



April 18, 2023

Dear Shareholder,

Over the last few quarters, as I've written to you about our results, it seems I've started too many letters with some reference to unusual events. Perhaps hoping for normalcy isn't the right target? Boring would be nice! Nothing has been boring or normal in recent years, but as we present the financial statements for our first quarter of operations in 2023, you'll see we are navigating complicated times with consistency and stability.

Much has been made recently about "banking turmoil" and a "banking crisis" and it is hard to watch the evening news without hearing something about recent events. I think it is important to draw a clear distinction between the business models of the banks highlighted by those stories and community banks across the country, including and particularly Pinnacle Bank. We serve diverse and stable communities and large numbers of consumer and small businesses who are thriving and prosperous. Our funding comes from these community-based accounts and our success is tied to their success. I dare say there is no crisis in community banking when it comes to liquidity, profitability or safety and soundness. In fact, it is the opposite as you will see in our financial statements.

Attached, you will find the unaudited balance sheet and operating statement for Pinnacle Financial Corporation and our subsidiary, Pinnacle Bank. Assets as of March 31, 2023, totaled \$2.05 billion, up slightly from year end December 31, 2022, and about even with one year ago. The big change you'll notice is loan growth, which at \$1.4 billion is up 16% from one year ago and \$42 million from year end. Much of the growth this quarter is a spillover from loans generated during the prior year. We've seen a recent tapering of loan production, which in our opinion is a result of higher interest rates. We have experienced a small decline in deposit balances this quarter. We attribute it to two primary drivers, competition for interest rates and the absorption of stimulus money. We continue to see growth in the number of accounts we are opening across our operating platform and believe we remain on the right path for long term success.

Continuing with the balance sheet, our capital position improved slightly from both one year ago and year end due to additional retained earnings and a slight improvement in the interest rate environment. As I've previously shared, the bond portfolio must be written up or down in value based on changes in interest rates. We expect to hold our bonds until maturity, so these losses are unrealized and would receive full value upon redemption.

Net income for the three months ended March 31, 2023, totaled \$5.6 million, up from \$4.9 million in the first quarter of last year. Earnings per share improved from \$3.92 per share in the first quarter last year to \$4.43 per share this year, a 13% improvement. This increase is driven by the larger loan balances and higher interest rates. Operating costs are within budget, and you'll notice we have begun to increase the amount of loan loss reserve we are setting aside to accommodate for growth and uncertainty in the economy. At this point, there are no signs of credit deterioration, but the Board of Directors agree prudence is in order.

You will have received your first quarter dividend in the amount of \$1.25 per share. We are expecting to continue that dividend in future quarters. For those of you who were unable to attend our annual shareholder meeting recently, a full analysis of 2022 results was shared. We have mailed you an annual report and you can find a presentation covering the results on our website.

Thank you for your investment and continued support of Pinnacle Bank. We are blessed to do business in the Southeast and in Georgia in particular. We remain optimistic about the future, although realistic about the economic uncertainty we face in our country. I believe that located where we are, Pinnacle and the communities we serve are likely to fare better than most in the years ahead. If there is a banking solution we can provide you, please let us know. And as always, if you have questions or comments to share, please contact me at (706) 213-3350 or jmccconnell@pinnaclebank.com.

Respectfully,

A handwritten signature in black ink, appearing to read "L. Jackson McConnell, Jr.", written in a cursive style.

L. Jackson McConnell, Jr.
Chairman and CEO

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2023 AND 2022

unaudited

<u>Assets</u>	3/31/2023	3/31/2022
Cash and due from banks	\$ 20,539,599	\$ 34,089,439
Interest-bearing deposits at other financial institutions	21,164,188	240,116,484
Federal funds sold	30,200,000	40,200,000
Securities available for sale	403,311,231	415,316,551
Federal Home Loan Bank stock, at cost	1,965,700	1,217,000
Loans, net of allowance for loan losses of \$17,127,785 and \$14,463,633 respectively	1,447,624,453	1,208,570,660
Loans held for sale	838,900	3,152,689
Premises and equipment, net	39,063,352	37,839,055
Accrued interest receivable	6,382,463	5,180,738
Goodwill and intangibles, net	34,881,239	35,263,668
Cash surrender value of life insurance	21,553,907	21,128,085
Other real estate owned	-	1,000,000
Other assets	22,533,789	15,157,830
Total assets	\$ 2,050,058,819	\$ 2,058,232,199
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 665,929,629	\$ 624,548,068
Interest-bearing	1,171,239,897	1,238,110,793
Total deposits	1,837,169,526	1,862,658,861
Securities sold under repurchase agreements	3,230,823	8,154,489
FHLB advances	18,500,000	3,000,000
Federal funds purchased	2,359,000	-
Subordinated Notes	24,610,527	24,560,698
Subordinated Debentures	7,217,000	7,217,000
Accrued interest payable	475,109	261,183
Other liabilities	12,230,799	8,802,506
Total liabilities	1,905,792,784	1,914,654,738
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par value, 10,000,000 shares authorized; 1,284,638 and 1,253,753 shares issued, respectively	74,721,791	70,558,316
Restricted Stock	(357,097)	(653,714)
Dividends Paid	(1,604,798)	(1,439,516)
Retained earnings	115,884,305	97,818,339
Accumulated other comprehensive loss	(44,378,167)	(22,705,963)
Total stockholders' equity	144,266,035	143,577,462
Total liabilities and stockholders' equity	\$ 2,050,058,819	\$ 2,058,232,199

as of 4/7/2023

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31 2023 AND 2022**

unaudited

	3/31/2023	3/31/2022
Interest income:		
Loans, including fees	\$ 18,065,331	\$ 13,896,420
Securities:		
Taxable	2,047,735	1,354,867
Nontaxable	544,053	485,249
Federal funds sold and interest-bearing deposits in banks	580,950	125,959
Total interest income	21,238,068	15,862,495
Interest expense:		
Deposits	858,631	233,801
Borrowings	576,783	320,717
Total interest expense	1,435,414	554,519
Net interest income	19,802,654	15,307,976
Provision for loan losses	1,125,000	750,000
Net interest income after provision for loan losses	18,677,654	14,557,976
Other income:		
Service charges on deposit accounts	3,379,780	3,128,533
Mortgage loan origination fees	72,635	351,665
Other service charges and fees	406,082	406,492
Security gains (loss), net	(428,102)	-
Other income	684,324	999,876
Total other income	4,114,718	4,886,566
Other expenses:		
Salaries and employee benefits	8,629,930	7,110,834
Occupancy and equipment expense	2,337,318	2,119,303
Other expenses	4,570,927	4,024,693
Total other expenses	15,538,175	13,254,831
Net income (loss) before taxes	\$ 7,254,197	\$ 6,189,711
Taxes	\$ 1,568,389	\$ 1,281,994
Net Income	\$ 5,685,808	\$ 4,907,717
Basic earnings (losses) per share	\$ 4.43	\$ 3.92
Average shares outstanding	1,284,051	1,251,775

as of 4/7/2023