



July 17, 2023

Dear Shareholder,

Welcome to the hot, humid days of mid-summer in the South! Hopefully, you are able to enjoy some time off, maybe some baseball or a beach trip. You'll see from the attached financial summary it has been a good, but challenging start to the year for Pinnacle Financial Corporation and Pinnacle Bank. I share some brief commentary below, but in short, we think this year will be a solid year despite the turmoil in our industry. We do however have some headwinds and are acting cautiously and prudently in our planning.

Overall, total assets remained relatively flat as compared to last year and ended the quarter at \$2.04 billion. Loan growth early in the year is one part of the story, net loans totaled \$1.47 billion at 6/30/23 as compared to \$1.29 billion the year before, a growth rate of 13%. This growth is the primary driver of our interest income. For a variety of reasons, deposit totals have decreased about 3.1% totaling \$1.8 billion at quarter end. Our marketing efforts and business development continue to increase the numbers of customers and accounts, but the average balances have declined, a phenomenon we are seeing across the industry. Our observation is this trend is a direct result of the reversal of government stimulus efforts post-Covid. In time, we expect this balance decrease to stabilize.

On the income statement, net interest income is up significantly due to the growth mentioned above and increasing interest rates. Other non-interest income is down as compared to the prior year due to lower mortgage lending fees, a rebalancing of our securities portfolio and non-recurring income that occurred in 2022. Operating expenses are higher but in line with our budget. Net income totaled \$10.2 million for the first six months of the year and is down slightly from the first six months of 2022 at \$10.5 million.

You should have recently received a quarterly dividend in the amount of \$1.50 per share. Our expectation is to continue at a similar rate for the rest of this year.

The economic news has been concerning, even confusing at times. Most of what we read suggests a recession is inevitable, although our location in the southeast may insulate us somewhat. We are being diligent about our loan loss reserves and credit policies but are mostly seeing resilience in our customer base. The strategy is the same: serving customers, growing communities and acquiring new relationships. We are enjoying the summer but paying close attention to business.

As always, reach out with any questions and comments. My telephone number is (706) 213-3350 and email address is jmcconnell@pinnaclebank.com.

Sincerely,

L. Jackson McConnell, Jr.
Chairman and CEO

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023 AND 2022**

unaudited

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and due from banks	\$ 16,842,457	\$ 21,644,563
Interest-bearing deposits at other financial institutions	29,832,381	135,146,436
Federal funds sold	10,200,000	44,421,816
Securities available for sale	388,863,243	415,709,850
Federal Home Loan Bank stock, at cost	3,304,400	1,104,500
Loans, net of allowance for loan losses of \$18,143,030 and \$15,103,699 , respectively	1,469,172,557	1,299,513,691
Premises and equipment, net	38,757,849	37,593,614
Accrued interest receivable	6,906,904	5,624,574
Goodwill and intangibles, net	31,307,794	35,168,061
Cash surrender value of life insurance	15,518,023	21,234,531
Other real estate owned	-	1,000,000
Other assets	29,600,916	21,250,811
Total assets	\$ 2,040,306,524	\$ 2,039,412,449
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 642,856,178	\$ 646,588,010
Interest-bearing	1,157,669,331	1,211,922,384
Total deposits	1,800,525,509	1,858,510,394
Securities sold under repurchase agreements	4,418,404	6,102,172
Federal funds purchased	4,658,000	-
Subordinate Debentures Issuance	24,622,984	24,573,155
Subordinated debentures	7,217,000	7,217,000
FHLB Advances	50,000,000	-
Accrued interest payable	1,199,567	543,395
Other liabilities	10,434,766	9,588,502
Total liabilities	1,903,076,230	1,906,534,618
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par value, 10,000,000 shares authorized; 1,283,238 and 1,258,767 shares issued, respectively	68,532,383	70,894,494
Dividends Paid	(3,210,595)	(2,881,332)
Retained earnings	120,028,873	103,258,235
Accumulated other comprehensive loss	(48,120,367)	(38,393,568)
Total stockholders' equity	137,230,294	132,877,830
Total liabilities and stockholders' equity	\$ 2,040,306,524	\$ 2,039,412,449

as of 7/11/2023

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED JUNE 30 2023 AND 2022**

unaudited

	2023	2022
Interest income:		
Loans, including fees	\$ 37,446,460	\$ 28,590,435
Securities:		
Taxable	4,106,697	3,107,113
Nontaxable	1,068,420	996,660
Federal funds sold and interest-bearing deposits in banks	909,631	528,880
Total interest income	43,531,208	33,223,088
Interest expense:		
Deposits	3,523,904	450,233
Borrowings	1,566,318	648,508
Total interest expense	5,090,222	1,098,741
Net interest income	38,440,986	32,124,347
Provision for loan losses	2,250,000	1,500,000
Net interest income after provision for loan losses	36,190,986	30,624,347
Other income:		
Service charges on deposit accounts	6,792,184	6,398,269
Mortgage loan origination fees	204,539	619,043
Other service charges and fees	819,494	796,192
Security gains, net	(401,786)	-
Other income	941,290	1,514,109
Total other income	8,355,721	9,327,613
Other expenses:		
Salaries and employee benefits	17,237,764	14,263,620
Occupancy and equipment expense	4,630,169	4,314,349
Other expenses	9,715,481	8,232,542
Total other expenses	31,583,413	26,810,511
Net income (loss) before taxes	\$ 12,963,294	\$ 13,141,449
Taxes	\$ 2,703,866	\$ 2,612,985
Net Income	\$ 10,259,428	\$ 10,528,464
Basic earnings (losses) per share	\$ 8.00	\$ 8.40
Average shares outstanding	1,282,793	1,254,102

as of 7/11/2023