30, 2024									
Beginning balance - March 31, 2024	$ 17,272	$ 37,308	$ 26,128	$ 9,918	$ 8,973	$ 10,749	$ 23,949	$ 17,370	$ 151,667
Provision for (reversal of) credit losses on loans HFI	5,264	(3,138)	(214)	179	(163)	375	594	1,043	3,940
Recoveries of loans previously charged-off	20	—	10	—	—	188	—	143	361
Loans charged off	(26)	—	(293)	—	—	—	—	(594)	(913)
Ending balance - June 30, 2024	$ 22,530	$ 34,170	$ 25,631	$ 10,097	$ 8,810	$ 11,312	$ 24,543	$ 17,962	$ 155,055
Six Months Ended June 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	2,966	(1,110)	(647)	649	(32)	431	1,578	1,957	5,792
Recoveries of loans previously charged-off	34	—	66	—	—	228	—	449	777
Loans charged off	(69)	(92)	(293)	(20)	—	—	—	(1,366)	(1,840)
Ending balance - June 30, 2024	$ 22,530	$ 34,170	$ 25,631	$ 10,097	$ 8,810	$ 11,312	$ 24,543	$ 17,962	$ 155,055

	Commercial and industrial	Construction	1-to-4 family residential mortgage	Residential line of credit	Multi-family residential mortgage	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Consumer and other	Total
Three Months Ended June 30, 2023									
Beginning balance - March 31, 2023	$ 11,117	$ 41,025	$ 27,213	$ 9,034	$ 6,619	$ 7,952	$ 21,868	$ 13,981	$ 138,809
Provision for (reversal of) credit losses on loans HFI	192	(1,115)	185	151	209	643	1,009	1,301	2,575
Recoveries of loans previously charged-off	13	10	25	—	—	16	—	108	172
Loans charged off	(11)	—	(16)	—	—	(144)	—	(721)	(892)
Ending balance - June 30, 2023	$ 11,311	$ 39,920	$ 27,407	$ 9,185	$ 6,828	$ 8,467	$ 22,877	$ 14,669	$ 140,664
Six Months Ended June 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	182	102	1,258	1,691	338	746	961	2,294	7,572
Recoveries of loans previously charged-off	80	10	40	—	—	82	—	347	559
Loans charged off	(57)	—	(32)	—	—	(144)	—	(1,426)	(1,659)
Ending balance - June 30, 2023	$ 11,311	$ 39,920	$ 27,407	$ 9,185	$ 6,828	$ 8,467	$ 22,877	$ 14,669	$ 140,664

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

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 six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance at beginning of period	$ 3,613	$ 4,085	$ 3,192	$ 5,794
Transfers from loans	1,647	358	2,400	593
Proceeds from sale of other real estate owned	(1,045)	(3,124)	(1,434)	(5,155)
(Loss) gain on sale of other real estate owned	(42)	655	15	742
Balance at end of period	$ 4,173	$ 1,974	$ 4,173	$ 1,974

Included within the other real estate owned balance above, foreclosed residential real estate properties totaled $2,904 and $2,414 as of June 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 $1,919 and $3,377 as of June 30, 2024 and December 31, 2023, respectively.

Note (5)—Leases

As of June 30, 2024, the Company was the lessee in 45 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 June 30, 2024 and December 31, 2023:

	Classification	June 30, 2024	December 31, 2023
Right-of-use assets:			
Operating leases	Operating lease right-of-use assets	$ 49,123	$ 54,295
Finance leases	Premises and equipment, net	1,201	1,256
Total right-of-use assets		$ 50,324	$ 55,551
Lease liabilities:			
Operating leases	Operating lease liabilities	$ 61,932	$ 67,643
Finance leases	Borrowings	1,278	1,326
Total lease liabilities		$ 63,210	$ 68,969
Weighted average remaining lease term (in years) - operating		11.2	11.6
Weighted average remaining lease term (in years) - finance		10.9	11.4
Weighted average discount rate - operating		3.34 %	3.39 %
Weighted average discount rate - finance		1.76 %	1.76 %

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

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Classification	**2024**	**2023**	**2024**	**2023**
Operating lease costs:					
Amortization of right-of-use asset	Occupancy and equipment	$ 1,759	$ 2,307	$ 3,686	$ 4,122
Short-term lease cost	Occupancy and equipment	89	143	186	264
Variable lease cost	Occupancy and equipment	367	326	703	624
Gain on lease modifications and terminations	Occupancy and equipment	—	(1)	—	(73)
Finance lease costs:					
Interest on lease liabilities	Interest expense on borrowings	5	6	11	12
Amortization of right-of-use asset	Occupancy and equipment	27	27	55	55
Sublease income	Occupancy and equipment	(139)	(215)	(311)	(496)
Total lease cost		$ 2,108	$ 2,593	$ 4,330	$ 4,508

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 June 30, 2024 is as follows:

	Operating Leases	**Finance Lease**
Lease payments due:		
June 30, 2025	$ 4,175	$ 60
June 30, 2026	8,195	121
June 30, 2027	8,054	123
June 30, 2028	7,602	125
June 30, 2029	6,649	127
Thereafter	41,875	850
Total undiscounted future minimum lease payments	76,550	1,406
Less: imputed interest	(14,618)	(128)
Lease liabilities	$ 61,932	$ 1,278

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

Note (6)—Mortgage servicing rights

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Carrying value at beginning of period	$ 165,674	$ 164,879	$ 164,249	$ 168,365
Capitalization	1,518	2,273	2,649	4,061
Change in fair value:				
Due to payoffs/paydowns	(3,825)	(3,269)	(6,549)	(5,789)
Due to change in valuation inputs or assumptions	1,138	2,550	4,156	(204)
Carrying value at end of period	$ 164,505	$ 166,433	$ 164,505	$ 166,433

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 six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Servicing income	$ 7,316	$ 7,586	$ 14,663	$ 15,354
Change in fair value of mortgage servicing rights	(2,687)	(719)	(2,393)	(5,993)
Change in fair value of derivative hedging instruments	(1,649)	(3,503)	(4,984)	(1,636)
Servicing income	2,980	3,364	7,286	7,725
Servicing expenses	1,933	2,331	3,880	4,214
Net servicing income	$ 1,047	$ 1,033	$ 3,406	$ 3,511

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

	June 30, 2024	December 31, 2023
Unpaid principal balance of mortgage loans sold and serviced for others	$ 10,523,778	$ 10,762,906
Weighted-average prepayment speed (CPR)	6.03%	6.19%
Estimated impact on fair value of a 10% increase	$ (4,328)	$ (4,616)
Estimated impact on fair value of a 20% increase	$ (8,381)	$ (8,924)
Discount rate	10.3%	9.62%
Estimated impact on fair value of a 100 bp increase	$ (7,569)	$ (7,637)
Estimated impact on fair value of a 200 bp increase	$ (14,500)	$ (14,624)
Weighted-average coupon interest rate	3.54%	3.47%
Weighted-average servicing fee (basis points)	27	27
Weighted-average remaining maturity (in months)	335	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 June 30, 2024 and December 31, 2023, mortgage escrow deposits totaled $107,752 and $63,591, respectively.

(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 six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Federal taxes calculated at statutory rate	$ 10,691	21.0 %	$ 9,480	21.0 %	$ 17,883	21.0 %	$ 19,156	21.0 %
Increase (decrease) resulting from:								
State taxes, net of federal benefit	77	0.1 %	647	1.4 %	210	0.2 %	898	1.0 %
Expense from equity based compensation	21	— %	69	0.2 %	76	0.1 %	184	0.2 %
Municipal interest income, net of interest disallowance	(328)	(0.6)%	(451)	(1.0)%	(701)	(0.8)%	(907)	(1.0)%
Bank-owned life insurance	(521)	(1.0)%	(79)	(0.2)%	(611)	(0.7)%	(206)	(0.2)%
Section 162(m) limitation	44	0.1 %	103	0.2 %	204	0.2 %	230	0.2 %
Other	935	1.8 %	66	0.2 %	158	0.2 %	177	0.2 %
Income tax expense, as reported	$ 10,919	21.4 %	$ 9,835	21.8 %	$ 17,219	20.2 %	$ 19,532	21.4 %

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.

	June 30, 2024	December 31, 2023
Commitments to extend credit, excluding interest rate lock commitments	$ 2,722,677	$ 2,906,016
Letters of credit	87,329	77,055
Balance at end of period	$ 2,810,006	$ 2,983,071

As of June 30, 2024 and December 31, 2023, unfunded loan commitments included above with floating interest rates totaled $2,474,058 and $2,459,669, respectively.

As part of its 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.

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance at beginning of period	$ 7,700	$ 18,463	$ 8,770	$ 22,969
Reversal of credit losses on unfunded commitments	(1,716)	(3,653)	(2,786)	(8,159)
Balance at end of period	$ 5,984	$ 14,810	$ 5,984	$ 14,810

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

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 under the terms of the warranties. When this happens, the loans are recorded at fair value in loans HFI. The total principal amount of loans repurchased (or indemnified for) was $1,433 and $3,511 for the three and six months ended June 30, 2024, respectively and $1,371 and $4,697 for the three and six months ended June 30, 2023, respectively.

The Company maintains a reserve associated with potential repurchases of 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance at beginning of period	$ 930	$ 1,358	$ 899	$ 1,621
Provision for (reversal of) loan repurchases or indemnifications	75	(200)	125	(450)
Losses on loans repurchased or indemnified	(194)	(29)	(213)	(42)
Balance at end of period	$ 811	$ 1,129	$ 811	$ 1,129

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 June 30, 2024, the Company did not have any interest rate swaps that were designated as fair value hedges. 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 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.

During the six months ended June 30, 2024, the Company terminated interest rate swaps that were designated as fair value hedges on fixed rate money market deposits and the interest rate swaps covering subordinated debt 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 will be amortized into interest expense over the respective contract terms of the original hedges. 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.

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

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Designated fair value hedge:				
Interest expense on deposits	$ —	$ (1,769)	$ —	$ (3,277)
Interest expense on borrowings	—	(894)	(645)	(1,654)
Total	$ —	$ (2,663)	$ (645)	$ (4,931)

During the three and six months ended June 30, 2024, amortization expense totaling $1,752 and $3,595, respectively, related to the terminated fair value hedges was recognized as an increase to interest expense on deposits. As of June 30, 2024, the remaining fair value adjustment related to the terminated fair value hedges of $(993) is 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:

	December 31, 2023	
Line item on the balance sheet	Carrying amount of the hedged item	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.

The following presents a summary of the Company's designated cash flow hedges as of the dates presented:

	June 30, 2024			December 31, 2023		
	Notional Amount	Estimated fair value	Balance sheet location	Notional Amount	Estimated fair value	Balance sheet location
Interest rate swap agreements-subordinated debt	$ 9,000	$ 80	Other assets	$ 30,000	$ 579	Other assets

During the three months ended June 30, 2024, a cash flow hedge with a notional amount of $21,000 matured.

The Company's consolidated statements of income included gains of $275 and $522 for the three and six months ended June 30, 2024, respectively, and $232 and $429 for three and six months ended June 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.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Amount of (loss) gain recognized in other comprehensive income (loss), net of tax (benefit) expense of $(68), $6, $(130) and $(64)	$ (195)	$ 17	$ (369)	$ (180)

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.

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

			June 30, 2024
	Notional Amount	Asset	Liability
Interest rate contracts	$ 549,564	$ 34,935	$ 34,967
Forward commitments	201,000	191	—
Interest rate-lock commitments	108,694	1,380	—
Futures contracts	232,500	490	—
Total	$ 1,091,758	$ 36,996	$ 34,967

			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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Included in mortgage banking income:				
Interest rate lock commitments	$ (693)	$ (1,028)	$ 176	$ 179
Forward commitments	334	1,031	434	736
Futures contracts	(1,402)	(2,521)	(4,399)	(584)
Option contracts	—	(461)	—	(1,125)
Total	$ (1,761)	$ (2,979)	$ (3,789)	$ (794)

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:

				Gross amounts not offset on the consolidated balance sheets		
	Gross amounts recognized	Gross amounts offset on the consolidated balance sheets	Net amounts presented on the consolidated balance sheets	Financial instruments	Financial collateral pledged	Net Amount
June 30, 2024						
Derivative financial assets	$ 34,541	$ —	$ 34,541	$ 561	$ —	$ 33,980
Derivative financial liabilities	$ 10,066	$ —	$ 10,066	$ 561	$ 9,505	$ —
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 June 30, 2024 and December 31, 2023, the Company had collateral posted of $13,869 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.

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. GNMA optional repurchase loans recorded as held for sale loans are carried at their principal balance.
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.

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

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

At June 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
Recurring valuations:				
Financial assets:				
Available-for-sale securities:				
U.S. government agency securities	$ —	$ 428,608	$ —	$ 428,608
Mortgage-backed securities - residential	—	864,272	—	864,272
Mortgage-backed securities - commercial	—	16,103	—	16,103
Municipal securities	—	169,977	—	169,977
Corporate securities	—	3,419	—	3,419
Total securities	$ —	$ 1,482,379	$ —	$ 1,482,379
Loans held for sale, at fair value	$ —	$ 84,521	$ —	$ 84,521
Mortgage servicing rights	—	—	164,505	164,505
Derivatives	—	37,076	—	37,076
Financial Liabilities:				
Derivatives	—	34,967	—	34,967

At December 31, 2023	Quoted prices in active markets for identical assets (liabilities) (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Recurring valuations:				
Financial assets:				
Available-for-sale securities:				
U.S. government agency securities	$ —	$ 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

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

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

At June 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	$ —	$ —	$ 2,417	$ 2,417
Collateral-dependent net loans held for investment:				
Commercial and industrial	—	—	3,699	3,699
Construction	—	—	7,138	7,138
Residential real estate:				
1-4 family mortgage	—	—	499	499
Residential line of credit	—	—	570	570
Commercial real estate:				
Owner occupied	—	—	625	625
Total collateral-dependent loans	$ —	$ —	$ 12,531	$ 12,531

At December 31, 2023	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	$ —	$ —	$ 2,400	$ 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

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

Historically, the Company had a portfolio of acquired commercial loans. There were no such loans outstanding as of June 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 six months ended June 30, 2023:

	Three Months Ended June 30, 2023		
	Principal balance	Fair Value discount	Fair Value
Carrying value at beginning of period	$ 12,467	$ (2,957)	$ 9,510
Change in fair value:			
Pay-downs and pay-offs	(235)	—	(235)
Changes in valuation included in other noninterest income	—	(8)	(8)
Carrying value at end of period	$ 12,232	$ (2,965)	$ 9,267

	Six Months Ended June 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	—	902	902
Carrying value at end of period	$ 12,232	$ (2,965)	$ 9,267

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 six months ended June 30, 2024 and 2023 are detailed at Note 6, “Mortgage servicing rights.”

The following tables present information as of June 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:

June 30, 2024				
Financial instrument	Fair Value	Valuation technique	Significant unobservable inputs	Range of inputs
Collateral-dependent net loans held for investment	$ 12,531	Valuation of collateral	Discount for comparable sales	10%-82%
Other real estate owned	$ 2,417	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 June 30, 2024 and December 31, 2023, total amortized cost of collateral-dependent loans measured on a nonrecurring basis amounted to $22,301 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.

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

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:

	June 30, 2024	December 31, 2023
Loans held for sale under a fair value option:		
Mortgage loans held for sale	84,521	46,618
Loans held for sale not accounted for under a fair value option:		
Mortgage loans held for sale - guaranteed GNMA repurchase option	22,354	21,229
Total loans held for sale	$ 106,875	$ 67,847

Mortgage loans held for sale

Net gains of $353 and $556 resulting from fair value changes of mortgage loans were recorded in income during the three and six months ended June 30, 2024, respectively, compared to net losses of $129 and $179 during the three and six months ended June 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 $4 and a net gain of $1,817 for the three and six months ended June 30, 2024, respectively, compared to net gains of $874 and $453 during the three and six months ended June 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 June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Aggregate fair value	$ 84,521	$ 46,618
Aggregate unpaid principal balance	82,856	45,509
Difference	$ 1,665	$ 1,109

(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.

		Fair Value			
June 30, 2024	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Cash and cash equivalents	$ 800,902	$ 800,902	$ —	$ —	$ 800,902
Investment securities	1,482,379	—	1,482,379	—	1,482,379
Net loans held for investment	9,154,498	—	—	8,854,724	8,854,724
Loans held for sale, at fair value	84,521	—	84,521	—	84,521
Interest receivable	52,781	374	8,056	44,351	52,781
Mortgage servicing rights	164,505	—	—	164,505	164,505
Derivatives	37,076	—	37,076	—	37,076
Financial liabilities:					
Deposits:					
Without stated maturities	$ 8,973,707	$ 8,973,707	$ —	$ —	$ 8,973,707
With stated maturities	1,494,295	—	1,487,664	—	1,487,664
Securities sold under agreements to repurchase and federal funds purchased	76,801	76,801	—	—	76,801
Bank Term Funding Program	130,000	—	129,543	—	129,543
Subordinated debt, net	130,511	—	—	124,113	124,113
Interest payable	20,145	4,125	14,520	1,500	20,145
Derivatives	34,967	—	34,967	—	34,967

		Fair Value			
December 31, 2023	**Carrying amount**	**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

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

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.

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 six months ended June 30, 2024 and 2023.

Three Months Ended June 30, 2024	Banking[2]	Mortgage	Consolidated
Net interest income	$ 101,468	$ 1,147	$ 102,615
Provisions for (reversal of) credit losses	2,432	(208)	2,224
Mortgage banking income	—	16,246	16,246
Change in fair value of mortgage servicing rights, net of hedging[1]	—	(4,336)	(4,336)
Other noninterest income	13,477	221	13,698
Depreciation and amortization	2,745	116	2,861
Amortization of intangibles	752	—	752
Other noninterest mortgage banking expense	—	—	—
Other noninterest expense	58,832	12,648	71,480
Income before income taxes	$ 50,184	$ 722	$ 50,906
Income tax expense			10,919
Net income applicable to FB Financial Corporation and noncontrolling interest			39,987
Net income applicable to noncontrolling interest[2]			8
Net income applicable to FB Financial Corporation			$ 39,979
Total assets	$ 11,947,550	$ 587,619	$ 12,535,169
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.

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

Three Months Ended June 30, 2023	Banking[2]	Mortgage	Consolidated
Net interest income	$ 99,909	$ 1,634	$ 101,543
(Reversals of) provisions for credit losses	(1,149)	71	(1,078)
Mortgage banking income	—	16,454	16,454
Change in fair value of mortgage servicing rights, net of hedging[1]	—	(4,222)	(4,222)
Other noninterest income	11,480	101	11,581
Depreciation and amortization	2,220	232	2,452
Amortization of intangibles	940	—	940
Other noninterest mortgage banking expense	—	—	—
Other noninterest expense	63,048	14,852	77,900
Income before income taxes	$ 46,330	$ (1,188)	$ 45,142
Income tax expense			9,835
Net income applicable to FB Financial Corporation and noncontrolling interest			35,307
Net income applicable to noncontrolling interest[2]			8
Net income applicable to FB Financial Corporation			$ 35,299
Total assets	$ 12,307,231	$ 580,164	$ 12,887,395
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.

Six Months Ended June 30, 2024	Banking[2]	Mortgage	Consolidated
Net interest income	$ 200,205	$ 1,900	$ 202,105
Provisions for (reversal of) credit losses	3,270	(264)	3,006
Mortgage banking income	—	31,872	31,872
Change in fair value of mortgage servicing rights, net of hedging[1]	—	(7,377)	(7,377)
Other noninterest income	8,683	392	9,075
Depreciation and amortization	5,453	249	5,702
Amortization of intangibles	1,541	—	1,541
Other noninterest expense	115,679	24,591	140,270
Income before income taxes	$ 82,945	$ 2,211	$ 85,156
Income tax expense			17,219
Net income applicable to FB Financial Corporation and noncontrolling interest			67,937
Net income applicable to noncontrolling interest[2]			8
Net income applicable to FB Financial Corporation			$ 67,929
Total assets	$ 11,947,550	$ 587,619	$ 12,535,169
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.

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

Six Months Ended June 30, 2023	Banking[2]	Mortgage	Consolidated
Net interest income	$ 202,179	$ 3,024	$ 205,203
(Reversals of) provisions for credit losses	(937)	350	(587)
Mortgage banking income	—	31,947	31,947
Change in fair value of mortgage servicing rights, net of hedging[1]	—	(7,629)	(7,629)
Other noninterest income (loss)	22,973	(129)	22,844
Depreciation and amortization	4,269	411	4,680
Amortization of intangibles	1,930	—	1,930
Other noninterest expense	126,761	28,361	155,122
Income before income taxes	$ 93,129	$ (1,909)	$ 91,220
Income tax expense			19,532
Net income applicable to FB Financial Corporation and noncontrolling interest			71,688
Net income applicable to noncontrolling interest[2]			8
Net income applicable to FB Financial Corporation			$ 71,680
Total assets	$ 12,307,231	$ 580,164	$ 12,887,395
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 June 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 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.

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

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

June 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	$ 1,679,585	15.1 %	$ 1,164,673	10.5 %	N/A	N/A
FirstBank	1,644,189	14.9 %	1,161,246	10.5 %	$ 1,105,949	10.0 %
Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	$ 1,441,166	13.0 %	$ 942,830	8.5 %	N/A	N/A
FirstBank	1,406,173	12.7 %	940,056	8.5 %	$ 884,759	8.0 %
Common Equity Tier 1 Capital (to risk-weighted assets)						
FB Financial Corporation	$ 1,411,166	12.7 %	$ 776,449	7.0 %	N/A	N/A
FirstBank	1,406,173	12.7 %	774,164	7.0 %	$ 718,867	6.5 %
Tier 1 Capital (to average assets)						
FB Financial Corporation	$ 1,441,166	11.7 %	$ 491,874	4.0 %	N/A	N/A
FirstBank	1,406,173	11.5 %	491,198	4.0 %	$ 613,998	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 %

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 six months ended June 30, 2024:

	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance at beginning of period (unvested)	323,520	$ 37.52
Granted	172,724	35.78
Vested	(138,211)	38.27
Forfeited	(7,092)	37.71
Balance at end of period (unvested)	350,941	$ 36.37

The total fair value of RSUs vested and released was $4,621 and $5,289 for the three and six months ended June 30, 2024, respectively, and $1,802 and $6,393 for the three and six months ended June 30, 2023, respectively.

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

The compensation cost related to these grants and vesting of RSUs was $1,291 and $3,997 for the three and six months ended June 30, 2024, respectively, and $2,188 and $3,894 for the three and six months ended June 30, 2023, respectively. This includes amounts paid related to director grants and compensation elected to be settled in stock amounting to $148 and $347 during the three and six months ended June 30, 2024, respectively, and $272 and $447 for the three and six months ended June 30, 2023, respectively.

As of June 30, 2024, there was $9,530 of total unrecognized compensation cost related to unvested RSUs which is expected to be recognized over a weighted-average period of 1.97 years. Additionally, as of June 30, 2024, there were 1,360,392 shares available for issuance under the Company's stock compensation plans. As of June 30, 2024 and December 31, 2023, there was $244 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 non-GAAP 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.

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

	Performance Stock Units Outstanding[(1)]	Weighted Average Grant Date Fair Value
Balance at beginning of period (unvested)	176,163	$ 40.86
Granted	97,738	35.60
Performance adjustment [(2)]	(9,778)	42.54
Vested	(40,071)	42.71
Forfeited or expired	(2,133)	39.30
Balance at end of period (unvested)	221,919	$ 38.08

[(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 June 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	97,316

The Company recorded compensation cost of $799 and $913 for the for the three and six months ended June 30, 2024, respectively, and $1,060 and $1,639 for the three and six months ended June 30, 2023, respectively. As of June 30, 2024, maximum unrecognized compensation cost at 200% payout related to the unvested PSUs was $13,897, and the weighted average remaining performance period over which the cost could be recognized was 2.18 years. As of June 30, 2024 and December 31, 2023, there was $141 and $85, respectively, accrued in other liabilities related to dividend equivalent units declared to be paid upon vesting and distribution of the underlying PSUs.

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

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 no shares issued under the ESPP during the three months ended June 30, 2024 or 2023. There were 10,606 and 8,214 shares of common stock issued under the ESPP with proceeds from employee payroll withholdings of $388 and $305, during the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024, there were 2,283,620 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		2,332
Change in related party status		—
Repayments		(21,725)
Loans outstanding at June 30, 2024	$	29,680

Unfunded commitments to management, executive officers, the directors, and significant shareholders and their related interests totaled $23,850 and $44,206 at June 30, 2024 and December 31, 2023, respectively.

Deposits

The Bank held deposits from related parties totaling $219,872 and $316,141 as of June 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 $121 and $211 for the three and six months ended June 30, 2024, respectively, and $103 and $193 for the three and six months ended June 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 $19 and $43 during the three and six months ended June 30, 2024, respectively, and $4 and $11 during the three and six months ended June 30, 2023, respectively, under these agreements.

Equity investment in preferred stock and master loan purchase agreement

The Company holds preferred stock of a privately held entity which originates manufactured housing loans through utilization of its proprietary developed technology. In connection with this investment, an executive officer of the Company serves on its board of directors. This investment is included in other assets on the consolidated balance sheets with a carrying amount of $10,000 as of both June 30, 2024 and December 31, 2023, and is being accounted for as an equity security without readily determinable market value. 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 $17,581 and $26,806 of loans for the three and six months ended June 30, 2024, respectively, and purchased $6,449 of loans for both the three and six months ended June 30, 2023. As of June 30, 2024 and December 31, 2023, the amortized cost of these loans HFI amounted to $57,885 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 June 30, 2024 and December 31, 2023, and our results of operations for the three and six months ended June 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.

(dollars in thousands, except share data)	As of or for the three months ended June 30, 2024	As of or for the three months ended June 30, 2023	As of or for the six months ended June 30, 2024	As of or for the six months ended June 30, 2023	As of or for the year-ended December 31, 2023
Selected Balance Sheet Data					
Cash and cash equivalents	$ 800,902	$ 1,160,354	$ 800,902	$ 1,160,354	$ 810,932
Investment securities, at fair value	1,482,379	1,422,391	1,482,379	1,422,391	1,471,973
Loans held for sale	106,875	99,131	106,875	99,131	67,847
Loans HFI	9,309,553	9,326,024	9,309,553	9,326,024	9,408,783
Allowance for credit losses on loans HFI	(155,055)	(140,664)	(155,055)	(140,664)	(150,326)
Total assets	12,535,169	12,887,395	12,535,169	12,887,395	12,604,403
Interest-bearing deposits (non-brokered)	8,130,704	8,233,082	8,130,704	8,233,082	8,179,430
Brokered deposits	150,113	238,885	150,113	238,885	150,475
Noninterest-bearing deposits	2,187,185	2,400,288	2,187,185	2,400,288	2,218,382
Total deposits	10,468,002	10,872,255	10,468,002	10,872,255	10,548,287
Borrowings	360,944	390,354	360,944	390,354	390,964
Allowance for credit losses on unfunded commitments	(5,984)	(14,810)	(5,984)	(14,810)	8,770
Total common shareholders' equity	1,500,502	1,386,951	1,500,502	1,386,951	1,454,794
Selected Statement of Income Data					
Total interest income	$ 177,413	$ 170,183	$ 353,541	$ 329,663	$ 678,410
Total interest expense	74,798	68,640	151,436	124,460	271,193
Net interest income	102,615	101,543	202,105	205,203	407,217
Provisions for (reversals of) credit losses	2,224	(1,078)	3,006	(587)	2,539
Total noninterest income	25,608	23,813	33,570	47,162	70,543
Total noninterest expense	75,093	81,292	147,513	161,732	324,929
Income before income taxes	50,906	45,142	85,156	91,220	150,292
Income tax expense	10,919	9,835	17,219	19,532	30,052
Net income applicable to noncontrolling interest	8	8	8	8	16
Net income applicable to FB Financial Corporation	$ 39,979	$ 35,299	$ 67,929	$ 71,680	$ 120,224
Net interest income (tax-equivalent basis)	$ 103,254	$ 102,383	$ 203,453	$ 206,876	$ 410,562
Per Common Share					
Basic net income	$ 0.85	$ 0.75	$ 1.45	$ 1.53	$ 2.57
Diluted net income	0.85	0.75	1.45	1.53	2.57
Book value(1)	32.17	29.64	32.17	29.64	31.05
Tangible book value(2)	26.82	24.23	26.82	24.23	25.69
Cash dividends declared	0.17	0.15	0.34	0.30	0.60
Selected Ratios					
Return on average:					
Assets(3)	1.30 %	1.10 %	1.09 %	1.13 %	0.95 %
Common shareholders' equity(3)	10.9 %	10.3 %	9.31 %	10.6 %	8.74 %
Tangible common equity(2)	13.1 %	12.6 %	11.2 %	13.1 %	10.7 %
Efficiency ratio	58.6 %	64.8 %	62.6 %	64.1 %	68.0 %
Core efficiency ratio (tax-equivalent basis)(2)	58.3 %	63.5 %	58.2 %	63.5 %	62.9 %
Loans HFI to deposit ratio	88.9 %	85.8 %	88.9 %	85.8 %	89.2 %
Noninterest-bearing deposits to total deposits	20.9 %	22.1 %	20.9 %	22.1 %	21.0 %
Net interest margin (tax-equivalent basis)	3.57 %	3.40 %	3.49 %	3.45 %	3.44 %
Yield on interest-earning assets	6.16 %	5.67 %	6.09 %	5.53 %	5.72 %
Cost of interest-bearing liabilities	3.56 %	3.14 %	3.56 %	2.88 %	3.16 %
Cost of total deposits	2.77 %	2.38 %	2.76 %	2.16 %	2.39 %

	As of or for the three months ended		As of or for the three months ended		As of or for the year ended
		June 30,		June 30,	December 31,
	2024	2023	2024	2023	2023
Credit Quality Ratios					
Allowance for credit losses on loans HFI as a percentage of loans HFI	1.67 %	1.51 %	1.67 %	1.51 %	1.60 %
Annualized net charge-offs as a percentage of average loans HFI	(0.02)%	(0.03)%	(0.02)%	(0.02)%	(0.01)%
Nonperforming loans HFI as a percentage of loans HFI	0.79 %	0.47 %	0.79 %	0.47 %	0.65 %
Nonperforming assets as a percentage of total assets(4)	0.81 %	0.59 %	0.81 %	0.59 %	0.69 %
Capital Ratios (Company)					
Total common shareholders' equity to assets	12.0 %	10.8 %	12.0 %	10.8 %	11.5 %
Tangible common equity to tangible assets(2)	10.2 %	8.98 %	10.2 %	8.98 %	9.74 %
Tier 1 leverage	11.7 %	10.7 %	11.7 %	10.7 %	11.3 %
Tier 1 risk-based capital	13.0 %	11.9 %	13.0 %	11.9 %	12.5 %
Total risk-based capital	15.1 %	13.9 %	15.1 %	13.9 %	14.5 %
Common Equity Tier 1	12.7 %	11.7 %	12.7 %	11.7 %	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 for that period by our average assets or average equity for the same period.
(4) Includes $22,354, $20,225 and $21,229 of optional rights to repurchase delinquent GNMA loans as of June 30, 2024, June 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:

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
(dollars in thousands)	2024	2023	2024	2023	2023
Core efficiency ratio (tax-equivalent basis)					
Total noninterest expense	$ 75,093	$ 81,292	$ 147,513	$ 161,732	$ 324,929
Less early retirement and severance costs	1,015	1,426	1,015	1,426	8,449
Less (gain) loss on lease terminations	—	(1)	—	(73)	1,770
Less FDIC special assessment	—	—	500	—	1,788
Core noninterest expense	$ 74,078	$ 79,867	$ 145,998	$ 160,379	$ 312,922
Net interest income	$ 102,615	$ 101,543	$ 202,105	$ 205,203	$ 407,217
Net interest income (tax-equivalent basis)	103,254	102,383	203,453	206,876	410,562
Total noninterest income	25,608	23,813	33,570	47,162	70,543
Less (loss) gain from securities, net	—	(28)	(16,213)	41	(13,973)
Less (loss) gain on sales or write-downs of other real estate owned and other assets	(281)	533	284	350	(27)
Less cash life insurance benefit	2,057	—	2,057	—	—
Less (loss) gain on change in fair value of commercial loans held for sale acquired in previous business combination	—	(8)	—	902	(2,114)
Core noninterest income	$ 23,832	$ 23,316	$ 47,442	$ 45,869	$ 86,657
Total revenue	$ 128,223	$ 125,356	$ 235,675	$ 252,365	$ 477,760
Core revenue (tax-equivalent basis)	$ 127,086	$ 125,699	$ 250,895	$ 252,745	$ 497,219
Efficiency ratio	58.6 %	64.8 %	62.6 %	64.1 %	68.0 %
Core efficiency ratio (tax-equivalent basis)	58.3 %	63.5 %	58.2 %	63.5 %	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:

		June 30,	December 31,
(dollars in thousands, except share data)	**2024**	**2023**	**2023**
Tangible assets			
Total assets	$ 12,535,169	$ 12,887,395	$ 12,604,403
Adjustments:			
Goodwill	(242,561)	(242,561)	(242,561)
Intangibles, net	(7,168)	(10,438)	(8,709)
Tangible assets	$ 12,285,440	$ 12,634,396	$ 12,353,133
Tangible common equity			
Total common shareholders' equity	$ 1,500,502	$ 1,386,951	$ 1,454,794
Adjustments:			
Goodwill	(242,561)	(242,561)	(242,561)
Intangibles, net	(7,168)	(10,438)	(8,709)
Tangible common equity	$ 1,250,773	$ 1,133,952	$ 1,203,524
Common shares outstanding	46,642,958	46,798,751	46,848,934
Book value per common share	$ 32.17	$ 29.64	$ 31.05
Tangible book value per common share	$ 26.82	$ 24.23	$ 25.69
Total common shareholders' equity to total assets	12.0 %	10.8 %	11.5 %
Tangible common equity to tangible assets	10.2 %	8.98 %	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:

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**	**2023**
Return on average tangible common equity					
Total average common shareholders' equity	$ 1,473,281	$ 1,376,818	$ 1,467,007	$ 1,360,108	$ 1,374,831
Adjustments:					
Average goodwill	(242,561)	(242,561)	(242,561)	(242,561)	(242,561)
Average intangibles, net	(7,525)	(10,913)	(7,912)	(11,385)	(10,472)
Average tangible common equity	$ 1,223,195	$ 1,123,344	$ 1,216,534	$ 1,106,162	$ 1,121,798
Net income applicable to FB Financial Corporation	$ 39,979	$ 35,299	$ 67,929	$ 71,680	$ 120,224
Return on average common shareholders' equity	10.9 %	10.3 %	9.31 %	10.6 %	8.74 %
Return on average tangible common equity	13.1 %	12.6 %	11.2 %	13.1 %	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 June 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 June 30, 2024 compared to three months ended June 30, 2023

Our net income increased during the three months ended June 30, 2024 to $40.0 million from $35.3 million for the three months ended June 30, 2023. Diluted earnings per common share were $0.85 and $0.75 for the three months ended June 30, 2024 and 2023, respectively. Our net income represented a ROAA of 1.30% and 1.10% for the three months ended June 30, 2024 and 2023, respectively, and a ROAE of 10.9% and 10.3% for the same periods. Our ROATCE for the three months ended June 30, 2024 and 2023 were 13.1% and 12.6%, 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 June 30, 2024, our net interest income increased to $102.6 million compared with $101.5 million in the three months ended June 30, 2023. Our net interest margin, on a tax-equivalent basis, increased to 3.57% for the three months ended June 30, 2024 as compared to 3.40% for the three months ended June 30, 2023. The increase in net interest margin was primarily driven by higher interest rates mostly offset by the decreases in our volume of interest-earning assets and interest-bearing liabilities.

Noninterest income for the three months ended June 30, 2024 increased by $1.8 million to $25.6 million, up from $23.8 million for the three months ended June 30, 2023. The increase was primarily due to a $2.1 million cash life insurance benefit during the three months ended June 30, 2024.

Noninterest expense decreased to $75.1 million for the three months ended June 30, 2024, compared with $81.3 million for the three months ended June 30, 2023. The decrease in noninterest expense is due to decreases in salaries, commissions and employee benefits of $5.8 million primarily related to the Company's efficiency and scalability initiatives and updated methodology of deferrals for loan fees and loan origination expenses.

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Our net income decreased during the six months ended June 30, 2024 to $67.9 million from $71.7 million for the six months ended June 30, 2023. Diluted earnings per common share were $1.45 and $1.53 for the six months ended June 30, 2024 and 2023, respectively. Our net income represented a ROAA of 1.09% and 1.13% for the six months ended June 30, 2024 and 2023, respectively, and a ROAE of 9.31% and 10.6% for the same periods. Our ROATCE for the six months ended June 30, 2024 and 2023 were 11.2% and 13.1%, 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 six months ended June 30, 2024, our net interest income decreased to $202.1 million from $205.2 million for the six months ended June 30, 2023. Our net interest margin, on a tax-equivalent basis, increased to 3.49% for the six months ended June 30, 2024 as compared to 3.45% for the six months ended June 30, 2023. The increase in net interest margin was primarily driven by higher interest rates, which impacted both interest-earnings assets and interest-bearing liabilities, partially offset by a decrease in volume of our interest-earnings assets.

Noninterest income for the six months ended June 30, 2024 decreased by $13.6 million to $33.6 million, down from $47.2 million for the six months ended June 30, 2023. The decrease in noninterest income was primarily due to a $16.2 million net loss on investment securities primarily related to the sale of $207.9 million of available-for-sale securities. Refer to the section “Other earnings assets” for additional information on the sale of the available-for sale securities. The decrease was partially offset by a $1.5 million increase in investment services and trust income during the six months ended June 30, 2024.

Noninterest expense decreased to $147.5 million for the six months ended June 30, 2024, compared with $161.7 million for the six months ended June 30, 2023. The decrease in noninterest expense is due to decreases in salaries, commissions and employee benefits of $10.0 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 legal and professional expenses, advertising 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 June 30, 2024 compared to three months ended June 30, 2023

Income before taxes from the Banking segment increased for the three months ended June 30, 2024 to $50.2 million, compared to $46.3 million for the three months ended June 30, 2023. Net interest income increased by $1.6 million to $101.5 million during the three months ended June 30, 2024 compared to $99.9 million during the three months ended June 30, 2023. Provisions for credit losses on loans HFI and unfunded loan commitments resulted in $2.4 million of provision expense during the three months ended June 30, 2024 compared to a reversal of $1.1 million of provision expense during the three months ended June 30, 2023. Noninterest income increased to $13.5 million in the three months ended June 30, 2024 as compared to $11.5 million in the three months ended June 30, 2023 due to a $2.1 million cash life insurance benefit during the three months ended June 30, 2024. Noninterest expense decreased to $62.3 million for three months ended June 30, 2024 compared to $66.2 million for the three months ended June 30, 2023 due primarily to a decrease in salaries associated with our efficiency and scalability initiatives.

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Income before taxes from the Banking segment decreased for the six months ended June 30, 2024 to $82.9 million, compared to $93.1 million for the six months ended June 30, 2023. Net interest income decreased by $2.0 million to $200.2 million during the six months ended June 30, 2024 compared to $202.2 million during the six months ended June 30, 2023. Provisions for credit losses on loans HFI and unfunded loan commitments resulted in $3.3 million of provision expense during the six months ended June 30, 2024 compared to a reversal of $0.9 million of provision expense during the six months ended June 30, 2023. Noninterest income decreased to $8.7 million in the six months ended June 30, 2024 as compared to $23.0 million in the six months ended June 30, 2023. This decrease includes a net loss on investment securities of $16.2 million primarily associated with the sale of $207.9 million available-for-sale securities during the six months ended June 30, 2024 compared with a net gain on investment securities of $41 thousand for the six months ended June 30, 2023. Noninterest expense decreased to $122.7 million for six months ended June 30, 2024 compared to $133.0 million for the six months ended June 30, 2023 due to decreases in salaries, legal and professional fees, advertising and franchise tax expense.

Mortgage

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

Activity in our Mortgage segment resulted in a pre-tax net contribution of $0.7 million for the three months ended June 30, 2024 compared to a $1.2 million pre-tax net loss for the three months ended June 30, 2023. Net interest income was $1.1 million for the three months ended June 30, 2024 and $1.6 million for the three months ended June 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 three months ended June 30, 2024 compared to $0.1 million of provision expense during the three months ended June 30, 2023. Mortgage banking income decreased $0.3 million to $11.9 million during the three months ended June 30, 2024 compared to $12.2 million for the three months ended June 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 of the IRLCs. This is subsequently adjusted for changes in the overall interest rate environment offset by derivative contracts entered into to mitigate the interest rate exposure. Upon sale of the loan, the net fair value gain is reclassified as a realized gain on sale.

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

	Three Months Ended June 30,	
(dollars in thousands)	**2024**	**2023**
Mortgage banking income		
Gains and fees from origination and sale of mortgage loans held for sale	$ 8,934	$ 7,994
Net change in fair value of loans held for sale and derivatives	(4)	874
Change in fair value on MSRs, net of hedging	(4,336)	(4,222)
Mortgage servicing income	7,316	7,586
Total mortgage banking income	$ 11,910	$ 12,232
Interest rate lock commitment volume	$ 385,197	$ 402,951
Interest rate lock commitment volume by purpose (%):		
Purchase	87.2 %	88.8 %
Refinance	12.8 %	11.2 %
Mortgage sales	$ 315,044	$ 330,326
Mortgage sale margin	2.84 %	2.42 %
Closing volume	$ 337,461	$ 346,202
Outstanding principal balance of mortgage loans serviced	$ 10,523,778	$ 10,961,516

Noninterest expense for the three months ended June 30, 2024 and 2023 was $12.8 million and $15.1 million, respectively. This decrease is reflective of a decrease in salaries associated with our efficiency and scalability initiatives.

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Activity in our Mortgage segment resulted in a pre-tax net contribution of $2.2 million for the six months ended June 30, 2024 compared to a $1.9 million pre-tax net loss for the six months ended June 30, 2023. Net interest income was $1.9 million for the six months ended June 30, 2024 compared to $3.0 million for the six months ended June 30, 2023. Provisions for credit losses on loans HFI and unfunded loan commitments resulted in a reversal of $0.3 million of provision expense during the six months ended June 30, 2024 compared to $0.4 million of provision expense during the six months ended June 30, 2023. Mortgage banking income increased $0.2 million to $24.5 million during the six months ended June 30, 2024 compared to $24.3 million for the six months ended June 30, 2023.

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

	Six Months Ended June 30,	
(dollars in thousands)	**2024**	**2023**
Mortgage banking income		
Gains and fees from origination and sale of mortgage loans held for sale	$ 15,392	$ 16,140
Net change in fair value of loans held for sale and derivatives	1,817	453
Change in fair value on MSRs, net of hedging	(7,377)	(7,629)
Mortgage servicing income	14,663	15,354
Total mortgage banking income	$ 24,495	$ 24,318
Interest rate lock commitment volume	$ 762,363	$ 777,993
Interest rate lock commitment volume by purpose (%):		
Purchase	86.0 %	87.6 %
Refinance	14.0 %	12.4 %
Mortgage sales	$ 558,505	$ 662,633
Mortgage sale margin	2.76 %	2.44 %
Closing volume	$ 595,813	$ 641,962
Outstanding principal balance of mortgage loans serviced	$ 10,523,778	$ 10,961,516

Noninterest expense for the six months ended June 30, 2024 and 2023 was $24.8 million and $28.8 million, respectively. This decrease is reflective of a decrease in salaries 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 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 six months ended June 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 six months ended June 30, 2024, the U.S. Treasury yield curve became less inverted as long-term note and bond rates increased at a faster pace than shorter-term note rates. The curve remained inverted as of June 30, 2024, which is in contrast to the more normalized upward sloping U.S. Treasury yield curve exhibited during the three and six months ended June 30, 2023. The Federal Funds Target Rate range was 5.25% - 5.50% as of both June 30, 2024 and December 31, 2023. The target range for the federal funds rate has remained at 5.25% to 5.50% since the Federal Open Market Committee's July 26, 2023 meeting.

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

Net interest income increased to $103.3 million for the three months ended June 30, 2024 as compared to $102.4 million for the three months ended June 30, 2023. The change in net interest income was driven by a $7.0 million increase in interest income mostly offset by an increase in interest expense of $6.2 million. Further discussion of the changes to interest income and expense are discussed below.

Interest income was $178.1 million for the three months ended June 30, 2024, compared to $171.0 million for the three months ended June 30, 2023, an increase of $7.0 million, which was primarily driven by an increase in yields on loans HFI and taxable investment securities, partially offset by a decrease in average interest-bearing deposits with other financial institutions and loans HFI.

Interest income on loans HFI increased $5.8 million to $154.2 million for the three months ended June 30, 2024 from $148.4 million for the three months ended June 30, 2023 primarily due to higher yields. The yield on loans HFI was 6.70% for the three months ended June 30, 2024, up 36 basis points from the three months ended June 30, 2023.

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

	Three Months Ended June 30,			
	2024		2023	
(dollars in thousands)	Interest income	Average yield	Interest income	Average yield
Loan HFI yield components:				
Contractual interest rate on loans HFI[(1)]	$ 152,037	6.60 %	$ 144,322	6.16 %
Origination and other loan fee income	1,291	0.06 %	3,907	0.17 %
Accretion on purchased loans	161	0.01 %	(14)	— %
Nonaccrual interest collections	737	0.03 %	200	0.01 %
Total loan HFI yield	$ 154,226	6.70 %	$ 148,415	6.34 %

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

Origination and other loan fees impacted our NIM by 4 basis points and 13 basis points for the three months ended June 30, 2024 and 2023, respectively. The decrease was primarily due to an updated methodology for deferrals.

Interest income on taxable investment securities increased $5.5 million to $12.0 million for the three months ended June 30, 2024 from $6.5 million for the three months ended June 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 quarter of 2024 to higher yielding U.S. government agency securities. The yield on taxable investment securities increased 140 basis points to 3.29% for the three months ended June 30, 2024 compared to 1.89% for the three months ended June 30, 2023.

Interest expense was $74.8 million for the three months ended June 30, 2024, an increase of $6.2 million as compared to the three months ended June 30, 2023. The primary driver was an increase in interest expense on interest-bearing deposit accounts stemming from an increase in the rate paid on those balances. Interest expense on money market and customer time deposits increased during the period by $6.8 million and $3.2 million, respectively, from the three months ended June 30, 2023. These increases were most significantly influenced by increases in rates paid on these average balances. The average rate on money market deposits increased 50 basis points to 3.93% for the three months ended June 30, 2024 from 3.43% for the three months ended June 30, 2023. The average rate on customer time deposits increased 100 basis points to 4.00% for the three months ended June 30, 2024 from 3.00% for the three months ended June 30, 2023. Total cost of interest-bearing deposits was 3.52% for the three months ended June 30, 2024 compared to 3.06% for the three months ended June 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.

	Three Months Ended June 30,					
	2024			2023		
(dollars in thousands)	Average balances	Interest income/ expense	Average yield/ rate	Average balances	Interest income/ expense	Average yield/ rate
Interest-earning assets:						
Loans HFI [1][2]	$ 9,263,822	$ 154,226	6.70 %	$ 9,387,284	$ 148,415	6.34 %
Mortgage loans held for sale	80,919	1,380	6.86 %	63,407	1,005	6.36 %
Commercial loans held for sale	—	—	— %	9,377	3	0.13 %
Investment securities:						
Taxable	1,464,045	11,966	3.29 %	1,374,308	6,480	1.89 %
Tax-exempt[2]	193,347	1,580	3.29 %	293,739	2,445	3.34 %
Total investment securities[2]	1,657,392	13,546	3.29 %	1,668,047	8,925	2.15 %
Federal funds sold and reverse repurchase agreements	108,097	1,497	5.57 %	61,799	1,050	6.81 %
Interest-bearing deposits with other financial institutions	488,123	6,641	5.47 %	857,862	10,829	5.06 %
FHLB stock	33,495	762	9.15 %	42,133	796	7.58 %
Total interest-earning assets[2]	11,631,848	178,052	6.16 %	12,089,909	171,023	5.67 %
Noninterest-earning assets:						
Cash and due from banks	124,729			118,872		
Allowance for credit losses on loans HFI	(151,724)			(138,983)		
Other assets [3][4]	766,591			756,651		
Total noninterest-earning assets	739,596			736,540		
Total assets	$ 12,371,444			$ 12,826,449		
Interest-bearing liabilities:						
Interest bearing deposits:						
Interest-bearing checking	$ 2,500,325	$ 19,074	3.07 %	$ 3,127,219	$ 23,751	3.05 %
Money market deposits	3,779,139	36,887	3.93 %	3,516,901	30,053	3.43 %
Savings deposits	369,779	64	0.07 %	433,530	63	0.06 %
Customer time deposits	1,387,956	13,812	4.00 %	1,426,320	10,658	3.00 %
Brokered and internet time deposits	123,003	1,664	5.44 %	56,455	732	5.20 %
Time deposits	1,510,959	15,476	4.12 %	1,482,775	11,390	3.08 %
Total interest-bearing deposits	8,160,202	71,501	3.52 %	8,560,425	65,257	3.06 %
Other interest-bearing liabilities:						
Securities sold under agreements to repurchase and federal funds purchased	24,680	122	1.99 %	30,050	97	1.29 %
Federal Home Loan Bank advances	—	—	— %	61,264	784	5.13 %
Subordinated debt	130,464	1,615	4.98 %	127,129	2,496	7.88 %
Other borrowings	131,293	1,560	4.78 %	1,385	6	1.74 %
Total other interest-bearing liabilities	286,437	3,297	4.63 %	219,828	3,383	6.17 %
Total Interest-bearing liabilities	8,446,639	74,798	3.56 %	8,780,253	68,640	3.14 %
Noninterest-bearing liabilities:						
Demand deposits	2,222,005			2,430,476		
Other liabilities[4]	229,426			238,809		
Total noninterest-bearing liabilities	2,451,431			2,669,285		
Total liabilities	10,898,070			11,449,538		
FB Financial Corporation common shareholders' equity	1,473,281			1,376,818		
Noncontrolling interest	93			93		
Shareholders' equity	1,473,374			1,376,911		
Total liabilities and shareholders' equity	$ 12,371,444			$ 12,826,449		
Net interest income (tax-equivalent basis)[2]		$ 103,254			$ 102,383	
Interest rate spread (tax-equivalent basis)[2]			2.60 %			2.53 %
Net interest margin (tax-equivalent basis)[2][5]			3.57 %			3.40 %
Cost of total deposits			2.77 %			2.38 %
Average interest-earning assets to average interest-bearing liabilities			137.7 %			137.7 %

(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 June 30, 2024 and 2023, respectively.
(3) Includes average net unrealized losses on investment securities available for sale of $198.1 million and $212.0 million for the three months ended June 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 $20.8 million and $20.0 million for the three months ended June 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 June 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.

	Three months ended June 30, 2024 compared to three months ended June 30, 2023 due to changes in		
(dollars in thousands)	**Volume**	**Yield/ rate**	**Net increase (decrease)**
Interest-earning assets:			
Loans held for investment[1][2]	$ (2,055)	$ 7,866	$ 5,811
Loans held for sale - mortgage	299	76	375
Loans held for sale - commercial	(3)	—	(3)
Investment securities:			
Taxable	733	4,753	5,486
Tax Exempt[2]	(820)	(45)	(865)
Federal funds sold and reverse repurchase agreements	641	(194)	447
Interest-bearing deposits with other financial institutions	(5,030)	842	(4,188)
FHLB stock	(197)	163	(34)
Total interest income[2]	(6,432)	13,461	7,029
Interest-bearing liabilities:			
Interest-bearing checking	(4,782)	105	(4,677)
Money market deposits	2,560	4,274	6,834
Savings deposits	(11)	12	1
Customer time deposits	(382)	3,536	3,154
Brokered and internet time deposits	900	32	932
Securities sold under agreements to repurchase and federal funds purchased	(27)	52	25
Federal Home Loan Bank advances	(784)	—	(784)
Subordinated debt	41	(922)	(881)
Other borrowings	1,544	10	1,554
Total interest expense	(941)	7,099	6,158
Change in net interest income[2]	$ (5,491)	$ 6,362	$ 871

(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 June 30, 2024 and 2023, respectively.

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Net interest income decreased $3.4 million to $203.5 million for the six months ended June 30, 2024 as compared to $206.9 million for the six months ended June 30, 2023. The change in net interest income was driven by an increase in interest income of $23.6 million, driven largely by an increase in yields on average earning assets, more than offset by an increase in interest expense of $27.0 million, stemming from an increase in the rates on the average interest-bearing liabilities. Interest income was $354.9 million for the six months ended June 30, 2024 compared to $331.3 million for the six months ended June 30, 2023. This increase was primarily driven by increases in yields on loans HFI and taxable investment securities, partially offset by a decrease in average interest-bearing deposits with other financial institutions. Total interest income represents an increase in yield on interest-earning assets to 6.09% for the six months ended June 30, 2024 compared with 5.53% for the six months ended June 30, 2023.

Interest income on loans HFI increased $21.3 million to $309.2 million for the six months ended June 30, 2024 from $287.9 million for the six months ended June 30, 2023 due primarily to increasing yields. The average yield on loans HFI increased by 47 basis points period-over-period to 6.67% for the six months ended June 30, 2024 from 6.20% for the six months ended June 30, 2023.

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

	Six Months Ended June 30,			
	2024		2023	
(dollars in thousands)	Interest income	Average yield	Interest income	Average yield
Loans HFI yield components:				
Contractual interest rate on loans HFI[(1)]	$ 304,912	6.58 %	$ 280,194	6.03 %
Origination and other loan fee income	2,727	0.06 %	7,008	0.15 %
Accretion on purchased loans	548	0.01 %	305	0.01 %
Nonaccrual interest collections	995	0.02 %	375	0.01 %
Total loans HFI yield	$ 309,182	6.67 %	$ 287,882	6.20 %

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

Origination and other loan fees impacted our NIM by 5 basis points and 12 basis points for the six months ended June 30, 2024 and 2023, respectively. The decrease was primarily due to an updated methodology for deferrals.

Interest income on taxable investment securities increased $8.0 million to $21.1 million for the six months ended June 30, 2024 from $13.1 million for the six months ended June 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 quarter of 2024 to higher yielding U.S. government agency securities. The yield on taxable investment securities increased 106 basis points to 2.96% for the six months ended June 30, 2024 compared to 1.90% for the six months ended June 30, 2023.

Interest income on interest-bearing deposits with other financial institutions decreased to $13.7 million for the six months ended June 30, 2024 from $18.8 million for the six months ended June 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 $284.3 million to $509.3 million for the six months ended June 30, 2024 from $793.6 million for the six months ended June 30, 2023. The yield on interest-bearing deposits with other financial institutions increased 62 basis points to 5.41% for the six months ended June 30, 2024 compared to 4.79% for the six months ended June 30, 2023.

Interest expense was $151.4 million for the six months ended June 30, 2024, an increase of $27.0 million as compared to $124.5 million for the six months ended June 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 $19.9 million to $74.5 million for the six months ended June 30, 2024 compared to $54.6 million for the six months ended June 30, 2023. Interest expense on customer time deposits increased $8.1 million to $27.9 million for the six months ended June 30, 2024 from $19.9 million for the six months ended June 30, 2023. The average rate on money market deposits increased 74 basis points to 3.93% for the six months ended June 30, 2024 from 3.19% for the six months ended June 30, 2023. The average rate on customer time deposits increased 118 basis points to 3.95% for the six months ended June 30, 2024 from 2.77% for the six months ended June 30, 2023. Total cost of interest-bearing deposits was 3.51% for the six months ended June 30, 2024 compared to 2.80% for the six months ended June 30, 2023.

The average balance of other borrowings increased $129.8 million to $131.3 million for the six months ended June 30, 2024 compared to $1.5 million for the six months ended June 30, 2023. As a result, interest expense on other borrowings increased to $3.1 million for the six months ended June 30, 2024 compared to $16 thousand for the six months ended June 30, 2023. The yield on other borrowings increased 271 basis points to 4.81% for the six months ended June 30, 2024 compared to 2.10% for the six months ended June 30, 2023. The increase is due primarily of borrowings from the Bank Term Funding Program. 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.

	Six Months Ended June 30,					
	2024			2023		
(dollars in thousands)	Average balances	Interest income/ expense	Average yield/ rate	Average balances	Interest income/ expense	Average yield/ rate
Interest-earning assets:						
Loans HFI (1)(2)	$ 9,325,308	$ 309,182	6.67 %	$ 9,367,108	$ 287,882	6.20 %
Mortgage loans held for sale	64,742	2,231	6.93 %	59,826	1,932	6.51 %
Commercial loans held for sale	—	—	— %	12,973	162	2.52 %
Investment securities:						
Taxable	1,431,641	21,071	2.96 %	1,388,380	13,050	1.90 %
Tax-exempt (2)	217,363	3,530	3.27 %	294,193	4,885	3.35 %
Total investment securities (2)	1,649,004	24,601	3.00 %	1,682,573	17,935	2.15 %
Federal funds sold and reverse repurchase agreements	131,738	3,623	5.53 %	124,557	2,905	4.70 %
Interest-bearing deposits with other financial institutions	509,256	13,707	5.41 %	793,576	18,837	4.79 %
FHLB stock	33,773	1,545	9.20 %	44,600	1,683	7.61 %
Total interest-earning assets (2)	11,713,821	354,889	6.09 %	12,085,213	331,336	5.53 %
Noninterest-earning assets:						
Cash and due from banks	146,230			136,474		
Allowance for credit losses on loans HFI	(151,164)			(136,904)		
Other assets (3)(4)	771,872			759,352		
Total noninterest-earning assets	766,938			758,922		
Total assets	$12,480,759			$12,844,135		
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing checking	$ 2,519,705	$ 38,090	3.04 %	$ 3,146,034	$ 42,811	2.74 %
Money market deposits	3,814,109	74,457	3.93 %	3,443,833	54,563	3.19 %
Savings deposits	373,871	126	0.07 %	445,709	127	0.06 %
Customer time deposits	1,422,666	27,936	3.95 %	1,449,144	19,879	2.77 %
Brokered and internet time deposits	131,648	3,517	5.37 %	29,182	740	5.11 %
Time deposits	1,554,314	31,453	4.07 %	1,478,326	20,619	2.81 %
Total interest-bearing deposits	8,261,999	144,126	3.51 %	8,513,902	118,120	2.80 %
Other interest-bearing liabilities:						
Securities sold under agreements to repurchase and federal funds purchased	24,449	271	2.23 %	28,603	143	1.01 %
Federal Home Loan Bank advances	—	—	— %	51,381	1,283	5.04 %
Subordinated debt	130,091	3,901	6.03 %	126,648	4,898	7.80 %
Other borrowings	131,305	3,138	4.81 %	1,536	16	2.10 %
Total other interest-bearing liabilities	285,845	7,310	5.14 %	208,168	6,340	6.14 %
Total interest-bearing liabilities	8,547,844	151,436	3.56 %	8,722,070	124,460	2.88 %
Noninterest-bearing liabilities:						
Demand deposits	2,224,590			2,509,179		
Other liabilities(4)	241,225			252,685		
Total noninterest-bearing liabilities	2,465,815			2,761,864		
Total liabilities	11,013,659			11,483,934		
FB Financial Corporation common shareholders' equity	1,467,007			1,360,108		
Noncontrolling interest	93			93		
Shareholders' equity	1,467,100			1,360,201		
Total liabilities and shareholders' equity	$12,480,759			$12,844,135		
Net interest income (tax-equivalent basis)(2)		$ 203,453			$ 206,876	
Interest rate spread (tax-equivalent basis)(2)			2.53 %			2.65 %
Net interest margin (tax-equivalent basis) (2)(5)			3.49 %			3.45 %
Cost of total deposits			2.76 %			2.16 %
Average interest-earning assets to average interest-bearing liabilities			137.0 %			138.6 %

(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 $1.3 million and $1.7 million for six months ended June 30, 2024 and 2023, respectively.*

(3) *Includes average net unrealized losses on investment securities available for sale of $196.1 million and $217.4 million for the six months ended June 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 $20.8 million and $21.7 million for the six months ended June 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 six months ended June 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.

	Six months ended June 30, 2024 compared to six months ended June 30, 2023 due to changes in		
(dollars in thousands)	**Volume**	**Yield/rate**	**Net increase (decrease)**
Interest-earning assets:			
Loans HFI[(1)(2)]	$ (1,386)	$ 22,686	$ 21,300
Loans held for sale - mortgage	169	130	299
Loans held for sale - commercial	(162)	—	(162)
Investment securities:			
Taxable	637	7,384	8,021
Tax-exempt[(2)]	(1,248)	(107)	(1,355)
Federal funds sold and reverse repurchase agreements	197	521	718
Interest-bearing deposits with other financial institutions	(7,653)	2,523	(5,130)
FHLB stock	(495)	357	(138)
Total interest income[(2)]	(9,941)	33,494	23,553
Interest-bearing liabilities:			
Interest-bearing checking deposits	(9,468)	4,747	(4,721)
Money market deposits	7,228	12,666	19,894
Savings deposits	(24)	23	(1)
Customer time deposits	(520)	8,577	8,057
Brokered and internet time deposits	2,737	40	2,777
Securities sold under agreements to repurchase and federal funds purchased	(46)	174	128
Federal Home Loan Bank advances	(1,283)	—	(1,283)
Subordinated debt	103	(1,100)	(997)
Other borrowings	3,101	21	3,122
Total interest expense	1,828	25,148	26,976
Change in net interest income[(2)]	$ (11,769)	$ 8,346	$ (3,423)

(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 $1.3 million and $1.7 million for the six months ended June 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 June 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 qualitative adjustments 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 June 30, 2024 compared to three months ended June 30, 2023

We recognized a provision for credit losses on loans HFI of $3.9 million and $2.6 million for the three months ended June 30, 2024 and 2023, respectively. The increase in our provision for credit losses on loans HFI during the three months ended June 30, 2024 was primarily due to increases in specific reserves for individually evaluated relationships offset by reductions in reserves for construction loans. The reduction for construction loans is primarily due to reduction in balances outstanding for the portfolio. For the three months ended June 30, 2023, the decrease in the provision for credit losses on loans HFI was driven by slowed loan growth in our loans HFI combined with the economic variables signaling a possible recession in our forward-looking model.

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 reversal of provision for credit losses on unfunded commitments of $1.7 million and $3.7 million for the three months ended June 30, 2024 and 2023, respectively. The reversal is due to a $37.6 million decrease in our unfunded commitments during the three months ended June 30, 2024, including a $73.8 million decrease in our construction portfolio.

During the three months ended June 30, 2024 and 2023, it was determined that all AFS debt securities that experienced a decline in fair value below amortized were due to noncredit-related factors. Therefore, there was no provision for credit losses recognized on available-for-sale debt securities during the three months ended June 30, 2024 or 2023.

Six months ended June 30, 2024 compared to six months ended June 30, 2023

We recognized a provision for credit losses on loans HFI for the six months ended June 30, 2024 and 2023 of $5.8 million and $7.6 million, respectively. The current period provision on loans HFI resulted from management’s best estimate of losses over the life of loans in our portfolio in accordance with the CECL approach and was impacted by projected deterioration in the CRE portfolio which was adjusted qualitatively. For the six months ended June 30, 2023, the increase in the provision for credit losses on loans HFI was driven by an increase in loans HFI outstanding period-over-period and the increased possibility of a future recession and inflationary pressures.

We recorded a reversal of provision for credit losses on unfunded commitments of $2.8 million and $8.2 million for the six months ended June 30, 2024 and 2023, respectively. The reversal of provision for credit losses on unfunded commitments for the six months ended June 30, 2024 and 2023 is primarily due to management's concentrated effort to reduce unfunded loan commitments during the periods indicated including a $209.1 million and a $496.0 million decrease in our construction category as these projects moved to permanent financing for the six months ended June 30, 2024 and 2023, respectively. As such, this resulted in a $2.7 million and $8.1 million decrease in required ACL related to the unfunded commitments in our construction portfolio for the six months ended June 30, 2024 and 2023, respectively.

During the six months ended June 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 six months ended June 30, 2024 or 2023.

Noninterest income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Mortgage banking income	$ 11,910	$ 12,232	$ 24,495	$ 24,318
Investment services and trust income	3,387	2,777	6,617	5,155
Service charges on deposit accounts	3,167	3,185	6,308	6,238
ATM and interchange fees	2,814	2,629	5,758	5,025
(Loss) gain from investment securities, net	—	(28)	(16,213)	41
(Loss) gain on sales or write-downs of other real estate owned and other assets	(281)	533	284	350
Other income	4,611	2,485	6,321	6,035
Total noninterest income	$ 25,608	$ 23,813	$ 33,570	$ 47,162

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

Noninterest income amounted to $25.6 million for the three months ended June 30, 2024, an increase of $1.8 million, or 8%, as compared to $23.8 million for the three months ended June 30, 2023. Changes in selected components of noninterest income in the above table are discussed below.

Other income increased $2.1 million to $4.6 million during the three months ended June 30, 2024 as compared to $2.5 million during the three months ended June 30, 2023. This increase is primarily related to a $2.1 million cash life insurance benefit during the three months ended June 30, 2024.

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Noninterest income amounted to $33.6 million for the six months ended June 30, 2024, a decrease of $13.6 million, or 29%, as compared to $47.2 million for the six months ended June 30, 2023. Changes in selected components of noninterest income in the above table are discussed below.

Investment services and trust income increased $1.5 million during the six months ended June 30, 2024 to $6.6 million as compared to $5.2 million during the six months ended June 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 $16.2 million for the six months ended June 30, 2024 compared to a net gain of $41 thousand for the six months ended June 30, 2023. The net loss from investment securities during the six months ended June 30, 2024 is the result of management's election to sell $207.9 million of AFS debt securities to reinvest the proceeds into higher yielding AFS securities. Refer to the section “Other earning assets” for additional information on the sale of the AFS debt securities.

Noninterest expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Salaries, commissions and employee benefits	$ 46,225	$ 52,020	$ 90,843	$ 100,808
Occupancy and equipment expense	6,328	6,281	12,942	12,190
Data processing	2,286	2,345	4,694	4,458
Legal and professional fees	1,979	2,199	3,898	5,307
Advertising	1,859	2,001	3,030	4,134
Amortization of core deposit and other intangibles	752	940	1,541	1,930
Other expense	15,664	15,506	30,565	32,905
Total noninterest expense	$ 75,093	$ 81,292	$ 147,513	$ 161,732

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

Noninterest expense decreased by $6.2 million during the three months ended June 30, 2024 to $75.1 million as compared to $81.3 million in the three months ended June 30, 2023. Changes in selected components of noninterest expense in the above table are discussed below.

Salaries, commissions and employee benefits expense is the largest component of noninterest expenses representing 62% and 64% of total noninterest expense in the three months ended June 30, 2024 and 2023, respectively. During the three months ended June 30, 2024, salaries and employee benefits expense decreased $5.8 million, or 11%, to $46.2 million as compared to $52.0 million for the three months ended June 30, 2023. This change was attributable to a decrease stemming from 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.

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Noninterest expense decreased by $14.2 million during the six months ended June 30, 2024 to $147.5 million as compared to $161.7 million in the six months ended June 30, 2023. Changes in selected components of noninterest expense in the above table are discussed below.

Salaries, commissions and employee benefits expense was the largest component of noninterest expense representing 62% of total noninterest expense for both the six months ended June 30, 2024 and 2023. For the six months ended June 30, 2024, salaries, commissions and employee benefits expense decreased $10.0 million, or 10%, to $90.8 million as compared to $100.8 million for the six months ended June 30, 2023. This change was attributable to a decrease stemming from the Company's efficiency and scalability initiatives, as well as a $5.0 million decrease from the Company applying an updated deferral methodology for loan fees and loan origination expenses.

Legal and professional expense decreased by $1.4 million during the six months ended June 30, 2024 to $3.9 million as compared to $5.3 million during the six months ended June 30, 2023. The decrease was primarily driven by the completion of internal projects in the prior year.

Advertising expense includes expenses related to sponsorships, advertising, marketing, customer relations and business development, and public relations. During the six months ended June 30, 2024, advertising expense decreased $1.1 million to $3.0 million compared to $4.1 million during the six months ended June 30, 2023. This decrease is primarily attributable to marketing rebate activity with partners earned through higher transaction volumes during the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

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 six months ended June 30, 2024 to $30.6 million compared to $32.9 million during the six months ended June 30, 2023. The decrease was primarily related to a $2.6 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 calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. 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 58.6% and 62.6% for the three and six months ended June 30, 2024, respectively, and 64.8% and 64.1% for the three and six months ended June 30, 2023, respectively. Our adjusted efficiency ratio, on a tax-equivalent basis, was 58.3% and 58.2% for the three and six months ended June 30, 2024, respectively, and 63.5% for both the three and six months ended June 30, 2023. See “GAAP reconciliation and management explanation of non-GAAP financial measures” in this Report for a discussion of the adjusted efficiency ratio.

Income taxes

Income tax expense was $10.9 million and $9.8 million for the three months ended June 30, 2024 and 2023, respectively, and $17.2 million and $19.5 million for the six months ended June 30, 2024 and 2023, respectively. This represents effective tax rates of 21.4% and 21.8% for the three months ended June 30, 2024 and 2023, respectively, and 20.2% and 21.4% for the six months ended June 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 and deductions for equity-based compensation upon vesting of restricted stock units. 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 June 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:

	June 30, 2024			December 31, 2023		
(dollars in thousands)	Committed	Amount Outstanding	% of total outstanding	Committed	Amount Outstanding	% of total outstanding
Loan Type:						
Commercial and industrial	$ 2,900,320	$ 1,614,307	17 %	$ 2,982,967	$ 1,720,733	18 %
Construction	1,716,936	1,200,123	13 %	2,123,177	1,397,313	15 %
Residential real estate:						
1-to-4 family mortgage	1,589,626	1,584,029	17 %	1,569,525	1,568,552	17 %
Residential line of credit	1,281,308	559,359	6 %	1,231,038	530,912	6 %
Multi-family mortgage	609,565	597,039	6 %	627,387	603,804	6 %
Commercial real estate:						
Owner-occupied	1,352,203	1,274,705	14 %	1,305,503	1,232,071	13 %
Non-owner occupied	2,108,280	2,035,102	22 %	2,026,491	1,943,525	21 %
Consumer and other	473,992	444,889	5 %	437,382	411,873	4 %
Total loans	$ 12,032,230	$ 9,309,553	100 %	$ 12,303,470	$ 9,408,783	100 %

Our loans HFI portfolio is our most significant earning asset, comprising 74.3% and 74.6% of our total assets at June 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, but we are also party to loan syndications and participations from other banks (collectively, “participated loans”). As of June 30, 2024 and December 31, 2023, loans held for investment included approximately $237.9 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 June 30, 2024 and 2023, we sold $9.0 million and $11.9 million in loan participations, respectively. During the six months ended June 30, 2024 and 2023, we sold $17.0 million and $16.3 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 June 30, 2024 and December 31, 2023, there were no concentrations of loans exceeding 10% of total loans other than our exposure to Tennessee, Alabama and 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.

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 June 30, 2024 and December 31, 2023.

	As a percentage (%) of tier 1 capital plus allowance for credit losses	
	FirstBank	**FB Financial Corporation**
June 30, 2024		
Construction	77.5 %	75.7 %
Commercial real estate	248.5 %	243.0 %
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.

	June 30, 2024		
(dollars in thousands)	**Committed**	**Amount Outstanding**	**Nonperforming**
Commercial and industrial			
Real estate rental and leasing	$ 511,219	$ 290,363	$ 153
Construction	406,679	117,142	4,800
Finance and insurance	405,920	302,140	—
Manufacturing	257,011	175,794	4,479
Professional, scientific and technical services	183,483	92,738	2,372
Educational services	164,847	31,023	—
Wholesale trade	158,989	92,144	151
Information	153,101	85,021	—
Retail trade	111,912	72,626	7,496
Other services (except public administration)	107,881	68,198	17
Administrative and support and waste management and remediation services	92,342	59,985	2,308
Transportation and warehousing	88,199	75,903	121
Health care and social assistance	87,019	54,981	543
Arts, entertainment and recreation	39,588	31,233	—
Accommodation and food services	29,001	22,868	50
Agriculture, forestry, fishing and hunting	21,017	14,385	363
Other	82,112	27,763	9
Total	$ 2,900,320	$ 1,614,307	$ 22,862
Commercial real estate owner-occupied			
Real estate rental and leasing	$ 227,994	$ 215,616	$ —
Other services (except public administration)	197,708	193,446	3,869
Retail trade	160,866	156,367	—
Manufacturing	129,113	126,053	67
Health care and social assistance	128,983	126,615	231
Accommodation and food services	105,562	104,952	—
Construction	69,779	61,959	—
Wholesale trade	69,282	66,209	—
Transportation and warehousing	62,743	35,069	—
Professional, scientific and technical services	41,377	39,435	—
Arts, entertainment and recreation	35,700	34,023	—
Agriculture, forestry, fishing and hunting	28,748	26,946	888
Educational services	24,420	22,202	—
Finance and insurance	17,638	17,220	2,668
Management of companies and enterprises	17,514	15,644	—
Information	14,129	14,065	883
Other	20,647	18,884	557
Total	$ 1,352,203	$ 1,274,705	$ 9,163

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

	June 30, 2024		
(dollars in thousands)	**Committed**	**Amount Outstanding**	**Nonperforming**
Commercial real estate non-owner occupied			
Retail	$ 515,068	$ 501,640	$ 355
Office	369,551	355,076	28
Warehouse and industrial	324,693	298,425	—
Hotel	314,842	313,224	2,764
Self-storage	138,493	132,619	—
Land-mobile home park	120,644	115,845	—
Assisted living and special care facilities	103,701	103,283	—
Healthcare facility	82,989	82,604	—
Restaurants, bars and event venues	34,934	33,069	—
Recreation, sports and entertainment	31,212	31,212	—
Other	72,153	68,105	—
Total	$ 2,108,280	$ 2,035,102	$ 3,147
Construction			
Consumer:			
Construction	$ 180,460	$ 128,730	$ 3,143
Land	42,598	38,207	—
Commercial:			
Multi-family	314,996	177,031	—
Land	269,557	238,734	1,653
Recreation, sports and entertainment	18,252	4,169	—
Convenience store and gas station	17,761	14,095	—
Retail	15,907	10,628	—
Office	15,781	14,567	—
Self-storage	13,394	6,235	—
Car wash	3,975	3,975	—
Other	25,836	7,108	—
Residential Development:			
Construction	650,916	435,362	1,100
Land	113,708	87,487	—
Lots	33,795	33,795	—
Total	$ 1,716,936	$ 1,200,123	$ 5,896

Loan maturity and sensitivities

The following table presents the contractual maturities of our loan portfolio as of June 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.

	June 30, 2024				
Loan type (dollars in thousands)	**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	$ 724,149	$ 775,853	$ 113,544	$ 761	$ 1,614,307
Construction	786,669	366,184	46,587	683	1,200,123
Residential real estate:					
1-to-4 family mortgage	87,273	434,646	224,583	837,527	1,584,029
Residential line of credit	54,482	94,740	409,974	163	559,359
Multi-family mortgage	24,870	420,997	122,382	28,790	597,039
Commercial real estate:					
Owner-occupied	134,404	759,387	363,762	17,152	1,274,705
Non-owner occupied	182,306	1,137,252	701,586	13,958	2,035,102
Consumer and other	11,730	75,584	78,036	279,539	444,889
Total ($)	$ 2,005,883	$ 4,064,643	$ 2,060,454	$ 1,178,573	$ 9,309,553
Total (%)	21.5 %	43.7 %	22.1 %	12.7 %	100.0 %

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

	June 30, 2024		
Loan type (dollars in thousands)	**Fixed interest rate**	**Floating interest rate**	**Total**
Commercial and industrial	$ 394,331	$ 495,827	$ 890,158
Construction	114,703	298,751	413,454
Residential real estate:			
1-to-4 family mortgage	1,124,290	372,466	1,496,756
Residential line of credit	2,823	502,054	504,877
Multi-family mortgage	304,388	267,781	572,169
Commercial real estate:			
Owner-occupied	796,384	343,917	1,140,301
Non-owner occupied	991,481	861,315	1,852,796
Consumer and other	406,547	26,612	433,159
Total ($)	$ 4,134,947	$ 3,168,723	$ 7,303,670
Total (%)	56.6 %	43.4 %	100.0 %

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

	June 30, 2024		
Contractual maturity (dollars in thousands)	**Fixed interest rate**	**Floating interest rate**	**Total**
One year or less	$ 541,225	$ 1,464,658	$ 2,005,883
One to five years	2,310,664	1,753,979	4,064,643
Five to fifteen years	996,489	1,063,965	2,060,454
Over fifteen years	827,794	350,779	1,178,573
Total ($)	$ 4,676,172	$ 4,633,381	$ 9,309,553
Total (%)	50.2 %	49.8 %	100.0 %

Of the loans shown above with floating interest rates as of June 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)	Maturing in one to five years	Weighted average level of support (bps)	Maturing in five years to fifteen years	Weighted average level of support (bps)	Maturing after fifteen years	Weighted average level of support (bps)	Total	Weighted average level of support (bps)
Loans with current rates above floors:										
1-25 bps	$ 171	24	$ —	—	$ —	—	$ —	—	$ 171	24
26-50 bps	3,628	50	—	—	399	29	133	29	4,160	47
51-75 bps	5,275	75	8,741	70	—	—	—	—	14,016	72
76-100 bps	12,078	100	14,763	83	7,509	95	—	—	34,350	92
101-200 bps	40,824	160	98,557	157	17,143	152	14,364	155	170,888	157
201-300 bps	116,643	268	167,190	255	88,198	248	13,462	262	385,493	258
301-400 bps	159,737	372	184,843	364	190,176	347	29,215	353	563,971	360
401-500 bps	528,336	458	281,746	463	343,033	471	45,110	464	1,198,225	463
501-600 bps	240,523	532	348,248	530	229,683	537	212,679	538	1,031,133	534
601 bps and above	533	688	21,912	745	17,075	695	3,624	755	43,144	725
Total loans with current rates above floors	$1,107,748	424	$1,126,000	407	$ 893,216	435	$ 318,587	484	$3,445,551	427
Loans at interest rate floors providing support:										
1-25 bps	$ —	—	$ 678	21	$ —	—	$ —	—	$ 678	21
26-50 bps	—	—	414	46	—	—	—	—	414	46
51-75 bps	398	75	297	70	—	—	—	—	695	73
76-100 bps	—	—	34	86	—	—	—	—	34	86
Total loans at interest rate floors providing support	$ 398	75	$ 1,423	40	$ —	—	$ —	—	$ 1,821	48

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 June 30, 2024 and December 31, 2023, we had $101.5 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 $0.2 million for both the three months ended June 30, 2024 and 2023. Accrued interest receivable written off as an adjustment to interest income amounted to $0.4 million and $0.3 million for the six months ended June 30, 2024 and 2023, respectively. Additionally, we had net interest recoveries on nonperforming assets previously charged off of $0.7 million and $0.2 million for the three months ended June 30, 2024 and 2023, respectively, and $1.0 million and $0.4 million for the six months ended June 30, 2024 and 2023, respectively.

Nonperforming loans HFI increased by $12.3 million to $73.2 million as of June 30, 2024 compared to $60.9 million as of December 31, 2023. The increase in nonperforming loans primarily occurred in our commercial real estate owner-occupied and construction portfolios.

As of June 30, 2024 and December 31, 2023, we had $22.4 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 June 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 $1.7 million and $1.1 million as of June 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)	June 30, 2024	June 30, 2023	December 31, 2023
Loan Type:			
Commercial and industrial	$ 22,862	$ 2,163	$ 21,730
Construction	5,896	2,760	3,037
Residential real estate:			
1-to-4 family mortgage	18,330	17,927	16,073
Residential line of credit	1,973	1,187	2,473
Multi-family mortgage	29	37	32
Commercial real estate:			
Owner-occupied	9,163	5,803	3,188
Non-owner occupied	3,147	5,554	3,351
Consumer and other	11,823	8,701	11,039
Total nonperforming loans HFI	$ 73,223	$ 44,132	$ 60,923
Commercial loans held for sale	—	9,267	—
Mortgage loans held for sale[(1)]	22,354	20,225	21,229
Other real estate owned	4,173	1,974	3,192
Other repossessed assets	1,720	883	1,139
Total nonperforming assets	$ 101,470	$ 76,481	$ 86,483
Nonperforming loans HFI as a percentage of total loans HFI	0.79 %	0.47 %	0.65 %
Nonperforming assets as a percentage of total assets	0.81 %	0.59 %	0.69 %
Nonaccrual loans HFI as a percentage of loans HFI	0.60 %	0.34 %	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 June 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 $56.2 million at June 30, 2024 as compared to $47.0 million at December 31, 2023. The increase from December 31, 2023 to June 30, 2024 primarily occurred within our construction and consumer and other 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:

	June 30, 2024		December 31, 2023	
(dollars in thousands)	**Amount**	**ACL as a % of loans HFI category**	**Amount**	**ACL as a % of loans HFI category**
Loan Type:				
Commercial and industrial	$ 22,530	1.40 %	$ 19,599	1.14 %
Construction	34,170	2.85 %	35,372	2.53 %
Residential real estate:				
1-to-4 family mortgage	25,631	1.62 %	26,505	1.69 %
Residential line of credit	10,097	1.81 %	9,468	1.78 %
Multi-family mortgage	8,810	1.48 %	8,842	1.46 %
Commercial real estate:				
Owner-occupied	11,312	0.89 %	10,653	0.86 %
Non-owner occupied	24,543	1.21 %	22,965	1.18 %
Consumer and other	17,962	4.04 %	16,922	4.11 %
Total allowance for credit losses on loans HFI	$ 155,055	1.67 %	$ 150,326	1.60 %

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

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
(dollars in thousands)	2024	2023	2024	2023	2023
Allowance for credit losses on loans HFI at beginning of period	$ 151,667	$ 138,809	$ 150,326	$ 134,192	$ 134,192
Charge-offs:					
Commercial and industrial	(26)	(11)	(69)	(57)	(462)
Construction	—	—	(92)	—	—
Residential real estate:					
1-to-4 family mortgage	(293)	(16)	(293)	(32)	(46)
Residential line of credit	—	—	(20)	—	—
Commercial real estate:					
Owner-occupied	—	(144)	—	(144)	(144)
Consumer and other	(594)	(721)	(1,366)	(1,426)	(2,851)
Total charge-offs	$ (913)	$ (892)	$ (1,840)	$ (1,659)	$ (3,503)
Recoveries:					
Commercial and industrial	$ 20	$ 13	$ 34	$ 80	$ 273
Construction	—	10	—	10	10
Residential real estate:					
1-to-4 family mortgage	10	25	66	40	100
Residential line of credit	—	—	—	—	1
Commercial real estate:					
Owner-occupied	188	16	228	82	109
Non-owner occupied	—	—	—	—	1,833
Consumer and other	143	108	449	347	573
Total recoveries	$ 361	$ 172	$ 777	$ 559	$ 2,899
Net charge-offs	(552)	(720)	(1,063)	(1,100)	(604)
Provision for credit losses on loans HFI	3,940	2,575	5,792	7,572	16,738
Allowance for credit losses on loans HFI at the end of period	$ 155,055	$ 140,664	$ 155,055	$ 140,664	$ 150,326
Ratio of annualized net charge-offs during the period to average loans outstanding during the period	(0.02)%	(0.03)%	(0.02)%	(0.02)%	(0.01)%
Allowance for credit losses on loans HFI as a percentage of loans	1.67 %	1.51 %	1.67 %	1.51 %	1.60 %
Allowance for credit losses on loans HFI as a percentage of nonaccrual loans HFI	276.1 %	441.2 %	276.1 %	441.2 %	311.7 %
Allowance for credit losses on loans HFI as a percentage of nonperforming loans	211.8 %	318.7 %	211.8 %	318.7 %	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 June 30, 2024				
Commercial and industrial	$ 5,264	$ (6)	$ 1,615,210	— %
Construction	(3,138)	—	1,231,476	— %
Residential real estate:				
1-to-4 family mortgage	(214)	(283)	1,578,939	(0.07)%
Residential line of credit	179	—	553,711	— %
Multi-family mortgage	(163)	—	613,219	— %
Commercial real estate:				
Owner-occupied	375	188	1,241,264	0.06 %
Non-owner occupied	594	—	1,997,018	— %
Consumer and other	1,043	(451)	432,985	(0.42)%
Total	$ 3,940	$ (552)	$ 9,263,822	(0.02)%
Three months ended June 30, 2023				
Commercial and industrial	$ 192	$ 2	$ 1,692,181	— %
Construction	(1,115)	10	1,688,401	— %
Residential real estate:				
1-to-4 family mortgage	185	9	1,555,754	— %
Residential line of credit	151	—	505,134	— %
Multi-family mortgage	209	—	506,342	— %
Commercial real estate:				
Owner-occupied	643	(128)	1,147,722	(0.04)%
Non-owner occupied	1,009	—	1,920,016	— %
Consumer and other	1,301	(613)	371,734	(0.66)%
Total	$ 2,575	$ (720)	$ 9,387,284	(0.03)%
Six Months Ended June 30, 2024				
Commercial and industrial	$ 2,966	$ (35)	$ 1,648,165	— %
Construction	(1,110)	(92)	1,274,163	(0.01)%
Residential real estate:				
1-to-4 family mortgage	(647)	(227)	1,580,443	(0.03)%
Residential line of credit	649	(20)	543,727	(0.01)%
Multi-family mortgage	(32)	—	610,185	— %
Commercial real estate:				
Owner-occupied	431	228	1,248,862	0.04 %
Non-owner occupied	1,578	—	1,993,899	— %
Consumer and other	1,957	(917)	425,864	(0.43)%
Total	$ 5,792	$ (1,063)	$ 9,325,308	(0.02)%
Six Months Ended June 30, 2023				
Commercial and industrial	$ 182	$ 23	$ 1,677,865	— %
Construction	102	10	1,688,177	— %
Residential real estate:				
1-to-4 family mortgage	1,258	8	1,561,368	— %
Residential line of credit	1,691	—	501,297	— %
Multi-family mortgage	338	—	497,654	— %
Commercial real estate:				
Owner-occupied	746	(62)	1,137,610	(0.01)%
Non-owner occupied	961	—	1,935,222	— %
Consumer and other	2,294	(1,079)	367,915	(0.59)%
Total	$ 7,572	$ (1,100)	$ 9,367,108	(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 $155.1 million and $150.3 million and represented 1.67% and 1.60% of loans HFI as of June 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 June 30, 2024, we experienced net charge-offs of $0.6 million, or 0.02% of average loans HFI, compared to net charge-offs of $0.7 million, or 0.03% for the three months ended June 30, 2023. For the both six months ended June 30, 2024 and 2023, we experienced net charge-offs of $1.1 million, or 0.02% of average loans HFI. Our ratio of total nonperforming loans HFI as a percentage of total loans HFI increased by 14 basis points to 0.79% as of June 30, 2024 compared to December 31, 2023.

As a ratio of ACL to loans HFI by loan type, our construction portfolio incurred the largest increases period-over-period. Our construction portfolio is heavily reliant on the strength of the economy; and therefore, it is adversely affected by inflation and high interest rates.

We also maintain an allowance for credit losses on unfunded commitments, which decreased to $6.0 million as of June 30, 2024 from $8.8 million as of December 31, 2023 due to an 11.9% annualized or $172.0 million decrease in unfunded loan commitments during the period. Notably, there was a $209.1 million decrease in unfunded loan commitments in our construction loan category pipeline which resulted in a $2.7 million decrease in required ACL related to unfunded 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.

Loans held for sale

Mortgage loans held for sale consisted of $84.5 million of residential real estate mortgage loans in the process of being sold to third-party private investors or government sponsored agencies and $22.4 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 $10.47 billion and $10.55 billion as of June 30, 2024 and December 31, 2023, respectively. Noninterest-bearing deposits at June 30, 2024 and December 31, 2023 were $2.19 billion and $2.22 billion, respectively, while interest-bearing deposits were $8.28 billion and $8.33 billion at June 30, 2024 and December 31, 2023, respectively.

The decrease in noninterest-bearing deposits of $31.2 million from December 31, 2023 to June 30, 2024 is attributable to migration to interest-yielding products such as interest-bearing checking deposits, which increased by $124.1 million from December 31, 2023. The effect of the migration to interest-yielding products was slightly netted by an increase in our mortgage escrow deposits. These deposits which are included in noninterest-bearing deposits increased to $107.8 million as of June 30, 2024 from $63.6 million as of December 31, 2023. In addition to customers gaining additional yield with interest-bearing checking deposits from noninterest-bearing deposits, the increase in interest-bearing checking deposits was also driven by customer reallocating funds to gain additional liquidity from money market funds. Money market and savings deposits decreased by $46.9 million from December 31, 2023.

Our deposits from municipal and governmental entities, also known as public funds, decreased by $75.8 million during the period. 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.

Customer time deposits decreased by $125.9 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.

Our deposit base also includes certain commercial and high net worth individuals that periodically place deposits with the Bank for short periods of time and can cause fluctuations from period to period in the overall level of customer deposits outstanding. These fluctuations may include certain deposits from related parties as disclosed within Note 14, “Related party transactions” in the notes to our consolidated financial statements included in this Report.

As a result of the rising 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:

	June 30, 2024			December 31, 2023		
(dollars in thousands)	**Amount**	**% of total deposits**	**Average rate[1]**	**Amount**	**% of total deposits**	**Average rate[1]**
Deposit Type						
Noninterest-bearing demand	$ 2,187,185	21%	—%	$ 2,218,382	21%	—%
Interest-bearing demand	2,628,554	25%	3.04%	2,504,421	24%	2.86%
Money market	3,796,058	36%	3.93%	3,819,814	36%	3.53%
Savings deposits	361,910	4%	0.07%	385,037	4%	0.06%
Customer time deposits	1,343,934	13%	3.95%	1,469,811	14%	3.15%
Brokered and internet time deposits	150,361	1%	5.37%	150,822	1%	5.27%
Total deposits	$10,468,002	100%	2.76%	$10,548,287	100%	2.39%
Customer Time Deposits[2]						
0.00-1.00%	$ 39,198	3%		$ 62,464	4%	
1.01-2.00%	93,432	7%		114,521	8%	
2.01-3.00%	47,450	3%		51,346	4%	
3.01-4.00%	120,795	9%		268,550	18%	
4.01-5.00%	935,109	70%		812,781	55%	
Above 5.00%	107,950	8%		160,149	11%	
Total customer time deposits	$ 1,343,934	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	—%		248	—%	
3.01-4.00%	—	—%		—	—%	
4.01-5.00%	—	—%		—	—%	
Above 5.00%	150,113	100%		150,475	100%	
Total brokered and internet time deposits	$ 150,361	100%		$ 150,822	100%	
Total time deposits	$ 1,494,295			$ 1,620,633		

(1) Average rates are presented for the six months ended June 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)	June 30, 2024 Amount	June 30, 2024 % of total deposits	December 31, 2023 Amount	December 31, 2023 % of total deposits
Deposits by customer segment[1]				
Consumer	$ 4,675,189	45%	$ 4,880,890	46%
Commercial	4,270,924	41%	4,069,724	39%
Public	1,521,889	14%	1,597,673	15%
Total deposits	$10,468,002	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 June 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	$ 181,283	4.03 %
Over Three to Six	286,767	4.03 %
Over Six to Twelve	333,839	3.84 %
Over Twelve	106,689	2.93 %
Total	$ 908,578	3.83 %
Time deposits of greater than $250		
Months to maturity:		
Three or less	$ 93,093	4.44 %
Over Three to Six	178,794	4.67 %
Over Six to Twelve	252,818	4.70 %
Over Twelve	61,012	3.90 %
Total	$ 585,717	4.57 %

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:

	June 30, 2024	December 31, 2023
Estimated insured or collateralized deposits[1]	$ 7,265,975	$ 7,414,224
Estimated uninsured and uncollateralized deposits[1]	$ 3,202,027	$ 3,134,063
Estimated uninsured and uncollateralized deposits as a % of total deposits[1]	30.6 %	29.7 %
Estimated uninsured deposits[2]	$ 4,811,236	$ 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 $59.4 million and $47.8 million at June 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 $32.5 million and $35.5 million at June 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 $1.48 billion and $1.47 billion as of June 30, 2024 and December 31, 2023, respectively. Included in the fair value of AFS debt securities were net unrealized losses of $182.2 million and $186.8 million as of June 30, 2024 and December 31, 2023, respectively. Current net unrealized losses are due to interest rate increases.

During the three months ended June 30, 2024, we purchased $85.0 million in AFS debt securities. No AFS debt securities were purchased during the three months ended June 30, 2023. During the six months ended June 30, 2024 and 2023, we purchased $366.6 million and $0.9 million in AFS debt securities, respectively. There were no AFS debt securities sold during the three months ended June 30, 2024 or 2023. During the six months ended June 30, 2024, we sold $207.9 million in AFS debt securities, with a weighted average yield of 2.14% and reinvested the proceeds of the sales into available-for-sale securities with a weighted average yield of 5.94%. The sales resulted in a pre-tax loss on securities of $16.2 million. We primarily sold agency collateralized mortgage obligations, agency mortgage-backed securities, U.S. Treasury and municipal securities. We reinvested the proceeds from the sales primarily into U.S. government agency AFS debt securities in order to increase the effective yield of our portfolio. There were no AFS debt securities sold during the six months ended June 30, 2023. During the three months ended June 30, 2024 and 2023, maturities and calls of AFS debt securities totaled $67.6 million and $31.6 million, respectively. During the six months ended June 30, 2024 and 2023, maturities and calls of AFS debt securities totaled $134.2 million and $58.4 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:

	June 30, 2024			December 31, 2023		
(dollars in thousands)	**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	6,355	0.4 %	1.82 %	13,094	0.9 %	1.96 %
Maturing in five to ten years	140,092	9.5 %	5.75 %	6,000	0.4 %	6.40 %
Maturing after ten years	282,161	19.0 %	6.06 %	184,862	12.6 %	6.23 %
Total U.S. government agency securities	428,608	28.9 %	5.89 %	203,956	13.9 %	5.96 %
Municipal securities:						
Maturing within one year	3,174	0.2 %	2.56 %	2,813	0.2 %	2.23 %
Maturing in one to five years	3,477	0.2 %	3.25 %	11,677	0.8 %	5.85 %
Maturing in five to ten years	13,257	0.9 %	3.25 %	40,304	2.7 %	3.60 %
Maturing after ten years	150,069	10.1 %	2.84 %	187,469	12.7 %	2.94 %
Total municipal securities	169,977	11.4 %	2.88 %	242,263	16.4 %	3.00 %
Mortgage-backed securities - residential and commercial:						
Maturing within one year	2,212	0.1 %	3.35 %	126	— %	1.57 %
Maturing in one to five years	360	— %	2.16 %	3,239	0.2 %	2.91 %
Maturing in five to ten years	17,160	1.2 %	2.92 %	33,121	2.3 %	2.97 %
Maturing after ten years	860,643	58.2 %	2.37 %	877,446	59.6 %	1.86 %
Total mortgage-backed securities - residential and commercial	880,375	59.5 %	2.38 %	913,932	62.1 %	1.90 %
Corporate securities:						
Maturing within one year	—	— %	— %	—	— %	— %
Maturing in one to five years	—	— %	— %	—	— %	— %
Maturing in five to ten years	3,419	0.2 %	4.33 %	3,326	0.2 %	4.33 %
Maturing after ten years	—	— %	— %	—	— %	— %
Total corporate securities	3,419	0.2 %	4.33 %	3,326	0.2 %	4.33 %
Total AFS debt securities	$ 1,482,379	100.0 %	3.46 %	$ 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 $21.8 million and $19.3 million at June 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 $55.0 million and $89.4 million as of June 30, 2024 and December 31, 2023, respectively.

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 June 30, 2024 and December 31, 2023 had total borrowing capacity of $1.44 billion and $1.76 billion, respectively. As of June 30, 2024 and December 31, 2023, we had qualifying loans pledged as collateral securing these lines amounting to $2.50 billion and $3.01 billion, respectively. There were no FHLB advances outstanding as of June 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. At both June 30, 2024 and 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.

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 June 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	8.84%	3-month SOFR plus 3.51%
FBK Trust II (1)	2003	06/26/2033	6/26/2008	21,650	8.75%	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				(419)		
Total subordinated debt, net				$ 130,511		

(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 June 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 $22.4 million and $21.2 million as of June 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 June 30, 2024 and December 31, 2023, we had pledged securities related to these items with carrying values of $869.6 million and $929.5 million, 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 June 30, 2024 or December 31, 2023. As of June 30, 2024, there was $1.44 billion available to borrow against with a remaining capacity of $1.29 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 June 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 $55.0 million and $89.4 million as of June 30, 2024 and December 31, 2023, respectively. As of both June 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:

(dollars in thousands)	June 30, 2024	December 31, 2023
Current on-balance sheet liquidity:		
Cash and cash equivalents	$ 800,902	$ 810,932
Unpledged AFS debt securities	612,756	542,427
Total on-balance sheet liquidity	$ 1,413,658	$ 1,353,359
Available sources of liquidity:		
Unsecured borrowing capacity[1]	$ 3,361,580	$ 3,350,026
FHLB remaining borrowing capacity	1,294,743	1,297,702
Federal Reserve discount window	2,230,338	2,431,084
Total available sources of liquidity	$ 6,886,661	$ 7,078,812
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]	259.2 %	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 June 30, 2024 and December 31, 2023, $189.1 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 six months ended June 30, 2024, there were $20.0 million and $28.5 million in cash dividends approved by the board for payment from the Bank to the holding company in addition to an asset dividend of an equity security amounting to $1.7 million. During the three and six months ended June 30, 2023, there were $8.5 million and $32.0 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 June 30, 2024, the Board approved a dividend from the Bank to the holding company to be paid in the third quarter for $9.0 million that also did not require approval from the TDFI.

During the three and six months ended June 30, 2024, the Company declared shareholder dividends of $0.17 per share, or $8.0 million and $0.34 per share, or $16.1 million, respectively. During the three and six months ended June 30, 2023, the Company declared shareholder dividends of $0.15 per share, or $7.1 million and $0.30 per share, or $14.2 million, respectively. Subsequent to June 30, 2024, the Company declared a quarterly dividend in the amount of $0.17 per share, payable on August 20, 2024, to stockholders of record as of August 6, 2024.

Shareholders' equity and capital management

Our total shareholders' equity was $1.50 billion as of June 30, 2024 and $1.45 billion as of December 31, 2023. Book value per common share was $32.17 as of June 30, 2024 and $31.05 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 paid and unrealized loss reclassification adjustment for loss on sale of securities included in net income of $12.0 million (net of tax benefit) from December 31, 2023. The increase in shareholders' equity as of June 30, 2024 was partially off-set by dividends declared and paid of $16.1 million and stock repurchases of $12.7 million.

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 June 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.

June 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	11.7 %	11.5 %	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] June 30, 2024	December 31, 2023
+400	7.78 %	8.99 %
+300	6.31 %	6.81 %
+200	4.53 %	4.65 %
+100	2.40 %	2.44 %
-100	(2.60)%	(2.86)%
-200	(5.35)%	(6.54)%

Change in interest rates (in basis points)	Percentage change in: Economic value of equity [2] June 30, 2024	December 31, 2023
+400	(16.7)%	(16.6)%
+300	(14.1)%	(13.6)%
+200	(9.09)%	(8.05)%
+100	(4.36)%	(3.29)%
-100	3.53 %	1.03 %
-200	6.10 %	(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 June 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 June 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 following table provides information about repurchases of common stock by the Company during the three months ended June 30, 2024:

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (in thousands) (1)
April 1 - April 30	209,737	$ 35.74	209,737	$ 92,504
May 1 - May 31	16,506	36.46	16,506	91,902
June 1 - June 30	127,043	36.22	127,043	87,301
Total	353,286	$ 35.94	353,286	$ 87,301

(1) Amounts are inclusive of commissions and fees related to the stock repurchases.

ITEM 5 — OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the quarter ended June 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

Exhibit Number	Description
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)
10.1	Employment Agreement, dated May 1, 2024, by and among FB Financial Corporation, FirstBank, and Scott J. Tansil*†
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
August 5, 2024	**Michael M. Mettee** Chief Financial Officer (Principal Financial Officer)
	/s/ Jonathan Pennington
August 5, 2024	**Jonathan Pennington** Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1
Execution Copy

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "***Agreement***") is made and entered into this 1st day of May 2024 by and among FB FINANCIAL CORPORATION ("***Company***"), FIRSTBANK, a Tennessee bank ("***Bank***"), a wholly owned subsidiary of the Company, and **Scott J. Tansil** (***"Executive"***). Company, Bank, and Executive are sometimes referred to herein collectively as the "***Parties***," and each is sometimes referred to herein individually as a "***Party***."

BACKGROUND

WHEREAS, Executive is currently engaged as the Chief Operations Officer of Company and Bank; and

WHEREAS, the Parties desire to memorialize the terms and conditions of Executive's employment, as set forth herein.

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

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

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

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

(c) "***Cause***" means, in the context of the termination of this Agreement by Employer, a good faith determination by the Chief Executive Officer of Company that is agreed to by a majority of the members of the Compensation Committee that any of the following has occurred:

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

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

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

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

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

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

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

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

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

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

(e) "***CIC Severance Multiple***" shall mean two and one-half (2.5).

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

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

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

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

(j) "***Confidential Information***" means any and all data and information relating to Employer, its activities, business, or clients that (i) is disclosed to Executive or of which Executive becomes aware because of Executive's employment with Employer; (ii) has value to Employer; and (iii) is not generally known outside of Employer. ***"Confidential Information"*** shall include, but is not limited to the following types of information regarding, related to, or concerning Employer: trade secrets (as defined by the Tennessee Uniform Trade Secrets Act); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; customer lists; customer files, data, and financial information; details of customer contracts; current and anticipated customer requirements; identifying and other information pertaining to business referral sources; past, current, and planned research and development; computer aided systems, software, strategies, and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees, and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. ***"Confidential Information"*** also includes combinations of information or materials which individually may be generally known outside of Employer, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of Employer. In addition to data and information relating to Employer, ***"Confidential Information"*** also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to Employer by such third party, and that Employer has a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law. ***"Confidential Information"*** shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of Employer.

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

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

(m) "***Effective Date***" means May 1, 2024.

(n) "***Employer***" means Company and Bank, collectively.

(o) "***Excise Tax***" means any excise tax imposed by Section 4999 of the Code.

(p) "***FDIC"*** means the Federal Deposit Insurance Corporation.

(q) "***Good Reason***" shall mean, in the context of the termination of this Agreement by Executive:

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

(ii) a material diminution in Executive's base compensation (which includes Executive's Base Salary and Target Annual Bonus opportunity) which is not consented to by Executive in writing or made as part of across-the-board compensation reductions affecting all or substantially all similarly-situated employees;

(iii) a change in the location of Executive's primary office such that Executive is required to report regularly to an office located outside of a 50-mile radius from the location of Executive's primary office as of the Effective Date, which change is not consented to by Executive in writing; or

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

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

(s) "***Non-CIC Severance Multiple***" shall mean two (2.0).

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

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

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

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

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

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

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

(aa) "***Protected Work***" means any and all ideas, inventions, formulas, Confidential Information, source codes, object codes, techniques, processes, concepts, systems, programs, software, software integration techniques, hardware systems, schematics, flow charts, computer data bases, client lists, trademarks, service marks, brand names, trade names, compilations, documents, data, notes, designs, drawings, technical data, and/or training materials, including improvements thereto or derivatives therefrom, whether or not patentable, and whether or not subject to copyright or trademark or trade secret protection, conceived, developed or produced by Executive, or by others working with Executive or under the direction of Executive, during the period of Executive's employment, or conceived, produced or used or intended for use by or on behalf of Employer or its customers, but not including any such ideas concepts, inventions, or similar processes conceived, developed, or produced by Executive that are rejected by Employer.

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

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

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

(ae) "***Severance Formula***" means the sum of (A) Executive's then current Base Salary (or, in the case of a termination for Good Reason as defined in Section 1(q)(ii), the Base Salary in effect immediately prior to the diminution in Base Salary giving rise to termination), plus (B) the greater of Executive's Target Annual Bonus for the fiscal year in which the Date of Termination occurs or the average Annual Bonus received by Executive for the three fiscal years immediately preceding the fiscal year in which the Date of Termination occurs.

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

3. Employment; Extent of Service. Executive is hereby employed on the Effective Date as Chief Operations Officer of the Company and Bank. Executive shall have the duties, responsibilities, and authority commensurate with such position and such other duties as may be assigned by the Chief Executive Officer. During the Term of this Agreement, and excluding any periods of vacation or sick leave to which Executive is entitled, Executive agrees to (i) devote substantially all of Executive's business effort, time, energy, and skill to the business of Employer; (ii) faithfully, loyally, and diligently perform such duties; and (iii) diligently follow and implement all lawful management policies and decisions of Employer that are communicated to Executive. During the Term of this Agreement, Executive shall not, without the consent of Employer, be engaged in or provide services to any other business or enterprise (whether engaged in for profit or not) which interferes with his obligations to Employer under this Agreement. Executive will report directly to the Chief Executive Officer of the Company.

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

(a) Base Salary. During the Term, Bank shall pay to Executive a base salary at the rate of $ 350,000 per year ("***Base Salary***"), less normal withholdings, payable in accordance with Bank's payroll practices. The Compensation Committee shall review Executive's Base Salary annually and may increase the Base Salary based on such review but may not decrease the Base Salary unless (i) Executive consents in writing to such decrease, or (ii) such decrease is made as part of across-the-board salary reductions affecting all or substantially all similarly-situated employees. Such adjusted salary then shall become Executive's Base Salary for purposes of this Agreement.

(b) Annual Bonus. During the Term, Executive shall have an opportunity to participate in any short-term or cash incentive plans available to other Bank employees similarly situated to Executive ("***Peer Executives***") and based upon the achievement of performance goals established from year to year by the Compensation Committee (the "***Annual Bonus***"). Subject to the vesting and performance requirements as the Compensation Committee may require, the initial base value of Executive's potential Annual Bonus shall equal $210,000with a maximum payout of 200% of such amount, which number shall be reviewed by the Compensation Committee annually and adjusted based on such review. Except as otherwise provided in Section 6(a)(ii) and Section 6(e)(ii) hereof, Executive must be employed by Company and/or Bank on the date the Annual Bonus, if any, is paid in order to receive the Annual Bonus. The Annual Bonus will be paid by March 15 of the year following the year for which it is earned. For purposes of this Agreement, Executive's target Annual Bonus opportunity for any given fiscal year is referred to as the "***Target Annual Bonus***."

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

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

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

(f) Expenses. During the Term, and subject to Section 12 hereof, Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by Executive in the course of performing Executive's duties and responsibilities under this

Agreement, in accordance with the policies, practices, and procedures of Bank to the extent available to other Peer Executives with respect to travel and other business expenses.

(g) Disability Insurance. During the Term, Bank shall provide supplemental long-term disability coverage for Executive to the extent necessary to provide total long-term disability coverage equal to 60% of Executive's Base Salary.

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

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

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

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

(i) at any time for Good Reason, *provided* that (A) before terminating this Agreement and Executive's employment for Good Reason, (1) Executive shall give notice to Employer of the existence of Good Reason for termination, which notice must be given by Executive to Employer within 90 days of Executive's discovery of the existence of the condition(s) giving rise to Good Reason for termination and shall state with reasonable detail the condition(s) giving rise to Good Reason for termination, and (2) Employer shall have 30 days from the date of receipt of such notice to remedy the condition(s) giving rise to Good Reason for termination; and (B) such termination must occur within 12 months of the initial existence of the condition(s) giving rise to Good Reason for termination; or

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

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

6. Obligations of Employer upon Termination.

(a) Resignation for Good Reason; Termination Other Than for Cause, Death, or Disability. During the Term, if (x) Employer terminates Executive's employment other than for Cause, death, or Disability, or (y) Executive terminates employment for Good Reason, then. subject to Section 6(f) hereof:

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

(ii) Bank shall pay to Executive in a lump sum in cash a prorated Annual Bonus for the year in which the Date of Termination occurs based on the level of achievement of applicable performance metrics (with such pro rata portion determined by multiplying the earned Annual Bonus by a fraction, the numerator of which shall be the number of months elapsed in the applicable calendar year prior to the Date of Termination, and the denominator shall be twelve (12)) (the "***Prorated Annual Bonus***"), payable at the same time that annual bonuses are paid to Peer Executives;

(iii) subject to Section 12 hereof, Bank shall pay to Executive an amount equal to the Non-CIC Severance Multiple times the Severance Formula (such aggregate payment, the "***Non-CIC Severance Amount***"), payable in approximately equal monthly installments during the 24-month period following the Date of Termination, commencing on the first payroll date to occur after the 60th day following the Date of Termination; provided that the first such payment shall consist of all amounts payable to Executive pursuant to this Section 6(a)(iii) between the Date of Termination and the first payroll date to occur after the 60th day following the Date of Termination; and

(iv) if Executive elects to continue participation in any group medical, dental, vision, and/or prescription drug plan benefits to which Executive and/or Executive's eligible dependents would be entitled under COBRA, then for a period of 18 months after the Date of Termination (the "***Health Benefits Continuation Period***"), Bank shall pay to Executive an amount in cash equal to the COBRA cost of such coverage; *provided, however*, that (1) that if Executive becomes eligible to receive medical benefits under a program of a subsequent employer or otherwise (including coverage available to Executive's spouse through the spouse's employer), Bank's obligation to pay any portion of the cost of health coverage as described herein shall cease, except as otherwise provided by law; (2) the Health Benefits Continuation Period shall run concurrently with any period for which Executive is eligible to elect health coverage under COBRA; (3) the Bank-paid portion of the monthly premium for such group health benefits, determined in accordance with Code Section 4980B and the regulations thereunder, shall be treated as taxable compensation by including such amount in Executive's income in accordance with applicable rules and regulations; (4) during the Health Benefits Continuation Period, the benefits provided in any one calendar year shall not affect the amount of benefits provided in any other calendar year (other than the effect of any overall coverage benefits under the applicable plans); (5) the reimbursement of an eligible taxable expense shall be made as soon as practicable but not later than December 31 of the year following the year in which the expense was incurred; and (6) Executive's rights pursuant to this Section 6(a)(iv) shall not be subject to liquidation or exchange for another benefit. The benefit described in this Section 6(a)(iv) is referred to as the "***Health Coverage Benefit***;"

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

(vi) unless the applicable award agreement expressly provides otherwise, (A) all of Executive's then outstanding time-based equity-based awards shall become fully vested (to the extent not previously vested) as soon as possible but not later than the 60th day after the Date of Termination; and (B) Executive's then outstanding performance-based equity awards shall remain outstanding and shall vest, in whole, in part, or not at all, on a pro rata basis based on the level of achievement of applicable performance metrics (with such pro rata portion determined by multiplying the earned award by a fraction, the numerator of which shall be the number of months elapsed in the applicable performance period prior to the Date of Termination, and the denominator shall be the number of months in the applicable performance period). The treatment of equity awards described in this clause Section 6(A)(vi) is hereinafter referred to as the ***"Non-CIC Equity Award Treatment"***.

(b) <u>Termination for Cause; Resignation by Executive other than Resignation for Good Reason; Death</u>. If during the Term Executive's employment is terminated by Employer for Cause, by Executive other than for Good Reason, or in the event of Executive's death, then Employer shall have no further obligations to Executive or Executive's legal representatives under this Agreement, other than for payment of Accrued Salary which shall be paid to Executive or Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the Date of Termination, and payments of Other Benefits, as applicable. Notwithstanding the above, if Executive's employment is terminated by Executive's death, Executive's then outstanding equity-based awards shall be subject to the Non-CIC Equity Award Treatment as provided Section 6(a)(vi).

(c) Non-Renewal of Agreement.

(i) If Employer elects not to renew the Term pursuant to Section 2 hereof, and within the 12 months following the expiration of such Term, Employer terminates Executive's employment other than for Cause, death, or Disability, then, notwithstanding the expiration of the Term and subject to Section 6(f) and Section 12 hereof, Bank shall pay or provide to Executive (X) the Non-CIC Severance Amount, payable pursuant to the payment schedule set forth in Section 6(a)(iii) hereof, (Y) the Health Coverage Benefit as set forth in Section 6(a)(iv) and (Z) any unvested equity awards held by Executive shall be subject to Non-CIC Equity Award Treatment as and to the extent set forth in Section 6(a)(vi) (collectively, the "***Non-Renewal Severance***").

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

(d) Termination for Disability. During the Term, if Employer terminates Executive's employment for Disability of Executive, then, subject to Section 6(f) hereof, Employer shall give Executive 30 days' prior notice of its intent to terminate and Executive's employment shall terminate on the 30th day after receipt of such notice (the "***Disability Effective Date***"), in which event, Bank shall pay to Executive a lump sum amount equal to six months of the Executive's then current Base Salary, plus a prorated Target Annual Bonus for the fiscal year in which the Disability Effective Date occurs (with such pro rata portion determined by multiplying the Target Bonus by a fraction, the numerator of which shall be the number of months elapsed in the applicable calendar year prior to the Disability Effective Date, and the denominator shall be twelve (12)), with such amount payable in a lump sum in cash within 30 days after the Date of Termination, the exact payment date to be determined by Bank.

(d) Termination following a Change in Control. If, within 12 months following a Change in Control, (x) Employer (or any successor to Employer) terminates Executive's employment other than for Cause, or (y) Executive terminates employment for Good Reason, then, subject to Section 6(f) hereof and in lieu of any amounts under Section 6(a) hereof:

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

(ii) Bank shall pay to Executive in a lump sum in cash the Prorated Annual Bonus, payable at the same time that annual bonuses are paid to Peer Executives; subject to Section 12 hereof, Bank (or its successor) shall pay to Executive an amount equal to the CIC Multiple times the Severance Formula, payable in a lump sum in cash on the 60th day following the Date of Termination (such aggregate payment, the "***CIC Severance Amount***");

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

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

(v) unless the applicable award agreement expressly provides otherwise, (A) all of Executive's then outstanding time-based equity-based awards shall become fully vested (to the extent not previously vested) as soon as possible but not later than the 60th day after the Date of Termination; and (B) Executive's then outstanding performance-based equity awards shall become vested as soon as possible but not later than the 60th day after the Date of Termination as to the greater of (1) the number of shares that would have vested based upon an assumed achievement of all applicable performance metrics at the target level of performance or (2) the number of shares that would have vested based upon the actual level of achievement of all applicable performance metrics measured as of the Date of Termination. The treatment of equity awards described in this Section 6(e)(vi) is hereinafter referred to as the "***CIC Equity Award Treatment.***"

(e) Release of Claims. Restrictive Covenants. Notwithstanding the foregoing, Bank shall be obligated to provide the amounts and benefits in Sections 6(a), (b), (c), (d) and (e) hereof, as applicable, only if (A) within 45 days after the Date of Termination Executive shall have executed a separation and full release of claims/covenant not to sue in substantially the form attached hereto as Exhibit A (the "***Release Agreement***") and such Release Agreement shall not have been revoked within the revocation period specified in the Release Agreement, and (B) Executive fully complies with the obligations set forth in Section 7 hereof. For the avoidance of doubt, if Executive does not comply with the obligations in Section 7 hereof, then payment of the amounts and benefits set forth in Sections 6(a), (b), (c), (d) and (e) hereof, as applicable, shall cease immediately upon Executive's breach thereof.

(f) Resignations. If Executive is a member of the board of directors of Company, the board of directors of Bank, or the board of directors of any subsidiary of Company or Bank, then termination of Executive's employment hereunder for any reason whatsoever shall constitute Executive's resignation from such boards of directors and as resignation as an officer of Bank, Company, and of any of the subsidiaries for which Executive serves as an officer.

(g) Equity Awards Granted Prior to the Effective Date. Notwithstanding anything to the contrary in this Agreement, any equity-based awards granted prior to the Effective Date that remain outstanding as of the Executive's Date of Termination or a Change in Control, as applicable, shall be governed by the terms of the prior equity award agreements.

7. Restrictive Covenants. For the avoidance of doubt, the Restrictive Covenants contained in this Section 7, as well as any other provisions of this Agreement necessary to

interpret or enforce the Restrictive Covenants, shall survive termination of this Agreement and/or termination of Executive's employment for any reason, and shall continue to be in full force and effect in accordance with their terms.

(a) Acknowledgments.

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

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

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

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

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

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

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

(e) Non-Recruitment of Employees and Independent Contractors. Executive agrees that during the Restricted Period, Executive shall not, without the prior written consent of Employer, directly or indirectly, whether on Executive's own behalf or as a Principal or Representative of any Person, solicit or induce or attempt to solicit or induce any employee or individual independent contractor of Employer to terminate an employment relationship with Employer or to enter into employment or independent contractor relationship with Executive or any such other Person. Notwithstanding the foregoing, the provisions of this Section 7(e) shall not be violated by general advertising or solicitation not specifically targeted at employees or independent contractor of Employer, or actions taken by any person or entity with which Executive is associated if Executive is not personally involved in any manner in the matter and has not identified such employee for soliciting or hiring and has not provided any information regarding the employee's qualifications.

(f) Proprietary Rights.

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

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

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

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

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

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

(i) Rights and Remedies Upon Breach. The Parties specifically acknowledge and agree that the remedy at law for any breach of the Restrictive Covenants will be inadequate, and that in the event Executive breaches any of the Restrictive Covenants, Employer shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Executive from violating the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach of the Restrictive Covenants would cause irreparable injury to Employer and that money damages would not provide an adequate remedy to Employer. Executive understands and agrees that if he materially violates any of the obligations set forth in the Restrictive Covenants, the Restricted Period shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the Restricted Period. If Employer does not substantially prevail in such litigation, the Restricted Period shall be deemed to have continued to run during the litigation. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Employer at law or in equity. Employer's ability to enforce its rights under the Restrictive Covenants or applicable law against Executive shall not be impaired in any way by the existence of a claim or cause of action on the part of Executive based on, or arising out of, this Agreement or any other event or transaction.

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

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

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

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

9. Full Settlement; No Mitigation. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Employer may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Executive obtains other employment. For the avoidance of doubt, nothing in this Section 9 shall impact Employer's remedy of recoupment set forth in Section 14 hereof.

10. Mandatory Reduction of Payments in Certain Events.

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

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

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

11. Successors.

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

(b) This Agreement can be assigned by Company and/or Bank only to a subsidiary or successor and shall be binding and inure to the benefit of Company and Bank, and their successors and assigns. The Company and/or Bank shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank, expressly and unconditionally to assume and agree to perform the Bank's obligations under this Agreement, in the same manner and to the same extent that the Bank would be required to perform if no such succession or assignment had taken place.

12. Code Section 409A.

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

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

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

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

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

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

(g) Permitted Acceleration. Employer shall have the sole authority to make any accelerated distribution permissible under Treas. Reg. Section l.409A-3(j)(4) to Executive of deferred amounts, provided that such distribution meets the requirements of Treas. Reg. Section l.409A-3(j)(4).

13. Regulatory Action.

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

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

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

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

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

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

16. Miscellaneous.

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

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

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

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

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

If to Executive:	If to Company and/or Bank:
On file with Bank	1221 Broadway Suite 1300 Nashville, Tennessee 37203 Attention: General Counsel

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

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

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

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

(i) Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and, from and after the date hereof, this

Agreement shall supersede any other agreement, written or oral, between the Parties relating to the subject matter of this Agreement, including but not limited to any prior discussions, understandings, letters, and/or agreements between the Parties, written or oral, at any time (expressly including, but not limited to, the Prior Agreement, if applicable (except to the extent necessary to govern the treatment of outstanding equity-based awards granted prior to the Effective Date as specified in Section 6(h) hereof) any confidentiality, non-solicitation, non-recruitment, and/or non-competition agreements Executive has previously entered into with Bank or Company); *provided*, *however*, that the foregoing shall not be construed to limit any restrictive covenants set forth in an equity award agreement entered into by the Executive after the Effective Date.

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

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

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

[signature page follows]

IN WITNESS WHEREOF, the Parties hereby signify their agreement to these terms by their signatures below, as of the Effective Date.

SCOTT J. TANSIL

Scott J. Tansil

FIRSTBANK

Christopher T. Holmes
President and Chief Executive Officer

FB FINANCIAL CORPORATION

Christopher T. Holmes
President and Chief Executive Officer

[*Tansil- Employment Agreement Signature Page*]

EXHIBIT 31.1

FB FINANCIAL CORPORATION

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

I, Christopher T. Holmes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FB Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2024

/s/ Christopher T. Holmes

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

EXHIBIT 31.2

FB FINANCIAL CORPORATION

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

I, Michael M. Mettee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FB Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2024

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

EXHIBIT 32.1

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

In connection with the quarterly report on Form 10-Q for the quarter ended June 30, 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: August 5, 2024 /s/ Christopher T. Holmes

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

Date: August 5, 2024 /s/ Michael M. Mettee

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