



August 2, 2024

Dear Shareholder,

Pinnacle Financial Corporation (the “Company” or “Pinnacle”) is pleased to provide you with this quarterly update of our financial results for the period ended June 30, 2024. Enclosed, you will find summary financial information for the Company and our subsidiary, Pinnacle Bank (the “Bank”). We are pleased with the results year to date given the unsteady economic climate. As you look through this information and consider the results, please reach out to me if you have questions or comments.

- Net income for the second quarter grew 5.1% over the prior quarter.
- Total deposits grew over the prior quarter and over the same period last year.
- Net interest margin (“NIM”) improved, although considerable pressure remains.
- Loan balance increased during the quarter, although new originations have moderated.
- Credit quality remains stable according to ratio analysis and historical data.

	June 30 2024	March 31 2024	December 31 2023	September 30 2023	June 30 2023
Consolidated Earnings					
Net income available to common shareholders	\$ 5,583,614	\$ 5,311,760	\$ 4,971,697	\$ 4,285,315	\$ 4,647,663
Fully diluted earnings per common share	\$ 4.07	\$ 3.87	\$ 3.62	\$ 3.12	\$ 3.38
Total revenue	\$ 31,080,257	\$ 29,576,026	\$ 28,321,162	\$ 7,706,399	\$ 26,534,143
Return on average assets (annualized)	1.04%	0.99%	0.96%	0.84%	0.91%
Return on average equity (annualized)	15.54%	14.14%	17.01%	12.36%	13.43%
Return on average tangible common equity (annualized)	18.44%	18.10%	17.11%	18.41%	18.13%
Net interest margin	3.81%	3.72%	3.75%	3.84%	3.98%
Noninterest income to average assets	0.22%	0.20%	0.19%	0.21%	0.21%
Noninterest expense to average assets	0.75%	0.72%	0.70%	0.77%	0.79%
Efficiency ratio	66.95%	66.77%	62.60%	61.83%	69.31%
Dividends paid per common share	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
Consolidated Balance Sheet					
Total assets	\$ 2,154,945,806	\$ 2,171,852,637	\$ 2,119,192,179	\$ 2,072,965,737	\$ 2,040,436,524
Total gross loans	\$ 1,528,038,491	\$ 1,515,357,154	\$ 1,527,200,141	\$ 1,519,735,688	\$ 1,487,160,927
Total deposits	\$ 1,923,302,175	\$ 1,914,240,817	\$ 1,865,292,424	\$ 1,828,027,341	\$ 1,800,525,509
Loans to deposits	79.45%	79.16%	81.87%	83.14%	82.60%
Book value per common share	\$ 120.96	\$ 118.34	\$ 117.54	\$ 99.61	\$ 107.00
Bank Asset Quality Ratios					
Nonperforming assets/total assets	0.04%	0.07%	0.06%	0.07%	0.06%
Loans 30 days or more past due/loans	0.08%	0.03%	0.13%	0.07%	0.07%
Net charge-offs (recoveries/average loans)	0.05%	0.04%	0.04%	0.04%	0.03%
Allowance for credit losses/loans	1.36%	1.36%	1.33%	1.27%	1.23%
Allowance for credit losses/nonaccrual loans	25.36%	26.57%	15.10%	12.94%	15.50%
Holding Company Capital Ratios (Consolidated)					
Leverage ratio	7.96%	7.81%	7.76%	7.49%	7.39%
Common equity tier 1 ratio	10.27%	10.02%	9.70%	9.00%	8.99%
Tier 1 risk-based capital ratio	10.27%	10.02%	9.70%	9.00%	8.99%
Total risk-based capital ratio	13.00%	12.76%	12.40%	11.60%	11.58%
Tangible common equity	\$ 121,114,082	\$ 117,381,398	\$ 116,255,552	\$ 93,098,550	\$ 102,518,706
Bank Capital Ratios					
Leverage ratio	8.85%	8.78%	8.81%	8.71%	8.71%
Common equity tier 1 ratio	11.42%	11.27%	11.01%	10.48%	10.61%
Tier 1 risk-based capital ratio	11.42%	11.27%	11.01%	10.48%	10.61%
Total risk-based capital ratio	12.67%	12.52%	12.23%	11.63%	11.73%



For the quarter ended June 30, 2024, Pinnacle posted net income of \$5.6 million as compared to \$5.3 million during the prior quarter of 2024. The overall size of the loan portfolio was larger on average during the quarter, generating more net interest income than the prior quarter and we experienced a small increase in NIM. NIM has generally declined over the last several quarters challenging the generation of net interest income. We expect the pressure on NIM will continue for several more quarters; however, we believe we are near the bottom of this decline. The table above illustrates the decline and the deceleration of the decline in recent quarters.

The operating statement was further impacted by a positive change in non-interest income during the most recent quarter. Non-interest income has been on a generally positive trend for several quarters as we have strengthened our product offerings and have grown customer deposit accounts. Non-interest expenses are in line with budget and increases are related to our continued focus on growth and talent. Earnings per share on a non-diluted basis totaled \$4.35 for the second quarter as compared to \$4.14 in the previous quarter. Shareholders received a dividend of \$1.25 per share during the second quarter, in line with the recent quarters.

Total assets as of June 30, 2024, were \$2.15 billion as compared to \$2.17 billion at prior quarter end. Loans totaled \$1.5 billion at quarter end, which is a slight increase 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 during the second and first quarters and totaled \$1.9 billion at quarter end. The Bank's liquidity position is strong and stable which should enable us to favorably address interest expense in future quarters. The Company remains well-capitalized and retains enough capital to support the operations of the Bank. Ratios at the Bank level are strong as indicated in the accompanying chart. While total equity is negatively impacted by the AOCI adjustments to our investment portfolio that reflect the current disposition value of our investment securities, we expect to fully realize the value of our bonds as they mature. The balance sheet and capital position support our strategy.

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 jmccconnell@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 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

JUNE 30, 2024 AND 2023

unaudited

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Cash and due from banks	\$ 18,290,108	\$ 16,842,457
Interest-bearing deposits at other financial institutions	113,501,862	29,832,381
Federal funds sold	10,200,000	10,200,000
Securities available for sale	381,080,099	388,863,243
Federal Home Loan Bank stock, at cost	2,857,100	3,304,400
Loans, net of allowance for loan losses of \$20,535,287 and \$18,143,030 , respectively	1,507,503,204	1,469,172,557
Premises and equipment, net	39,697,677	38,757,849
Accrued interest receivable	7,831,210	6,906,904
Goodwill and intangibles, net	30,925,365	31,307,794
Cash surrender value of life insurance	15,518,023	15,518,023
Other real estate owned	-	-
Other assets	27,541,158	29,600,916
Total assets	\$ 2,154,945,806	\$ 2,040,306,524
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 589,760,620	\$ 642,856,178
Interest-bearing	1,333,541,555	1,157,669,331
Total deposits	1,923,302,176	1,800,525,509
Securities sold under repurchase agreements	1,912,897	4,418,404
Federal funds purchased	-	4,658,000
Subordinate Debentures Issuance	24,672,812	24,622,984
Subordinated debentures	7,217,000	7,217,000
FHLB Advances	25,000,000	50,000,000
Accrued interest payable	5,184,060	1,199,567
Other liabilities	12,139,577	10,360,722
Total liabilities	1,999,428,521	1,903,002,186
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par value, 10,000,000 shares authorized; 1,285,696 and 1,283,238 shares issued, respectively	70,177,501	68,532,383
Dividends Paid	(3,210,784)	(3,210,595)
Retained earnings	133,835,256	120,102,917
Accumulated other comprehensive loss	(45,284,688)	(48,120,367)
Total stockholders' equity	155,517,285	137,304,338
Total liabilities and stockholders' equity	\$ 2,154,945,806	\$ 2,040,306,524

as of 7/8/2024

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED JUNE 30 2024 AND 2023**

unaudited

	2024	2023
Interest income:		
Loans, including fees	\$ 43,170,757	\$ 37,446,460
Securities:		
Taxable	4,782,900	4,106,697
Nontaxable	899,542	1,068,420
Federal funds sold and interest-bearing deposits in banks	2,671,645	909,631
Total interest income	51,524,843	43,531,208
Interest expense:		
Deposits	12,510,590	3,523,904
Borrowings	1,810,438	1,566,318
Total interest expense	14,321,029	5,090,222
Net interest income	37,203,814	38,440,986
Provision for loan losses	900,000	2,175,957
Net interest income after provision for loan losses	36,303,814	36,265,029
Other income:		
Service charges on deposit accounts	6,964,939	6,792,184
Mortgage loan origination fees	612,382	204,539
Other service charges and fees	909,108	819,494
Security gains, net	(20,831)	(401,786)
Other income	665,843	941,290
Total other income	9,131,441	8,355,721
Other expenses:		
Salaries and employee benefits	16,657,161	17,237,764
Occupancy and equipment expense	4,801,384	4,630,169
Other expenses	10,041,248	9,715,481
Total other expenses	31,499,793	31,583,413
Net income (loss) before taxes	\$ 13,935,462	\$ 13,037,337
Taxes	\$ 3,040,087	\$ 2,703,866
Net Income	\$ 10,895,375	\$ 10,333,471
Basic earnings (losses) per share	\$ 8.48	\$ 8.06
Average shares outstanding	1,284,225	1,282,793

as of 7/8/2024