



May 15, 2024

Dear Shareholder,

Pinnacle Financial Corporation (the “Company” or “Pinnacle”) is pleased to provide this quarterly update of financial results for the period ended March 31, 2024. Enclosed, you will find summary financial information for the Company and our subsidiary, Pinnacle Bank (the “Bank”). We are pleased with our first quarter results in what is a challenging economy and banking market. As you look through this information and consider the results, please reach out to me if you have questions.

- Net income grew 6.8% in the first quarter of 2024 as compared to the fourth quarter of 2023.
- Credit quality remained exceptional, with nonperforming assets and net charge-off levels steady at historically low levels.
- Deposits grew 2.6% over the prior quarter while loans were virtually unchanged.
- Net Interest Margin (NIM) remained a focus as it was negatively impacted by the interest rate environment.

	March 31 2024	December 31 2023	September 30 2023	June 30 2023	March 31 2023
Consolidated Earnings					
Net income available to common shareholders	\$ 5,311,759	\$ 4,971,697	\$ 4,285,315	\$ 4,647,663	\$ 5,685,808
Fully diluted earnings per common share	\$ 3.87	\$ 3.62	\$ 3.12	\$ 3.38	\$ 4.13
Return on average assets (annualized)	0.99%	0.96%	0.84%	0.91%	1.12%
Return on average equity (annualized)	14.14%	17.01%	12.36%	13.43%	16.59%
Return on average tangible common equity (annualized)	18.10%	17.11%	18.41%	18.13%	20.79%
Net interest margin	3.72%	3.75%	3.84%	3.98%	4.29%
Noninterest income to average assets	0.20%	0.19%	0.21%	0.21%	0.20%
Noninterest expense to average assets	0.72%	0.70%	0.77%	0.79%	0.76%
Efficiency ratio	66.77%	62.60%	61.83%	69.31%	63.23%
Consolidated Balance Sheet					
Total assets	2,171,852,637	2,119,192,179	2,072,965,737	2,040,436,524	2,050,058,819
Total gross loans	1,515,357,154	1,527,200,141	1,519,735,688	1,487,160,927	1,464,752,238
Total deposits	1,914,240,817	1,865,292,424	1,828,027,341	1,800,525,509	1,837,169,526
Loans to deposits	79.16%	81.87%	83.14%	82.60%	79.73%
Book value per common share	118.34	117.54	99.61	107.00	112.30
Bank Asset Quality Ratios					
Nonperforming assets/total assets	0.07%	0.06%	0.07%	0.06%	0.09%
Loans 30 days or more past due/loans	0.03%	0.13%	0.07%	0.07%	0.09%
Net charge-offs (recoveries/average loans)	0.04%	0.04%	0.04%	0.03%	0.04%
Allowance for credit losses/loans	1.36%	1.33%	1.27%	1.23%	1.18%
Allowance for credit losses/nonaccrual loans	26.57%	15.10%	12.94%	15.50%	10.28%
Holding Company Capital Ratios (Consolidated)					
Leverage ratio	7.81%	7.76%	7.49%	7.39%	7.53%
Common equity tier 1 ratio	10.02%	9.70%	9.00%	8.99%	9.26%
Tier 1 risk-based capital ratio	10.02%	9.70%	9.00%	8.99%	9.26%
Total risk-based capital ratio	12.76%	12.40%	11.60%	11.58%	11.81%
Bank Capital Ratios					
Leverage ratio	8.78%	8.81%	8.71%	8.71%	8.66%
Common equity tier 1 ratio	11.27%	11.01%	10.48%	10.61%	10.64%
Tier 1 risk-based capital ratio	11.27%	11.01%	10.48%	10.61%	10.64%
Total risk-based capital ratio	12.52%	12.23%	11.63%	11.73%	11.71%

For the quarter ended March 31, 2024, Pinnacle posted net income of \$5.3 million as compared to \$4.9 million during the fourth quarter of 2023, representing an increase of 6.8% on a linked-quarter basis. NIM has decreased as compared to the first quarter of 2023. However, as the chart above illustrates, the decline in our NIM in recent quarters has slowed as asset yields increase and the growth in interest expense moderates.

Non-interest income has been on a generally positive trend for several quarters as we strengthened our product offerings and grew customer deposit accounts. Non-interest expenses are in line with expectations and contribute to the improved quarterly earnings. Basic earnings per share totaled \$4.14 for the first quarter as compared to \$3.87 in the previous quarter. Shareholders received a dividend of \$1.25 per share during the first quarter, in line with the \$5.00 per share received during the full year 2023.

Total assets as of March 31, 2024, were \$2.17 billion as compared to \$2.12 billion at year end 2023. Loans totaled \$1.5 billion at quarter end; a slight decrease compared to the prior quarter. The demand for new loans has been tempered by the increase in interest rates despite what seems to be a generally stable economy. Deposits increased 10.5% on an annualized basis during the first quarter and totaled \$1.9 billion at quarter-end. The Bank's liquidity position is satisfactory and stable, which should enable us to favorably manage interest expense in future quarters.

The Company and Bank remain well capitalized on all measures and retains enough capital to support the operations of the Bank. While total equity is negatively impacted by the fair value adjustments to our investment portfolio, we expect to fully realize the value of our bonds as they mature. The balance sheet and capital position remains strong, providing ample support for the execution of our strategic plans.

Please review the attached financial summary and the selected financial data included in this report. As always, I enjoy hearing from our shareholder partners and welcome your comments and questions. Thank you for your investment in Pinnacle Financial Corporation and the trust you place in us as your management team. My direct phone number is (706) 213-3350 and email address is jmcconnell@pinnaclebank.com.

Sincerely,



L. Jackson McConnell, Jr.
Chairman and CEO

Forward-looking Statements

Certain statements contained in this letter may not be based on historical facts and are forward-looking statements. These forward-looking statements may be identified by their reference to a future period or periods or by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "may," "might," "will," "would," "could" or "intend." We caution you not to place undue reliance on the forward-looking statements contained in this letter, in that actual results could differ materially from those indicated in such forward-looking statements as a result of a variety of factors, including, among others, the business and economic conditions; risks related to the integration of acquired businesses and any future acquisitions; changes in management personnel; interest rate risk; ability to execute on planned expansion and organic growth; credit risk and concentrations associated with the Company's loan portfolio; asset quality and loan charge-offs; inaccuracy of the assumptions and estimates of management of the Company makes in establishing reserves for probable loan losses and other estimates; lack of liquidity; impairment of investment securities, goodwill or other intangible assets; the Company's risk management strategies; increased competition; system failures or failures to prevent breaches of our network security; changes in federal tax law or policy; the impact of recent and future legislative and regulatory changes; and increases in capital requirements. We undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date of this letter.

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024 AND 2023**

unaudited

<u>Assets</u>	3/31/2024	3/31/2023
Cash and due from banks	\$ 16,259,864	\$ 20,539,599
Interest-bearing deposits at other financial institutions	137,093,753	21,164,188
Federal funds sold	10,200,000	30,200,000
Securities available for sale	385,702,516	403,311,231
Federal Home Loan Bank stock, at cost	4,282,100	1,965,700
Loans, net of allowance for loan losses of \$20,337,191 and \$17,127,785 respectively	1,495,019,963	1,447,624,453
Loans held for sale	1,732,891	838,900
Premises and equipment, net	39,658,774	39,063,352
Accrued interest receivable	7,422,896	6,382,463
Goodwill and intangibles, net	34,498,810	34,881,239
Cash surrender value of life insurance	14,924,017	21,553,907
Other real estate owned	737,251	-
Other assets	24,319,800	22,533,789
Total assets	\$ 2,171,852,637	\$ 2,050,058,819
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 597,597,792	\$ 665,929,629
Interest-bearing	1,316,643,025	1,171,239,897
Total deposits	1,914,240,817	1,837,169,526
Securities sold under repurchase agreements	1,466,627	3,230,823
FHLB advances	55,000,000	18,500,000
Federal funds purchased	-	2,359,000
Subordinated Notes	24,660,355	24,610,527
Subordinated Debentures	7,217,000	7,217,000
Accrued interest payable	5,031,157	475,109
Other liabilities	12,356,473	12,230,799
Total liabilities	2,019,972,428	1,905,792,784
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par value, 10,000,000 shares authorized; 1,283,431 and 1,284,638 shares issued, respectively	75,108,667	74,721,791
Restricted Stock	(5,546,135)	(357,097)
Dividends Paid	(1,604,289)	(1,604,798)
Retained earnings	128,251,641	115,884,305
Accumulated other comprehensive loss	(44,329,676)	(44,378,167)
Total stockholders' equity	151,880,208	144,266,035
Total liabilities and stockholders' equity	\$ 2,171,852,637	\$ 2,050,058,819

as of 4/4/2024

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31 2024 AND 2023**

unaudited

	3/31/2024	3/31/2023
Interest income:		
Loans, including fees	\$ 21,329,657	\$ 18,065,331
Securities:		
Taxable	2,370,453	2,047,735
Nontaxable	460,001	544,053
Federal funds sold and interest-bearing deposits in banks	1,083,108	580,950
Total interest income	25,243,218	21,238,068
Interest expense:		
Deposits	5,921,558	858,631
Borrowings	998,944	576,783
Total interest expense	6,920,502	1,435,414
Net interest income	18,322,716	19,802,654
Provision for loan losses	450,000	1,125,000
Net interest income after provision for loan losses	17,872,716	18,677,654
Other income:		
Service charges on deposit accounts	3,445,630	3,379,780
Mortgage loan origination fees	259,221	72,635
Other service charges and fees	448,710	406,082
Security gains (loss), net	(20,831)	(428,102)
Other income	200,078	684,324
Total other income	4,332,807	4,114,718
Other expenses:		
Salaries and employee benefits	8,008,184	8,629,930
Occupancy and equipment expense	2,422,678	2,337,318
Other expenses	4,989,034	4,570,927
Total other expenses	15,419,896	15,538,175
Net income (loss) before taxes	\$ 6,785,627	\$ 7,254,197
Taxes	\$ 1,473,868	\$ 1,568,389
Net Income	\$ 5,311,759	\$ 5,685,808
Basic earnings (losses) per share	\$ 4.14	\$ 4.43
Average shares outstanding	1,283,431	1,284,051

as of 4/4/2024