



October 29, 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 September 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 uncertain 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 in the 3rd quarter grew 29% over the prior quarter, enhanced by bonus income related to our debit card program.
- Deposits declined compared to prior quarter but improved over the same period last year.
- Net Interest Margin (“NIM”) continues to be under pressure but stabilized in the third quarter declining only 2 basis points from the prior quarter.
- Total loan balances declined slightly compared to prior quarter as new originations have moderated.
- Credit quality remains at historically strong levels.

	September 30 2024	June 30 2024	March 31 2024	December 31 2023	September 30 2023
<b>Consolidated Earnings</b>					
Net income available to common shareholders	\$ 7,221,434	\$ 5,583,614	\$ 5,311,760	\$ 4,971,697	\$ 4,285,315
Fully diluted earnings per common share	\$ 5.26	\$ 4.07	\$ 3.87	\$ 3.62	\$ 3.12
Return on average assets (annualized)	1.35%	1.04%	0.99%	0.96%	0.84%
Return on average equity (annualized)	19.25%	15.54%	14.14%	17.01%	12.36%
Return on average tangible common equity (annualized)	19.38%	18.44%	18.10%	17.11%	18.41%
Net interest margin	3.79%	3.81%	3.72%	3.75%	3.84%
Noninterest income/average assets (annualized)	1.37%	0.89%	0.81%	0.77%	0.85%
Noninterest expense/average assets (annualized)	3.16%	2.99%	2.88%	2.80%	3.08%
Efficiency ratio	64.21%	66.95%	66.77%	62.60%	61.83%
Dividends paid per common share	\$ 1.30	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
<b>Consolidated Balance Sheet (000s)</b>					
Total assets	\$ 2,129,249	\$ 2,154,946	\$ 2,171,853	\$ 2,119,192	\$ 2,072,966
Total gross loans	\$ 1,521,416	\$ 1,528,038	\$ 1,515,357	\$ 1,527,200	\$ 1,519,736
Total deposits	\$ 1,869,173	\$ 1,923,302	\$ 1,914,241	\$ 1,865,292	\$ 1,828,027
Loans to deposits	81.40%	79.45%	79.16%	81.87%	83.14%
Total shareholders' equity	\$ 183,364	\$ 155,517	\$ 151,880	\$ 150,850	\$ 127,789
Book value per common share	\$ 133.58	\$ 120.96	\$ 118.34	\$ 117.54	\$ 99.61
<b>Bank Asset Quality Ratios</b>					
Nonperforming assets/total assets	0.08%	0.04%	0.07%	0.06%	0.07%
Loans 30 days or more past due/loans	0.06%	0.08%	0.03%	0.13%	0.07%
Net charge-offs (recoveries/average loans)	0.06%	0.05%	0.04%	0.04%	0.04%
Allowance for credit losses/loans	1.34%	1.36%	1.36%	1.33%	1.27%
Allowance for credit losses/nonaccrual loans	11.70x	25.36x	26.57x	15.10x	12.94x
<b>Holding Company Capital Ratios (Consolidated)</b>					
Leverage ratio	8.86%	7.96%	7.81%	7.76%	7.49%
Common equity tier 1 ratio	11.32%	10.27%	10.02%	9.70%	9.00%
Tier 1 risk-based capital ratio	11.32%	10.27%	10.02%	9.70%	9.00%
Total risk-based capital ratio	14.04%	13.00%	12.76%	12.40%	11.60%
<b>Bank Capital Ratios</b>					
Leverage ratio	9.17%	8.85%	8.78%	8.81%	8.71%
Common equity tier 1 ratio	11.72%	11.42%	11.27%	11.01%	10.48%
Tier 1 risk-based capital ratio	11.72%	11.42%	11.27%	11.01%	10.48%
Total risk-based capital ratio	12.96%	12.67%	12.52%	12.23%	11.63%



For the quarter ended September 30, 2024, Pinnacle posted net income of \$7.2 million as compared to \$5.5 million during the second quarter of 2024. The overall size of the loan portfolio was slightly smaller on average during the third quarter, generating less net interest income than the second quarter which caused a small decrease in NIM. While our NIM has generally declined over the last several quarters, we believe we are near the end of this decline.

The operating statement was positively impacted by an improvement in non-interest income during the most recent quarter. Our debit card program generated a milestone bonus payment, increasing non-interest income during the quarter by approximately \$1.4 million. 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. We continue to focus on quality of earnings, customer acquisition, fee generation and expense management. Earnings per share on a fully diluted basis totaled \$5.26 for the third quarter as compared to \$4.07 in the previous quarter. Shareholders received a cash dividend of \$1.30 per share during the third quarter, an increase of \$0.05 per share as compared with the prior quarter.

Total assets as of September 30, 2024 were \$2.13 billion as compared to \$2.15 billion at prior quarter end. 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 economic factors resulting from increased interest rates despite what seems to be a generally stable economy. Deposits decreased during the third quarter and totaled \$1.86 billion at quarter end, although higher than the same period last year. 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 and the execution of our strategic plan. Capital ratios at the bank and holding company are strong as indicated in the accompanying table. In the third quarter, the company issued 87,323 shares of new common stock resulting in new equity capital of \$11.7 million, which will be used opportunistically to support growth of the company. We experienced an improvement of over \$10 million during the third quarter to the adjustment for accumulated other comprehensive income (AOCI) associated with our investment portfolio. When combined with earnings and the increases resulting from share issuances, our tangible common equity increased approximately \$27.9 million during the quarter, or \$14.37 per share.

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 Board of Directors and management team. My direct phone number is (706) 213-3350 and email address is [jmcconnell@pinnaclebank.com](mailto: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 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  
SEPTEMBER 30, 2024 AND 2023**

*unaudited*

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Cash and due from banks	\$ 18,335,322	\$ 15,558,611
Interest-bearing deposits at other financial institutions	96,007,799	30,110,780
Federal funds sold	10,200,000	10,200,000
Securities available for sale	383,546,915	387,177,956
Federal Home Loan Bank stock, at cost	2,857,100	4,409,900
Loans, net of allowance for loan losses of \$20,215,196 and \$19,069,365, respectively	1,501,200,209	1,502,179,725
Premises and equipment, net	39,470,721	38,595,507
Accrued interest receivable	7,119,840	6,989,144
Goodwill and intangibles, net	34,307,596	34,690,025
Cash surrender value of life insurance	15,075,648	14,777,779
Other real estate owned	-	-
Other assets	21,128,349	28,276,309
	<b>\$ 2,129,249,499</b>	<b>\$ 2,072,965,737</b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 590,450,424	\$ 634,414,042
Interest-bearing	1,278,722,236	1,193,613,299
Total deposits	1,869,172,659	1,828,027,341
Securities sold under repurchase agreements	2,359,667	3,795,753
Federal funds purchased	-	3,779,982
Subordinate notes	24,685,269	24,635,441
Subordinated debentures	7,217,000	7,217,000
FHLB advances	25,000,000	59,425,000
Accrued interest payable	3,832,661	2,342,361
Other liabilities	13,617,825	15,954,283
Total liabilities	1,945,885,082	1,945,177,162
Stockholders' equity:		
Common stock, no par value, 10,000,000 shares authorized; 1,372,657 and 1,282,931 shares issued, respectively	82,227,129	68,817,307
Dividends paid	(4,883,489)	(4,816,384)
Retained earnings	141,056,690	124,388,232
Accumulated other comprehensive income/loss	(35,035,913)	(60,600,580)
Total stockholders' equity	183,364,418	127,788,575
Total liabilities and stockholders' equity	<b>\$ 2,129,249,499</b>	<b>\$ 2,072,965,737</b>

*as of 10/8/2024*

**PINNACLE FINANCIAL CORPORATION  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS  
NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**

*unaudited*

	2024	2023
<b>Interest income:</b>		
Loans, including fees	\$ 65,697,384	\$ 57,900,745
Securities:		
Taxable	7,054,919	6,276,176
Nontaxable	1,336,856	1,591,091
Federal funds sold and interest-bearing deposits in banks	3,977,502	1,134,590
<b>Total interest income</b>	<b>78,066,661</b>	<b>66,902,602</b>
<b>Interest expense:</b>		
Deposits	19,547,463	7,469,611
Borrowings	2,465,397	2,767,585
<b>Total interest expense</b>	<b>22,012,861</b>	<b>10,237,196</b>
<b>Net interest income</b>	<b>56,053,801</b>	<b>56,665,406</b>
<b>Provision for loan losses</b>	<b>900,000</b>	<b>3,300,957</b>
<b>Net interest income after provision     for loan losses</b>	<b>55,153,801</b>	<b>53,364,449</b>
<b>Other income:</b>		
Service charges on deposit accounts	10,729,681	10,358,310
Mortgage loan origination fees	985,754	405,828
Other service charges and fees	1,418,393	1,229,595
Security gains, net	(12,116)	(401,786)
Other income	3,305,490	1,098,779
<b>Total other income</b>	<b>16,427,202</b>	<b>12,690,726</b>
<b>Other expenses:</b>		
Salaries and employee benefits	25,520,252	25,690,006
Occupancy and equipment expense	7,254,037	7,200,339
Other expenses	15,598,640	14,485,557
<b>Total other expenses</b>	<b>48,372,929</b>	<b>47,375,902</b>
<b>Net income (loss) before taxes</b>	<b>\$ 23,208,073</b>	<b>\$ 18,679,273</b>
<b>Taxes</b>	<b>\$ 5,091,265</b>	<b>\$ 4,060,487</b>
<b>Net Income</b>	<b>\$ 18,116,808</b>	<b>\$ 14,618,786</b>
Basis earnings per common share	<b>\$ 14.10</b>	<b>\$ 11.39</b>
Fully diluted earnings per common share	<b>13.19</b>	<b>10.64</b>
Average shares outstanding - basic	<b>1,285,303</b>	<b>1,283,263</b>
Average shares outstanding - diluted	<b>1,373,028</b>	<b>1,373,485</b>

*as of 10/8/2024*