



October 19, 2023

Dear Shareholder,

Enclosed, please find the statement of condition and results for Pinnacle Financial Corporation and Pinnacle Bank for the nine months ending September 30, 2023. In this letter, I'll share a few details about the year so far and the outlook for the next few months. In this report, you will find both good news and challenges, much like the times we find ourselves in.

Pinnacle has continued to have a solid year as outlined in prior reports to you. Loan growth has held steady with net loans growing 9.3% over the same period last year. Overall, total assets of \$2.07 billion as of September 30, 2023, are slightly higher than the \$2.02 billion posted for the prior year same period. Total deposits were down slightly, less than one percent year over year. We continue to increase market share across our footprint and the economy in our area of Georgia remains resilient. Credit quality is steady, and we remain optimistic, yet cautious, about continuing our growth plans. The big story is how rising interest rates are impacting loan demand and increasing the cost of funding.

Net interest income improved \$5.7 million for the first nine months, compared to the same period last year. Proportionately however, interest expense was up dramatically over the prior year due to increases in rates and changes to the mix of our deposit accounts having shifted toward interesting bearing accounts. Other, non-interest income was down including mortgage lending, SBA loan fees and the sale of securities, each impacted negatively by the rate environment. Other expenses are on track with our budget, but higher due to growth and inflation. Our net income for the nine months ended September 30, 2023, totaled \$14.5 million as compared to \$16.7 million September 30, 2022. Earnings per share totaled \$11.34 as compared to \$13.32.

The company remains well capitalized and positioned to grow as planned. The entire team is aware we need to be vigilant, watch for changing credit conditions and be prepared to adjust for uncertainty. As mentioned in prior reports, the unrealized loss on our securities portfolio will persist as long as interest rates continue to be high but will ultimately mature at full value and do not pose a concern for management at this point. You recently received a dividend in the amount of \$1.25 per share and we anticipate a similar payout in the fourth quarter.

The message to you is, steady-as-she-goes. We are blessed to be in Georgia and the Southeast. The State's in-migration of people and significant investment in economic development drives opportunity and growth for Pinnacle. World events and economic factors outside our control will obviously have an impact in the immediate term, however, over a long-term horizon, we remain very confident in the team and our strategy. Thank you for your confidence in us and your investment in Pinnacle Financial Corporation. Please let us know if you have any questions or suggestions, and the talented team of Pinnacle Bankers is always available to help with any of your banking needs.

Sincerely,

L. Jackson McConnell, Jr.
Chairman and CEO

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

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

unaudited

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and due from banks	\$ 15,558,611	\$ 22,325,412
Interest-bearing deposits at other financial institutions	30,049,392	24,347,367
Federal funds sold	10,200,000	80,200,000
Securities available for sale	387,177,956	392,310,787
Federal Home Loan Bank stock, at cost	4,409,900	1,149,500
Loans, net of allowance for loan losses of \$19,069,365 and \$15,911,104 respectively	1,502,179,725	1,374,325,666
Premises and equipment, net	38,595,507	38,378,691
Accrued interest receivable	6,989,144	5,757,442
Goodwill and intangibles, net	34,690,025	35,072,453
Cash surrender value of life insurance	14,777,779	21,342,270
Other real estate owned	-	1,000,000
Other assets	28,276,309	27,132,364
Total assets	\$ 2,072,904,349	\$ 2,023,341,952
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 634,414,042	\$ 681,465,220
Interest-bearing	1,193,623,299	1,160,934,753
Total deposits	1,828,037,341	1,842,399,973
Securities sold under repurchase agreements	3,795,753	6,208,792
FHLB Advances	59,425,000	-
Federal funds purchased	3,779,982	10,007,000
Subordinated notes	24,635,441	24,585,613
Subordinated debentures	7,217,000	7,217,000
Accrued interest payable	2,342,361	325,515
Other liabilities	15,954,283	12,357,933
Total liabilities	1,945,187,162	1,903,101,825
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par value, 10,000,000 shares authorized; 1,282,931 and 1,258,767 shares issued, respectively	68,817,307	71,026,646
Dividends Paid	(4,816,384)	(4,328,914)
Retained earnings	124,326,844	109,450,438
Accumulated other comprehensive loss	(60,600,580)	(55,908,044)
Total stockholders' equity	127,727,187	120,240,127
Total liabilities and stockholders' equity	\$ 2,072,914,349	\$ 2,023,341,952

as of 10/10/2023

**PINNACLE FINANCIAL CORPORATION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS
FOR NINE MONTHS ENDED SEPTEMBER 30 2023 AND 2022**

unaudited

	2023	2022
Interest income:		
Loans, including fees	\$ 57,900,745	\$ 44,858,296
Securities:		
Taxable	6,276,176	4,940,771
Nontaxable	1,591,091	1,535,006
Federal funds sold and interest-bearing deposits in banks	1,134,590	1,203,160
Total interest income	66,902,602	52,537,233
Interest expense:		
Deposits	7,469,611	675,076
Borrowings	2,828,973	981,887
Total interest expense	10,298,584	1,656,963
Net interest income	56,604,018	50,880,270
Provision for loan losses	3,300,957	2,625,000
Net interest income after provision for loan losses	53,303,061	48,255,270
Other income:		
Service charges on deposit accounts	10,358,310	9,847,745
Mortgage loan origination fees	405,828	784,108
Other service charges and fees	1,229,595	1,183,018
Security gains (losses), net	(401,786)	-
Other income	1,098,779	1,741,072
Total other income	12,690,726	13,555,942
Other expenses:		
Salaries and employee benefits	25,690,006	21,619,456
Occupancy and equipment expense	7,200,339	6,556,152
Other expenses	14,485,557	12,585,830
Total other expenses	47,375,902	40,761,438
Net income (loss) before taxes	\$ 18,617,885	\$ 21,049,775
Taxes	\$ 4,060,487	\$ 4,329,108
Net Income	\$ 14,557,398	\$ 16,720,667
Basic earnings (losses) per share	\$ 11.34	\$ 13.32
Average Shares Outstanding	1,283,263	1,255,674

as of 10/10/2023