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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from ____ to ____
Commission File Number: 001-39309



(Exact name of registrant as specified in its charter)

Tennessee

62-1812853

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

150 Third Avenue South, Suite 900 Nashville, TN

37201

(Address of principal executive offices)

(Zip Code)

(615) 744-3700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changes since last report)

Securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on which Registered</u>
Common Stock, par value \$1.00	PNFP	The Nasdaq Stock Market LLC
Depository Shares (each representing 1/40th interest in a share of 6.75% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series B)	PNFPP	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller reporting company
(do not check if you are a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of April 30, 2024 there were 77,221,891 shares of common stock, \$1.00 par value per share, issued and outstanding.

Pinnacle Financial Partners, Inc.
Report on Form 10-Q
March 31, 2024

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FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this report, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "expect," "anticipate," "intend," "may," "should," "plan," "believe," "seek," "estimate" and similar expressions are intended to identify such forward-looking statements, but other statements not based on historical information may also be considered forward-looking statements. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements, including, but not limited to: (i) deterioration in the financial condition of borrowers of Pinnacle Bank and its subsidiaries or BHG, including as a result of the negative impact of inflationary pressures and challenging economic conditions on our and BHG's customers and their businesses, resulting in significant increases in loan losses and provisions for those losses and, in the case of BHG, substitutions; (ii) fluctuations or differences in interest rates on loans or deposits from those that Pinnacle Financial is modeling or anticipating, including as a result of Pinnacle Bank's inability to better match deposit rates with the changes in the short-term rate environment, or that affect the yield curve; (iii) the sale of investment securities in a loss position before their value recovers, including as a result of asset liability management strategies or in response to liquidity needs; (iv) adverse conditions in the national or local economies including in Pinnacle Financial's markets throughout Tennessee, North Carolina, South Carolina, Georgia, Alabama, Virginia and Kentucky, particularly in commercial and residential real estate markets; (v) the inability of Pinnacle Financial, or entities in which it has significant investments, like BHG, to maintain the long-term historical growth rate of its, or such entities', loan portfolio; (vi) the ability to grow and retain low-cost core deposits and retain large, uninsured deposits, including during times when Pinnacle Bank is seeking to limit the rates it pays on deposits or uncertainty exists in the financial services sector; (vii) changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments; (viii) effectiveness of Pinnacle Financial's asset management activities in improving, resolving or liquidating lower-quality assets; (ix) the impact of competition with other financial institutions, including pricing pressures and the resulting impact on Pinnacle Financial's results, including as a result of the negative impact to net interest margin from rising deposit and other funding costs; (x) the results of regulatory examinations of Pinnacle Financial, Pinnacle Bank or BHG, or companies with whom they do business; (xi) BHG's ability to profitably grow its business and successfully execute on its business plans; (xii) risks of expansion into new geographic or product markets; (xiii) any matter that would cause Pinnacle Financial to conclude that there was impairment of any asset, including goodwill or other intangible assets; (xiv) the ineffectiveness of Pinnacle Bank's hedging strategies, or the unexpected counterparty failure or hedge failure of the underlying hedges; (xv) reduced ability to attract additional financial advisors (or failure of such advisors to cause their clients to switch to Pinnacle Bank), to retain financial advisors (including as a result of the competitive environment for associates) or otherwise to attract customers from other financial institutions; (xvi) deterioration in the valuation of other real estate owned and increased expenses associated therewith; (xvii) inability to comply with regulatory capital requirements, including those resulting from changes to capital calculation methodologies, required capital maintenance levels or regulatory requests or directives, particularly if Pinnacle Bank's level of applicable commercial real estate loans were to exceed percentage levels of total capital in guidelines recommended by its regulators; (xviii) approval of the declaration of any dividend by Pinnacle Financial's board of directors; (xix) the vulnerability of Pinnacle Bank's network and online banking portals, and the systems of parties with whom Pinnacle Bank contracts, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches; (xx) the possibility of increased compliance and operational costs as a result of increased regulatory oversight (including by the Consumer Financial Protection Bureau), including oversight of companies in which Pinnacle Financial or Pinnacle Bank have significant investments, like BHG, and the development of additional banking products for Pinnacle Bank's corporate and consumer clients; (xxi) Pinnacle Financial's ability to identify potential candidates for, consummate, and achieve synergies from, potential future acquisitions; (xxii) difficulties and delays in integrating acquired businesses or fully realizing costs savings and other benefits from acquisitions; (xxiii) the risks associated with Pinnacle Bank being a minority investor in BHG, including the risk that the owners of a majority of the equity interests in BHG decide to sell the company or all or a portion of their ownership interests in BHG (triggering a similar sale by Pinnacle Bank); (xxiv) changes in state and federal legislation, regulations or policies applicable to banks and other financial service providers, like BHG, including regulatory or legislative developments; (xxv) fluctuations in the valuations of Pinnacle Financial's equity investments and the ultimate success of such investments; (xxvi) the availability of and access to capital; (xxvii) adverse results (including costs, fines, reputational harm, inability to obtain necessary approvals and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions involving Pinnacle Financial, Pinnacle Bank or BHG; and (xxviii) general competitive, economic, political and market conditions. Additional factors which could affect the forward looking statements can be found in Pinnacle Financial's Annual Report on Form 10-K for the year ended December 31, 2023, subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC and available on the SEC's website at <http://www.sec.gov>. Pinnacle Financial disclaims any obligation to update or revise any forward-looking statements contained in this report, which speak only as of the date hereof, whether as a result of new information, future events or otherwise.

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Item 1.

Part I. Financial Information

PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(dollars in thousands, except per share data)	March 31, 2024	December 31, 2023
ASSETS		
Cash and noninterest-bearing due from banks	\$ 175,826	\$ 228,620
Restricted cash	58,285	86,873
Interest-bearing due from banks	2,472,250	1,914,856
Cash and cash equivalents	2,706,361	2,230,349
Securities purchased with agreement to resell	554,022	558,009
Securities available-for-sale, at fair value	4,378,718	4,317,530
Securities held-to-maturity (fair value of \$2.7 billion and \$2.8 billion, net of allowance for credit losses of \$1.7 million and \$1.7 million at March 31, 2024 and Dec. 31, 2023, respectively)	2,993,129	3,006,357
Consumer loans held-for-sale	104,586	104,217
Commercial loans held-for-sale	6,068	9,280
Loans	33,162,873	32,676,091
Less allowance for credit losses	(371,337)	(353,055)
Loans, net	32,791,536	32,323,036
Premises and equipment, net	265,579	256,877
Equity method investment	457,657	445,223
Accrued interest receivable	219,887	217,491
Goodwill	1,846,973	1,846,973
Core deposits and other intangible assets	25,881	27,465
Other real estate owned	2,766	3,937
Other assets	2,541,033	2,613,139
Total assets	\$ 48,894,196	\$ 47,959,883
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 7,958,739	\$ 7,906,502
Interest-bearing	12,178,471	11,365,349
Savings and money market accounts	14,761,573	14,427,206
Time	4,503,242	4,840,753
Total deposits	39,402,025	38,539,810
Securities sold under agreements to repurchase	201,418	209,489
Federal Home Loan Bank advances	2,116,417	2,138,169
Subordinated debt and other borrowings	425,159	424,938
Accrued interest payable	58,069	66,967
Other liabilities	587,257	544,722
Total liabilities	42,790,345	41,924,095
Shareholders' equity:		
Preferred stock, no par value, 10.0 million shares authorized; 225,000 shares non-cumulative perpetual preferred stock, Series B, liquidation preference \$225.0 million, issued and outstanding at March 31, 2024 and Dec. 31, 2023, respectively	217,126	217,126
Common stock, par value \$1.00; 180.0 million shares authorized; 77.2 million and 76.8 million shares issued and outstanding at March 31, 2024 and Dec. 31, 2023, respectively	77,219	76,767
Additional paid-in capital	3,100,817	3,109,493
Retained earnings	2,887,804	2,784,927
Accumulated other comprehensive loss, net of taxes	(179,115)	(152,525)
Total shareholders' equity	6,103,851	6,035,788
Total liabilities and shareholders' equity	\$ 48,894,196	\$ 47,959,883

See accompanying notes to consolidated financial statements (unaudited).

PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(dollars in thousands, except per share data)

	Three months ended March 31,	
	2024	2023
Interest income:		
Loans, including fees	\$ 541,199	\$ 431,902
Securities:		
Taxable	44,470	29,358
Tax-exempt	24,600	23,802
Federal funds sold and other	40,214	20,977
Total interest income	<u>650,483</u>	<u>506,039</u>
Interest expense:		
Deposits	300,968	176,589
Securities sold under agreements to repurchase	1,399	595
Federal Home Loan Bank advances and other borrowings	30,082	16,624
Total interest expense	<u>332,449</u>	<u>193,808</u>
Net interest income	<u>318,034</u>	<u>312,231</u>
Provision for credit losses	<u>34,497</u>	<u>18,767</u>
Net interest income after provision for credit losses	<u>283,537</u>	<u>293,464</u>
Noninterest income:		
Service charges on deposit accounts	13,439	11,718
Investment services	14,751	11,595
Insurance sales commissions	3,852	4,464
Gain on mortgage loans sold, net	2,879	2,053
Trust fees	7,415	6,429
Income from equity method investment	16,035	19,079
Gain on sale of fixed assets	58	135
Other noninterest income	<u>51,674</u>	<u>34,056</u>
Total noninterest income	<u>110,103</u>	<u>89,529</u>
Noninterest expense:		
Salaries and employee benefits	146,010	135,708
Equipment and occupancy	39,646	30,353
Other real estate expense, net	84	99
Marketing and other business development	6,125	5,942
Postage and supplies	2,771	2,819
Amortization of intangibles	1,584	1,794
Other noninterest expense	<u>46,145</u>	<u>35,012</u>
Total noninterest expense	<u>242,365</u>	<u>211,727</u>
Income before income taxes	<u>151,275</u>	<u>171,266</u>
Income tax expense	<u>27,331</u>	<u>33,995</u>
Net income	<u>123,944</u>	<u>137,271</u>
Preferred stock dividends	<u>(3,798)</u>	<u>(3,798)</u>
Net income available to common shareholders	<u>\$ 120,146</u>	<u>\$ 133,473</u>
Per share information:		
Basic net income per common share	<u>\$ 1.58</u>	<u>\$ 1.76</u>
Diluted net income per common share	<u>\$ 1.57</u>	<u>\$ 1.76</u>
Weighted average common shares outstanding:		
Basic	<u>76,278,453</u>	<u>75,921,282</u>
Diluted	<u>76,428,885</u>	<u>76,042,328</u>

See accompanying notes to consolidated financial statements (unaudited).

PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

<i>(dollars in thousands)</i>	Three months ended	
	March 31,	2023
	2024	2023
Net income	\$ 123,944	\$ 137,271
Other comprehensive gain (loss), net of tax:		
Change in fair value on available-for-sale securities, net of tax	(3,103)	37,446
Change in fair value of cash flow hedges, net of tax	(19,646)	11,978
Accretion of net unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	(1,369)	(2,950)
Net gain on cash flow hedges reclassified from other comprehensive income into net income, net of tax	(2,472)	(2,476)
Total other comprehensive gain (loss), net of tax	(26,590)	43,998
Total comprehensive income	\$ 97,354	\$ 181,269

See accompanying notes to consolidated financial statements (unaudited).

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PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(dollars and shares in thousands)	Common Stock				Accumulated		
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comp.	Income (Loss), net	Shareholders' Equity
	Amount	Shares	Amounts	Capital	Earnings	net	Total
Balance at December 31, 2022	\$ 217,126	76,454	\$ 76,454	\$ 3,074,867	\$ 2,341,706	\$ (190,761)	\$ 5,519,392
Exercise of employee common stock options & related tax benefits	—	40	40	920	—	—	960
Preferred dividends paid (\$16.88 per share)	—	—	—	—	(3,798)	—	(3,798)
Common dividends paid (\$0.22 per share)	—	—	—	—	(17,173)	—	(17,173)
Issuance of restricted common shares, net of forfeitures	—	193	193	(193)	—	—	—
Restricted shares withheld for taxes & related tax benefits	—	(41)	(41)	(3,035)	—	—	(3,076)
Issuance of common stock pursuant to restricted stock unit (RSU) and performance stock unit (PSU) agreements, net of shares withheld for taxes & related tax benefits	—	93	93	(3,738)	—	—	(3,645)
Compensation expense for restricted share awards, RSUs and PSUs	—	—	—	10,199	—	—	10,199
Net income	—	—	—	—	137,271	—	137,271
Other comprehensive income	—	—	—	—	—	43,998	43,998
Balance at March 31, 2023	\$ 217,126	76,739	\$ 76,739	\$ 3,079,020	\$ 2,458,006	\$ (146,763)	\$ 5,684,128

(dollars and shares in thousands)	Common Stock				Accumulated		
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comp.	Income (Loss), net	Shareholders' Equity
	Amount	Shares	Amounts	Capital	Earnings	net	Total
Balance at December 31, 2023	\$ 217,126	76,767	\$ 76,767	\$ 3,109,493	\$ 2,784,927	\$ (152,525)	\$ 6,035,788
Preferred dividends paid (\$16.88 per share)	—	—	—	—	(3,798)	—	(3,798)
Common dividends paid (\$0.22 per share)	—	—	—	—	(17,269)	—	(17,269)
Issuance of restricted common shares, net of forfeitures	—	190	190	(190)	—	—	—
Restricted shares withheld for taxes & related tax benefits	—	(49)	(49)	(4,088)	—	—	(4,137)
Issuance of common stock pursuant to RSU and PSU agreements, net of shares withheld for taxes & related tax benefits	—	311	311	(14,738)	—	—	(14,427)
Compensation expense for restricted share awards, RSUs and PSUs	—	—	—	10,340	—	—	10,340
Net income	—	—	—	—	123,944	—	123,944
Other comprehensive loss	—	—	—	—	—	(26,590)	(26,590)
Balance at March 31, 2024	\$ 217,126	77,219	\$ 77,219	\$ 3,100,817	\$ 2,887,804	\$ (179,115)	\$ 6,103,851

See accompanying notes to consolidated financial statements (unaudited).

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PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(dollars in thousands)	Three months ended March 31,	
	2024	2023
Operating activities:		
Net income	\$ 123,944	\$ 137,271
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization/accretion of premium/discount on securities	14,030	15,110
Depreciation, amortization and accretion	23,096	20,429
Provision for credit losses	34,497	18,767
Gain on mortgage loans sold, net	(2,879)	(2,053)
Gain on other equity investments, net	(2,882)	(2,360)
Stock-based compensation expense	10,340	10,199
Deferred tax expense	10,209	20,690
Losses on dispositions of other real estate and other investments	56	47
Income from equity method investment	(16,035)	(19,079)
Dividends received from equity method investment	3,601	23,961
Excess tax benefit from stock compensation	(2,414)	(277)
Gain on commercial loans sold, net	(186)	(53)
Commercial loans held for sale originated	(51,031)	(106,007)
Commercial loans held for sale sold	54,429	104,066
Consumer loans held for sale originated	(466,061)	(299,238)
Consumer loans held for sale sold	468,570	284,770
Decrease (increase) in other assets	(34,471)	44,525
Increase in other liabilities	30,470	109,102
Net cash provided by operating activities	197,283	359,870
Investing activities:		
Activities in securities available-for-sale:		
Purchases	(165,236)	(223,495)
Maturities, prepayments and calls	39,236	29,216
Activities in securities held-to-maturity:		
Maturities, prepayments and calls	5,917	17,883
Net decrease in securities purchased under agreements to resell	3,987	3,404
Increase in loans, net	(505,746)	(1,266,114)
Purchases of software, premises and equipment	(17,316)	(35,513)
Proceeds from sales of software, premises and equipment	129	418
Proceeds from sale of other real estate	1,549	253
Proceeds from bank owned life insurance settlements	1,622	—
Proceeds from bank owned life insurance surrender	141,308	—
Purchase of FHLB stock, net	(11,420)	(37,065)
Increase in other investments, net	(29,730)	(52,148)
Net cash used in investing activities	(535,700)	(1,563,161)
Financing activities:		
Net increase in deposits	862,224	1,217,323
Net decrease in securities sold under agreements to repurchase	(8,071)	(45,133)
Federal Home Loan Bank: Advances	450,000	2,175,000
Federal Home Loan Bank: Repayments/maturities	(450,000)	(475,000)
Principal payments of finance lease obligation	(93)	(73)
Issuance of common stock pursuant to RSA, RSU and PSU agreements, net of shares withheld for taxes	(14,427)	(3,645)
Exercise of common stock options, net of shares surrendered for taxes	(4,137)	(2,116)
Common stock dividends paid	(17,269)	(17,173)
Preferred stock dividends paid	(3,798)	(3,798)
Net cash provided by financing activities	814,429	2,845,385
Net increase in cash, cash equivalents, and restricted cash	476,012	1,642,094
Cash, cash equivalents, and restricted cash, beginning of period	2,230,349	1,177,382
Cash, cash equivalents, and restricted cash, end of period	\$ 2,706,361	\$ 2,819,476

See accompanying notes to consolidated financial statements (unaudited).

PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Nature of Business — Pinnacle Financial Partners, Inc. (Pinnacle Financial) is a financial holding company whose primary business is conducted by its wholly-owned subsidiary, Pinnacle Bank. Pinnacle Bank is a commercial bank headquartered in Nashville, Tennessee. Pinnacle Financial completed its acquisitions of CapitalMark Bank & Trust (CapitalMark), Magna Bank (Magna), Avenue Financial Holdings, Inc. (Avenue) and BNC Bancorp (BNC) on July 31, 2015, September 1, 2015, July 1, 2016 and June 16, 2017, respectively. Pinnacle Bank completed its acquisitions of Advocate Capital, Inc. (Advocate Capital) and JB&B Capital, LLC (JB&B) on July 2, 2019 and March 1, 2022, respectively. Pinnacle Bank also holds a 49 % interest in Bankers Healthcare Group, LLC (BHG), a company that primarily serves as a full-service commercial loan provider to healthcare providers and other skilled professionals for business purposes but also makes consumer loans for various purposes. Pinnacle Bank provides a full range of banking services, including investment, mortgage, insurance, and comprehensive wealth management services, in several primarily urban markets and their surrounding communities.

Basis of Presentation — The accompanying unaudited consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles (U.S. GAAP). All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods covered by the report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in Pinnacle Financial's Annual Report on Form 10-K for the year ended December 31, 2023 (2023 10-K).

These unaudited consolidated financial statements include the accounts of Pinnacle Financial and its wholly-owned subsidiaries. Certain statutory trust affiliates of Pinnacle Financial, as noted in *Note 11. Other Borrowings*, are included in these unaudited consolidated financial statements pursuant to the equity method of accounting. Significant intercompany transactions and accounts are eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for credit losses and determination of any impairment of goodwill or intangible assets. It is reasonably possible Pinnacle Financial's estimate of the allowance for credit losses and determination of impairment of intangible assets could change as a result of the uncertainty in current macroeconomic conditions. The resulting change in these estimates could be material to Pinnacle Financial's consolidated financial statements.

Mortgage Servicing Rights — On March 31, 2024, Pinnacle Financial recognized a mortgage servicing asset totaling \$ 11.8 million related to a commercial mortgage loan portfolio. Upon the sale of these commercial loans, the rights to service loans (MSRs) are capitalized and represent the fair value of future net servicing fees from servicing activities associated with these commercial mortgage loans. Pinnacle Financial has elected to account for this class of MSRs under the fair value measurement method. Under this method, capitalized MSRs will be recorded in other assets in the accompanying consolidated balance sheet with changes in the fair value of the MSRs for each period presented recorded in other noninterest income in the accompanying consolidated statement of income.

MSRs are recorded at fair value utilizing a number of assumptions, including prepayment speeds, interest rates, discount rates and other economic factors. Changes in the underlying assumptions could materially affect the fair value of MSRs. The value of servicing rights is initially measured using a discounted cash flow model. All servicing rights capitalized have involved the retention of servicing rights only; Pinnacle Financial does not retain residual interest, "first loss" obligations, or other similar on-going financial interests in the loans it sells to third parties, nor has Pinnacle Financial participated in any securitizations with any special purpose entities with respect to these MSRs.

Except for recovery of amounts invested in acquiring servicing rights, servicing mortgage loans for others does not generally impose significant financial risks to the servicer. There are, however, certain investors for whom servicing does involve some risk of loss. For example, servicing Federal Housing Administration insured or Veterans Administration guaranteed loans can result in the

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servicer advancing principal and interest payments for delinquent borrowers, or incurring a shortfall in the total amount of principal collected under certain foreclosure circumstances.

Cash Flow Information — Supplemental cash flow information addressing certain cash and noncash transactions for the three months ended March 31, 2024 and 2023 was as follows (in thousands):

	For the three months ended March 31,	
	2024	2023
Cash Transactions:		
Interest paid	\$ 341,042	\$ 181,254
Income taxes paid, net	1,216	5,121
Operating lease payments	9,142	4,700
Noncash Transactions:		
Loans charged-off to the allowance for credit losses	20,832	14,022
Loans foreclosed upon and transferred to other real estate owned	435	150
Right-of-use asset recognized during the period in exchange for lease obligations	5,673	3,603

Income Per Common Share — Basic net income per common share (EPS) is computed by dividing net income available to common shareholders by the weighted average common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted. The difference between basic and diluted weighted average common shares outstanding is attributable to common stock options, restricted share awards, and restricted share unit awards, including those with performance-based vesting provisions. The dilutive effect of outstanding options, restricted share awards, and restricted share unit awards is reflected in diluted EPS by application of the treasury stock method.

The following is a summary of the basic and diluted net income per common share calculations for the three months ended March 31, 2024 and 2023 (in thousands, except per share data):

	Three months ended March 31,	
	2024	2023
Basic net income per common share calculation:		
Numerator - Net income available to common shareholders	\$ 120,146	\$ 133,473
Denominator - Weighted average common shares outstanding	76,278	75,921
Basic net income per common share	\$ 1.58	\$ 1.76
Diluted net income per common share calculation:		
Numerator - Net income available to common shareholders	\$ 120,146	\$ 133,473
Denominator - Weighted average common shares outstanding	76,278	75,921
Dilutive common shares contingently issuable	151	121
Weighted average diluted common shares outstanding	<u>76,429</u>	<u>76,042</u>
Diluted net income per common share	\$ 1.57	\$ 1.76

Recently Adopted Accounting Pronouncements — In March 2020, the FASB issued *Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and has issued subsequent amendments thereto, which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance was initially effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued an update to Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting with Accounting Standards Update 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, which updated the effective date to be March 12, 2020 through December 31, 2024. Pinnacle Financial implemented a transition plan to identify and convert its loans and other financial instruments, including certain indebtedness, with attributes that are either directly or indirectly influenced by LIBOR. Pinnacle Financial has moved the substantially all of its LIBOR-based loans to its preferred replacement index, a Secured Overnight Financing Rate (SOFR) based index as of March 31, 2024. For Pinnacle Financial's currently outstanding LIBOR-based loans, the timing and manner in which each customer's interest rate transitions to a replacement index will vary on a case-by-case basis and should occur at the next repricing date for these loans.

In June 2022, the FASB issued *Accounting Standards Update 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies the guidance in ASC 820 when measuring the fair value of equity securities subject to contractual restrictions that prohibit the sale of an equity security. This update also requires specific disclosures related to these types of securities. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023. Pinnacle Financial adopted ASU 2022-03 on January 1, 2024 and it did not have a material impact on Pinnacle Financial's accounting or disclosures.

In March 2023, the FASB issued *Accounting Standards Update 2023-02, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, which permits the use of the proportional amortization method of accounting for tax equity investments if certain conditions are met. A reporting entity makes the accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis rather than electing to apply the proportional amortization method at the reporting entity or individual investment level. The amendments require specific disclosures that must be applied to all investments that generate tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023. Pinnacle Financial adopted ASU 2023-02 on January 1, 2024 and it did not have a material impact on Pinnacle Financial's accounting or disclosures.

Newly Issued Not Yet Effective Accounting Standards — In December 2023, the FASB issued *Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which amends the guidance for income tax disclosures to include certain required disclosures related to tax rate reconciliations, including certain categories of expense requiring disclosure, income taxes paid, including disclosure of taxes paid disaggregated by nation, state, and foreign taxes, and other disclosures for disaggregation of income before income tax expense (or benefit) and income tax expense (or benefit) by domestic and foreign allocation. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2024. Early adoption is permitted. An entity should apply ASU 2023-09 on a prospective basis once adopted with retrospective application permitted. Pinnacle Financial is assessing ASU 2023-09 and its potential impact on its accounting and disclosures.

Other than those pronouncements discussed above and those which have been recently adopted, Pinnacle Financial does not believe there were any other recently issued accounting pronouncements that may materially impact its consolidated financial statements.

Subsequent Events — ASC Topic 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. Pinnacle Financial evaluated all events or transactions that occurred after March 31, 2024 through the date of the issued financial statements with no subsequent events being noted as of the date of this filing.

Note 2. Equity method investment

A summary of BHG's financial position as of March 31, 2024 and December 31, 2023 and results of operations as of and for the three months ended March 31, 2024 and 2023, were as follows (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Assets	\$ 3,948,225	\$ 4,304,835
Liabilities	3,369,034	3,749,821
Equity interests	579,191	555,014
Total liabilities and equity	\$ 3,948,225	\$ 4,304,835
For the three months ended		
	March 31,	
Revenues	\$ 277,260	\$ 301,951
Net income	\$ 32,803	\$ 46,643

At March 31, 2024, technology, trade name and customer relationship intangibles associated with Pinnacle Bank's investment in BHG, net of related amortization, totaled \$ 5.9 million compared to \$ 6.0 million as of December 31, 2023. Amortization expense of \$ 59,000 was included for the three months ended March 31, 2024 compared to \$ 87,000 for the same period in the prior year. Accretion income of \$ 39,000 was included in the three months ended March 31, 2024 compared to \$ 95,000 for the same period in the prior year.

During the three months ended March 31, 2024, Pinnacle Bank received dividends of \$ 3.6 million from BHG compared to \$ 24.0 million received during the three months ended March 31, 2023. Earnings from BHG are included in Pinnacle Financial's consolidated tax return. Profits from intercompany transactions are eliminated. During the three months ended March 31, 2024 and 2023, Pinnacle Bank purchased no loans from BHG. At March 31, 2024 and December 31, 2023, there were \$ 245.8 million and \$ 263.0 million, respectively, of BHG joint venture program loans held by Pinnacle Bank. These loans were purchased from BHG by Pinnacle Bank at par whereby BHG and Pinnacle Bank share proportionately in the credit risk of the acquired loans based on the rate on the loan and the rate of the purchase. The yield on this portfolio to Pinnacle Bank is anticipated to be between 4.50% and 6.00% per annum.

Note 3. Securities

The amortized cost and fair value of securities available-for-sale and held-to-maturity at March 31, 2024 and December 31, 2023 are summarized as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2024:				
Securities available-for-sale:				
U.S. Treasury securities	\$ 877,149	\$ 21	\$ 4,379	\$ 872,791
U.S. Government agency securities	316,289	20	27,476	288,833
Mortgage-backed securities	1,095,839	544	126,171	970,212
State and municipal securities	1,620,208	26,568	53,993	1,592,783
Asset-backed securities	230,109	452	8,893	221,668
Corporate notes and other	474,229	52	41,850	432,431
	\$ 4,613,823	\$ 27,657	\$ 262,762	\$ 4,378,718

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2024:				
Securities held-to-maturity:				
U.S. Treasury securities	\$ 90,199	\$ —	\$ 3,415	\$ 86,78
U.S. Government agency securities	364,898	—	20,355	344,54
Mortgage-backed securities	378,228	175	39,134	339,26
State and municipal securities	1,878,776	2,783	180,516	1,701,04
Asset-backed securities	197,511	49	12,429	185,13
Corporate notes and other	85,225	—	8,936	76,28
	\$ 2,994,837	\$ 3,007	\$ 264,785	\$ 2,733,05
Allowance for credit losses - securities held-to-maturity	(1,708)			
Securities held-to-maturity, net of allowance for credit losses	\$ 2,993,129			
December 31, 2023:				
Securities available-for-sale:				
U.S. Treasury securities	\$ 907,990	\$ 2	\$ 14,580	\$ 893,412
U.S. Government agency securities	284,607	—	21,877	262,730
Mortgage-backed securities	1,071,963	444	125,017	947,390
State and municipal securities	1,604,874	26,129	45,108	1,585,895
Asset-backed securities	201,577	338	10,280	191,635
Corporate notes and other	477,761	69	41,362	436,468
	\$ 4,548,772	\$ 26,982	\$ 258,224	\$ 4,317,530
Securities held-to-maturity:				
U.S Treasury securities	\$ 90,309	\$ —	\$ 3,840	\$ 86,469
U.S. Government agency securities	364,769	—	19,187	345,582
Mortgage-backed securities	382,100	637	34,900	347,837
State and municipal securities	1,886,459	6,079	159,027	1,733,511
Asset-backed securities	198,418	—	14,228	184,190
Corporate notes	86,009	—	8,414	77,595
	\$ 3,008,064	\$ 6,716	\$ 239,596	\$ 2,775,184
Allowance for credit losses - securities held-to-maturity	(1,707)			
Securities held-to-maturity, net of allowance for credit losses	\$ 3,006,357			

During the quarters ended March 31, 2022, March 31, 2020 and September 30, 2018, Pinnacle Financial transferred, at fair value, \$ 1.1 billion, \$ 873.6 million and \$ 179.8 million, respectively, of securities from the available-for-sale portfolio to the held-to-maturity portfolio. The related net unrealized after tax losses of \$ 1.5 million, net unrealized after tax gains of \$ 69.0 million and net unrealized after tax losses of \$ 2.2 million, respectively, on these transferred securities remained in accumulated other comprehensive income (loss) and are being amortized over the remaining life of the transferred securities, offsetting the related amortization of discount or premium on the transferred securities. No gains or losses were recognized at the time of the transfer. At March 31, 2024, approximately \$ 2.0 billion of securities within Pinnacle Financial's investment portfolio were pledged to secure either public funds and other deposits or securities sold under agreements to repurchase. At March 31, 2024, repurchase agreements comprised of secured borrowings totaled \$ 201.4 million and were secured by \$ 201.4 million of pledged U.S. government agency securities, mortgage-backed securities, municipal securities, asset-backed securities and corporate notes. As the fair value of securities pledged to secure repurchase agreements may decline, Pinnacle Financial regularly evaluates its need to pledge additional securities to the customers with whom it has entered into the repurchase agreements for the customers to remain adequately secured.

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The amortized cost and fair value of debt securities as of March 31, 2024 by contractual maturity is shown below. Actual maturities may differ from contractual maturities of mortgage- and asset-backed securities since the mortgages and assets underlying the securities may be called or prepaid with or without penalty. Therefore, these securities are not included in the maturity categories in the following summary (in thousands):

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
March 31, 2024:				
Due in one year or less	\$ 27,863	\$ 29,143	\$ 95,418	\$ 92,840
Due in one year to five years	241,765	236,003	372,318	347,867
Due in five years to ten years	506,600	462,247	91,872	84,791
Due after ten years	2,511,647	2,459,445	1,859,490	1,683,161
Mortgage-backed securities	1,095,839	970,212	378,228	339,269
Asset-backed securities	230,109	221,668	197,511	185,131
	\$ 4,613,823	\$ 4,378,718	\$ 2,994,837	\$ 2,733,059

At March 31, 2024 and December 31, 2023, the following available-for-sale securities had unrealized losses. The table below classifies these investments according to the term of the unrealized losses of less than twelve months or twelve months or longer (in thousands):

	Investments with an Unrealized Loss of less than 12 months		Investments with an Unrealized Loss of 12 months or longer		Total Investments with an Unrealized Loss	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
At March 31, 2024						
U.S. Treasury securities	\$ 669,265	\$ 3,780	\$ 130,101	\$ 599	\$ 799,366	\$ 4,379
U.S. Government agency securities	1,428	13	286,532	27,463	287,960	27,476
Mortgage-backed securities	43,474	615	799,688	125,556	843,162	126,171
State and municipal securities	254,269	2,053	500,627	51,940	754,896	53,993
Asset-backed securities	39,732	91	120,109	8,802	159,841	8,893
Corporate notes	26,183	1,099	375,259	40,751	401,442	41,850
Total temporarily-impaired securities	\$ 1,034,351	\$ 7,651	\$ 2,212,316	\$ 255,111	\$ 3,246,667	\$ 262,762
At December 31, 2023						
U.S. Treasury securities	\$ 693,621	\$ 11,651	\$ 192,500	\$ 2,929	\$ 886,121	\$ 14,580
U.S. Government agency securities	14,989	11	247,648	21,866	262,637	21,877
Mortgage-backed securities	72,907	1,518	828,251	123,499	901,158	125,017
State and municipal securities	185,108	908	449,212	44,200	634,320	45,108
Asset-backed securities	42,207	254	122,469	10,026	164,676	10,280
Corporate notes	12,679	7	403,882	41,355	416,561	41,362
Total temporarily-impaired securities	\$ 1,021,511	\$ 14,349	\$ 2,243,962	\$ 243,875	\$ 3,265,473	\$ 258,224

The applicable dates for determining when available-for-sale securities were in an unrealized loss position were March 31, 2024 and December 31, 2023. As such, it is possible that an available-for-sale security had a market value less than its amortized cost on other days during the twelve-month periods ended March 31, 2024 and December 31, 2023, but is not in the "Investments with an Unrealized Loss of less than 12 months" category above.

As shown in the tables above, at March 31, 2024, Pinnacle Financial had approximately \$ 262.8 million in unrealized losses on approximately \$ 3.2 billion of available-for-sale securities. For any securities classified as available-for-sale that are in an unrealized loss position at the balance sheet date, Pinnacle Financial assesses whether or not it intends to sell the security, or more likely than not will be required to sell the security, before recovery of its amortized cost basis which would require a write-down to fair value through net income. Because Pinnacle Financial currently does not intend to sell those available-for-sale securities that have an unrealized loss at March 31, 2024, and it is not more-likely-than-not that Pinnacle Financial will be required to sell the securities before recovery of their amortized cost bases, which may be maturity, Pinnacle Financial has determined that no write-down is necessary. In addition, Pinnacle Financial evaluates whether any portion of the decline in fair value of available-for-sale securities is the result of credit deterioration, which would require the recognition of an allowance for credit losses. Such evaluations consider the extent to which the amortized cost of the security exceeds its fair value, changes in credit ratings and any other known adverse conditions related to the specific security. The unrealized losses associated with available-for-sale securities at March 31, 2024 are driven by changes in interest rates and are not due to the credit quality of the securities, and accordingly, no allowance for credit losses is considered necessary related to available-for-sale securities at March 31, 2024. These securities will continue to be monitored as a part of Pinnacle Financial's ongoing evaluation of credit quality. Management evaluates the financial performance of the issuers on a quarterly basis to determine if it is probable that the issuers can make all contractual principal and interest payments.

The allowance for credit losses on held-to-maturity securities is measured on a collective basis by major security type. Pinnacle Financial has a zero loss expectation for U.S. treasury securities in addition to U.S. Government agency securities and mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, and accordingly, no allowance for credit losses is estimated for these securities. Credit losses on held-to-maturity state and municipal securities and corporate notes and other securities are estimated using third-party probability of default and loss given default models driven primarily by macroeconomic factors over a reasonable and supportable period of twenty-four months with an eight month reversion to average loss factors. At both March 31, 2024 and December 31, 2023, the estimated allowance for credit losses on these held-to-maturity securities was \$ 1.7 million.

Pinnacle Financial utilizes bond credit ratings assigned by third party ratings agencies to monitor the credit quality of debt securities held-to-maturity. At March 31, 2024, all debt securities classified as held-to-maturity were rated A or higher by the ratings agencies. Updated credit ratings are obtained as they become available from the ratings agencies.

Periodically, available-for-sale securities may be sold or the composition of the portfolio realigned to improve yields, quality or marketability, or to implement changes in investment or asset/liability strategy, including maintaining collateral requirements and raising funds for liquidity purposes or preparing for anticipated changes in market interest rates. Additionally, if an available-for-sale security loses its investment grade or tax-exempt status, the underlying credit support is terminated or collection otherwise becomes uncertain based on factors known to management, Pinnacle Financial will consider selling the security, but will review each security on a case-by-case basis as these factors become known. During the three months ended March 31, 2024 and 2023, no available-for-sale securities were sold.

Pinnacle Financial has entered into various fair value hedging transactions to mitigate the impact of changing interest rates on the fair values of available-for-sale securities. See Note 8. *Derivative Instruments* for disclosure of the gains and losses recognized on derivative instruments and the cumulative fair value hedging adjustments to the carrying amount of the hedged securities.

Note 4. Loans and Allowance for Credit Losses

For financial reporting purposes, Pinnacle Financial classifies its loan portfolio based on the underlying collateral utilized to secure each loan. This classification is consistent with those utilized in the Quarterly Report of Condition and Income filed by Pinnacle Bank with the Federal Deposit Insurance Corporation (FDIC).

Pinnacle Financial uses the following loan categories for presentation of loan balances and the related allowance for credit losses on loans:

- *Owner occupied commercial real estate mortgage loans* - Owner occupied commercial real estate mortgage loans are secured by commercial office buildings, industrial buildings, warehouses or retail buildings where the owner of the building occupies the property. For such loans, repayment is largely dependent upon the operation of the borrower's business.
- *Non-owner occupied commercial real estate loans* - These loans represent investment real estate loans secured by office buildings, industrial buildings, warehouses, retail buildings, and multifamily residential housing. Repayment is primarily dependent on lease income generated from the underlying collateral.
- *Consumer real estate mortgage loans* - Consumer real estate mortgage consists primarily of loans secured by 1-4 family residential properties, including home equity lines of credit. Repayment is primarily dependent on the personal cash flow of the borrower.

- *Construction and land development loans* - Construction and land development loans include loans where the repayment is dependent on the successful completion and eventual sale, refinance or operation of the related real estate project. Construction and land development loans include 1-4 family construction projects and commercial construction endeavors such as warehouses, apartments, office and retail space and land acquisition and development.
- *Commercial and industrial loans* - Commercial and industrial loans include loans to business enterprises issued for commercial, industrial and/or other professional purposes. These loans are generally secured by equipment, inventory, and accounts receivable of the borrower and repayment is primarily dependent on business cash flows.
- *Consumer and other loans* - Consumer and other loans include all loans issued to individuals not included in the consumer real estate mortgage classification. Examples of consumer and other loans are automobile loans, consumer credit cards and loans to finance education, among others. Many consumer loans are unsecured. Repayment is primarily dependent on the personal cash flow of the borrower.

Loans at March 31, 2024 and December 31, 2023 were as follows (in thousands):

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Commercial real estate:		
Owner occupied	\$ 4,044,973	\$ 4,044,896
Non-owner occupied	8,063,642	7,535,494
Consumer real estate – mortgage	4,828,416	4,851,531
Construction and land development	3,818,334	4,041,081
Commercial and industrial	11,893,198	11,666,691
Consumer and other	514,310	536,398
Subtotal	<u>\$ 33,162,873</u>	<u>\$ 32,676,091</u>
Allowance for credit losses	(371,337)	(353,055)
Loans, net	<u>\$ 32,791,536</u>	<u>\$ 32,323,036</u>

Commercial loans receive risk ratings assigned by a financial advisor subject to validation by Pinnacle Financial's independent loan review department. Risk ratings are categorized as pass, special mention, substandard, substandard-nonaccrual or doubtful-nonaccrual. Pass rated loans include multiple ratings categories representing varying degrees of risk attributes that are less than those of the other defined risk categories further described below. Pinnacle Financial believes its categories follow those used by Pinnacle Bank's primary regulators. At March 31, 2024, approximately 79.6 % of Pinnacle Financial's loan portfolio was analyzed as a commercial loan type with a specifically assigned risk rating. Consumer loans and small business loans are generally not assigned an individual risk rating but are evaluated as either accrual or nonaccrual based on the performance of the individual loans. However, certain consumer real estate-mortgage loans and certain consumer and other loans receive a specific risk rating due to the loan proceeds being used for commercial purposes even though the collateral may be of a consumer loan nature. Consumer loans that have been placed on nonaccrual but have not otherwise been assigned a risk rating are believed by management to share risk characteristics with loans rated substandard-nonaccrual and have been presented as such in Pinnacle Financial's risk rating disclosures.

Risk ratings are subject to continual review by a financial advisor and a senior credit officer. At least annually, Pinnacle Financial's credit procedures require that every risk rated loan of \$ 1.5 million or more be subject to a formal credit risk review process. Each loan's risk rating is also subject to review by Pinnacle Financial's independent loan review department, which reviews a substantial portion of Pinnacle Financial's risk rated portfolio annually. Included in the coverage are independent reviews of loans in targeted higher-risk portfolio segments such as certain commercial and industrial loans, land loans and/or loan types in certain geographies.

Following are the definitions of the risk rating categories used by Pinnacle Financial. Pass rated loans include all credits other than those included within these categories:

- Special mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in Pinnacle Financial's credit position at some future date.
- Substandard loans are inadequately protected by the current net worth and financial capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize collection of the debt. Substandard loans are characterized by the distinct possibility that Pinnacle Financial could sustain some loss if the deficiencies are not corrected.
- Substandard-nonaccrual loans are substandard loans that have been placed on nonaccrual status.

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- Doubtful-nonaccrual loans have all the characteristics of substandard-nonaccrual loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

The following tables present loan balances classified within each risk rating category by primary loan type and year of origination or most recent renewal as of March 31, 2024 and December 31, 2023, as well as the gross loan charge-offs by primary loan type and year of origination or most recent renewal for the three months ended March 31, 2024 (in thousands):

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	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Substandard ⁽¹⁾	—	—	—	—	—	—	—	—
Substandard-nonaccrual	—	—	—	73	—	3	73	149
Doubtful-nonaccrual	—	—	—	—	—	—	—	—
Total Consumer and other	\$ 100,530	\$ 34,351	\$ 25,425	\$ 61,027	\$ 33,893	\$ 984	\$ 258,100	\$ 514,310
Current period gross charge-offs	\$ —	(158)	(68)	(995)	(581)	(25)	(1,480)	\$ (3,307)
Total loans								
Pass	\$ 2,009,349	\$ 6,331,335	\$ 8,916,086	\$ 5,616,935	\$ 1,911,754	\$ 2,181,116	\$ 5,612,343	\$ 32,578,918
Special Mention	28,515	62,351	100,558	20,102	47,427	21,937	67,801	348,691
Substandard ⁽¹⁾	23,258	17,601	13,338	27,987	100	10,997	33,658	126,939
Substandard-nonaccrual	13,661	15,244	11,329	45,738	3,228	14,110	5,015	108,325
Doubtful-nonaccrual	—	—	—	—	—	—	—	—
Total loans	\$ 2,074,783	\$ 6,426,531	\$ 9,041,311	\$ 5,710,762	\$ 1,962,509	\$ 2,228,160	\$ 5,718,817	\$ 33,162,873
Current period gross charge-offs	\$ —	(3,763)	(4,989)	(4,838)	(1,292)	(315)	(5,635)	\$ (20,832)

	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
December 31, 2023								
Commercial real estate - owner occupied								
Pass	\$ 785,834	\$ 1,123,425	\$ 871,389	\$ 502,260	\$ 267,595	\$ 357,339	\$ 56,680	\$ 3,964,522
Special Mention	1,595	37,324	5,300	2,252	5,306	4,701	—	56,478
Substandard ⁽¹⁾	5,528	9,331	3,262	1,145	568	610	—	20,444
Substandard-nonaccrual	1,781	615	686	53	—	317	—	3,452
Doubtful-nonaccrual	—	—	—	—	—	—	—	—
Total Commercial real estate - owner occupied	\$ 794,738	\$ 1,170,695	\$ 880,637	\$ 505,710	\$ 273,469	\$ 362,967	\$ 56,680	\$ 4,044,896
Commercial real estate - non-owner occupied								
Pass	\$ 1,304,109	\$ 2,682,275	\$ 1,737,275	\$ 713,979	\$ 505,767	\$ 370,420	\$ 107,841	\$ 7,421,666
Special Mention	—	30,229	—	6,745	216	5,335	—	42,525
Substandard ⁽¹⁾	25,723	2,969	—	—	1,195	73	—	29,960
Substandard-nonaccrual	—	153	40,180	—	—	489	521	41,343
Doubtful-nonaccrual	—	—	—	—	—	—	—	—
Total Commercial real estate - non-owner occupied	\$ 1,329,832	\$ 2,715,626	\$ 1,777,455	\$ 720,724	\$ 507,178	\$ 376,317	\$ 108,362	\$ 7,535,494
Consumer real estate – mortgage								
Pass	\$ 573,120	\$ 976,006	\$ 1,056,720	\$ 448,420	\$ 207,790	\$ 318,505	\$ 1,253,091	\$ 4,833,652
Special Mention	—	—	—	—	—	—	—	—
Substandard ⁽¹⁾	—	—	—	—	—	—	—	—
Substandard-nonaccrual	688	2,265	2,951	2,525	5,265	3,671	514	17,879
Doubtful-nonaccrual	—	—	—	—	—	—	—	—
Total Consumer real estate – mortgage	\$ 573,808	\$ 978,271	\$ 1,059,671	\$ 450,945	\$ 213,055	\$ 322,176	\$ 1,253,605	\$ 4,851,531
Construction and land development								
Pass	\$ 1,153,137	\$ 1,930,062	\$ 884,060	\$ 12,102	\$ 5,580	\$ 6,369	\$ 41,886	\$ 4,033,196
Special Mention	2,728	—	—	4,467	—	—	—	7,195
Substandard ⁽¹⁾	—	—	—	—	—	82	—	82
Substandard-nonaccrual	—	608	—	—	—	—	—	608
Doubtful-nonaccrual	—	—	—	—	—	—	—	—
Total Construction and land development	\$ 1,155,865	\$ 1,930,670	\$ 884,060	\$ 16,569	\$ 5,580	\$ 6,451	\$ 41,886	\$ 4,041,081
Commercial and industrial								
Pass	\$ 3,778,326	\$ 2,103,473	\$ 1,127,096	\$ 325,176	\$ 215,158	\$ 142,806	\$ 3,753,575	\$ 11,445,610
Special Mention	11,125	22,806	12,457	532	144	1,847	45,025	93,936
Substandard ⁽¹⁾	10,142	2,243	25,311	145	359	9,028	60,986	108,214
Substandard-nonaccrual	10,436	4,193	1,583	409	359	735	1,215	18,930
Doubtful-nonaccrual	—	—	—	1	—	—	—	1

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	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Total Commercial and industrial	\$ 3,810,029	\$ 2,132,715	\$ 1,166,447	\$ 326,263	\$ 216,020	\$ 154,416	\$ 3,860,801	\$ 11,666,691
Consumer and other								
Pass	\$ 136,809	\$ 28,774	\$ 66,126	\$ 37,015	\$ 541	\$ 656	\$ 266,402	\$ 536,323
Special Mention	—	—	—	—	—	—	—	—
Substandard ⁽¹⁾	—	—	—	—	—	—	—	—
Substandard-nonaccrual	—	—	—	—	—	—	75	75
Doubtful-nonaccrual	—	—	—	—	—	—	—	—
Total Consumer and other	\$ 136,809	\$ 28,774	\$ 66,126	\$ 37,015	\$ 541	\$ 656	\$ 266,477	\$ 536,398
Total loans								
Pass	\$ 7,731,335	\$ 8,844,015	\$ 5,742,666	\$ 2,038,952	\$ 1,202,431	\$ 1,196,095	\$ 5,479,475	\$ 32,234,969
Special Mention	15,448	90,359	17,757	13,996	5,666	11,883	45,025	200,134
Substandard ⁽¹⁾	41,393	14,543	28,573	1,290	2,122	9,793	60,986	158,700
Substandard-nonaccrual	12,905	7,834	45,400	2,987	5,624	5,212	2,325	82,287
Doubtful-nonaccrual	—	—	—	1	—	—	—	1
Total loans	\$ 7,801,081	\$ 8,956,751	\$ 5,834,396	\$ 2,057,226	\$ 1,215,843	\$ 1,222,983	\$ 5,587,811	\$ 32,676,091

⁽¹⁾ Potential problem loans represent those loans with a well-defined weakness and where information about possible credit problems of borrowers has caused management to have doubts about the borrower's ability to comply with present repayment terms. This definition is believed to be substantially consistent with the standards established by Pinnacle Bank's primary regulators for loans classified as substandard, excluding loan modifications made to borrowers experiencing financial difficulty. Potential problem loans, which are not included in nonaccrual loans, amounted to approximately \$94.2 million at March 31, 2024, compared to \$127.4 million at December 31, 2023.

The table below presents the aging of past due balances by loan segment at March 31, 2024 and December 31, 2023 (in thousands):

March 31, 2024	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total loans
Commercial real estate:						
Owner occupied	\$ 3,538	\$ 6,231	\$ 2,601	\$ 12,370	\$ 4,032,603	\$ 4,044,973
Non-owner occupied	616	700	38,654	39,970	8,023,672	8,063,642
Consumer real estate – mortgage	16,928	5,327	6,755	29,010	4,799,406	4,828,416
Construction and land development	1,342	384	107	1,833	3,816,501	3,818,334
Commercial and industrial	16,667	7,202	20,120	43,989	11,849,209	11,893,198
Consumer and other	3,792	1,895	1,151	6,838	507,472	514,310
Total	\$ 42,883	\$ 21,739	\$ 69,388	\$ 134,010	\$ 33,028,863	\$ 33,162,873
December 31, 2023						
Commercial real estate:						
Owner occupied	\$ 1,671	\$ 507	\$ 3,398	\$ 5,576	\$ 4,039,320	\$ 4,044,896
Non-owner occupied	40,577	489	153	41,219	7,494,275	7,535,494
Consumer real estate – mortgage	21,585	1,352	10,824	33,761	4,817,770	4,851,531
Construction and land development	621	28	608	1,257	4,039,824	4,041,081
Commercial and industrial	14,197	28,221	16,890	59,308	11,607,383	11,666,691
Consumer and other	5,286	1,868	1,496	8,650	527,748	536,398
Total	\$ 83,937	\$ 32,465	\$ 33,369	\$ 149,771	\$ 32,526,320	\$ 32,676,091

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The following table details the changes in the allowance for credit losses for the three months ended March 31, 2024 and 2023, respectively, by loan classification (in thousands):

	Commercial real estate - owner occupied	Commercial real estate - non- owner occupied	Consumer real estate - mortgage	Construction and land development	Commercial and industrial	Consumer and other	Total
Three months ended March							
31, 2024:							
Balance at December 31, 2023	\$ 28,690	\$ 57,687	\$ 71,354	\$ 39,142	\$ 148,212	\$ 7,970	\$ 353,055
Charged-off loans	(94)	(2,000)	(623)	—	(14,808)	(3,307)	(20,832)
Recovery of previously charged-off loans	17	14	244	7	2,822	1,513	4,617
Provision for credit losses on loans	1,077	16,880	4,839	(5,415)	14,946	2,170	34,497
Balance at March 31, 2024	\$ 29,690	\$ 72,581	\$ 75,814	\$ 33,734	\$ 151,172	\$ 8,346	\$ 371,337
Three months ended March							
31, 2023:							
Balance at December 31, 2022	\$ 26,617	\$ 40,479	\$ 36,536	\$ 36,114	\$ 144,353	\$ 16,566	\$ 300,665
Charged-off loans	—	—	(130)	—	(10,649)	(3,243)	(14,022)
Recovery of previously charged-off loans	8	30	671	221	3,711	2,091	6,732
Provision for credit losses on loans	(3,027)	1,405	2,083	1,264	16,214	2,527	20,466
Balance at March 31, 2023	\$ 23,598	\$ 41,914	\$ 39,160	\$ 37,599	\$ 153,629	\$ 17,941	\$ 313,841

The adequacy of the allowance for credit losses is reviewed by Pinnacle Financial's management on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay the loan (including the timing of future payment), the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. The level of the allowance for credit losses maintained by management is believed adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased by provisions charged to expense and decreased by charge-offs, net of recoveries of amounts previously charged-off.

CECL methodology requires the allowance for credit losses to be measured on a collective basis for pools of loans with similar risk characteristics, and for loans that do not share similar risk characteristics with the collectively evaluated pools, evaluations are performed on an individual basis. For commercial real estate, consumer real estate, construction and land development, and commercial and industrial loans, Pinnacle Financial primarily utilizes a probability of default and loss given default modeling approach. These models utilize historical correlations between default and loss experience, loan level attributes, and certain macroeconomic factors as determined through a statistical regression analysis. Segments using this approach incorporate various economic drivers.

Under the current model, commercial and industrial loans consider gross domestic product (GDP), the consumer credit index and the national unemployment rate, commercial construction loans and commercial real estate loans including nonowner occupied and owner occupied commercial real estate loans consider the national unemployment rate and the commercial property and commercial real estate price indices, construction and land development loans consider the commercial property, consumer credit and home price indices dependent upon their use as residential versus commercial, consumer real estate loans consider the home price index and household debt ratio and other consumer loans consider the national unemployment rate and the household financial obligations ratio.

A third-party provides management with quarterly macroeconomic scenarios, which management evaluates to determine the best estimate of the expected losses. For the consumer and other loan segment, a non-statistical approach based on historical charge off rates is utilized.

Losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable period losses are reverted to long term historical averages. The reasonable and supportable period and reversion period are re-evaluated each quarter by Pinnacle Financial and are dependent on the current economic environment among other factors. A reasonable and supportable period of fifteen months was utilized for all loan segments at March 31, 2024 and December 31, 2023, followed by a twelve month straight line reversion to long term averages at each measurement date.

The estimated loan losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. These adjustments are based upon quarterly trend assessments in portfolio concentrations, policy exceptions, associate retention, independent loan review results, competition and peer group credit quality trends. The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors.

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated pools. Individual evaluations are generally performed for loans greater than \$1.0 million which have experienced significant credit deterioration. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral.

The following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses, as of March 31, 2024 and December 31, 2023 (in thousands):

	Business			Real Estate			Assets			Other			Total												
March 31, 2024																									
Commercial real estate:																									
Owner occupied	\$	23,726	\$	—	\$	—	\$	—	\$	—	\$	23,726													
Non-owner occupied		68,615		—		—		—		—		68,615													
Consumer real estate – mortgage		26,055		—		—		—		—		26,055													
Construction and land development		759		—		—		—		—		759													
Commercial and industrial		—		38,056		—		551		—		38,607													
Consumer and other		—		—		—		65		—		65													
Total	\$	119,155	\$	38,056	\$	616	\$	616	\$	616	\$	157,827													
December 31, 2023																									
Commercial real estate:																									
Owner occupied	\$	22,284	\$	—	\$	—	\$	—	\$	—	\$	22,284													
Non-owner occupied		69,577		—		—		—		—		69,577													
Consumer real estate – mortgage		20,389		—		—		—		—		20,389													
Construction and land development		668		—		—		—		—		668													
Commercial and industrial		—		31,625		—		552		—		32,177													
Consumer and other		—		—		—		—		—		—													
Total	\$	112,918	\$	31,625	\$	552	\$	552	\$	552	\$	145,095													

The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. Pinnacle Financial uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, a loan modification will be granted by providing principal forgiveness on certain loans. When principal forgiveness is provided, the amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, a loan restructuring will result in providing multiple types of modifications. Typically, one type of modification, such as a payment delay or term extension, is granted initially. If the borrower continues to experience financial difficulty, another modification, such as principal forgiveness or an interest rate reduction, may be granted. Additionally, multiple types of modifications may be made on the same loan within the current reporting period. Such a combination is at least two of the following: a payment delay, term extension, principal forgiveness, and interest rate reduction. Upon determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The following table shows the amortized cost basis of the loans modified to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023, disaggregated by class of loans and type of modification granted and describes the financial effect of the modifications made to borrowers experiencing financial difficulty (in thousands):

Three months ended March 31, 2024			
Term Extension			
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial real estate:			
Owner occupied	\$ —	—	—
Non-owner occupied	—	—	—
Consumer real estate – mortgage	—	—	—
Construction and land development	—	—	—
Commercial and industrial	19,208	0.16	Added a weighted average 0.41 years to the term % of the modified loans
Consumer and other	—	—	—
Total	\$ 19,208		

Three months ended March 31, 2023			
Payment Delay			
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial real estate:			
Owner occupied	\$ —	—	—
Non-owner occupied	—	—	—
Consumer real estate – mortgage	—	—	—
Construction and land development	—	—	—
Commercial and industrial	2,403	0.02 %	Provided a 90 day forbearance period for payoff
Consumer and other	—	—	—
Total	\$ 2,403		

The following table shows loans that experienced a payment default during the three months ended March 31, 2024, subsequent to being granted a modification in the prior twelve months.

Three months ended March 31, 2024						
	Payment Delay	Term Extension	Combination ¹		Total	
Commercial real estate:						
Owner occupied	\$ —	\$ 5,529	\$ —	\$ 5,529		
Non-owner occupied	13,298	—	—	—	13,298	
Consumer real estate – mortgage	—	—	—	—	—	
Construction and land development	—	—	—	—	—	
Commercial and industrial	—	—	—	—	—	
Consumer and other	—	—	—	—	—	
Total	\$ 13,298	\$ 5,529	\$ —	\$ 18,827		

⁽¹⁾ The combination includes payment delay, term extension, and an interest rate reduction.

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The table below presents the aging of past due balances as of March 31, 2024 of loans made to borrowers experiencing financial difficulty that were modified in the previous twelve months:

March 31, 2024	30-59 days past due	60-89 days past due	90 days or more past due	Current	Total loans
Commercial real estate:					
Owner occupied	\$ —	\$ 5,529	\$ —	\$ —	\$ 5,529
Non-owner occupied	—	—	—	26,780	26,780
Consumer real estate – mortgage	—	—	—	—	—
Construction and land development	—	—	—	—	—
Commercial and industrial	—	—	3,226	19,209	22,435
Consumer and other	—	—	—	—	—
Total	\$ —	\$ 5,529	\$ 3,226	\$ 45,989	\$ 54,744

The table below presents the amortized cost basis of loans on nonaccrual status and loans past due 90 or more days and still accruing interest at March 31, 2024 and December 31, 2023. Also presented is the balance of loans on nonaccrual status at March 31, 2024 for which there was no related allowance for credit losses recorded (in thousands):

	March 31, 2024			December 31, 2023			
	Total nonaccrual loans	Nonaccrual loans with no allowance for credit		Loans past due 90 or more days and still accruing	Total nonaccrual loans	Nonaccrual loans with no allowance for credit	
		losses	90 or more days and still accruing			losses	90 or more days and still accruing
Commercial real estate:							
Owner occupied	\$ 10,707	\$ 5,888	\$ —	\$ 3,452	\$ 122	\$ —	—
Non-owner occupied	52,599	13,771	—	41,343	40,669	—	—
Consumer real estate – mortgage	23,630	—	—	17,879	—	—	781
Construction and land development	701	—	—	608	—	—	—
Commercial and industrial	20,539	3,556	4,124	18,931	519	—	3,802
Consumer and other	149	—	1,149	75	—	—	1,421
Total	\$ 108,325	\$ 23,215	\$ 5,273	\$ 82,288	\$ 41,310	\$ 6,004	

Pinnacle Financial's policy is the accrual of interest income will be discontinued when (1) there is a significant deterioration in the financial condition of the borrower and full repayment of principal and interest is not expected or (2) the principal or interest is more than 90 days past due, unless the loan is both well secured and in the process of collection. As such, at the date loans are placed on nonaccrual status, Pinnacle Financial reverses all previously accrued interest income against current year earnings. Pinnacle Financial's policy is once a loan is placed on nonaccrual status each subsequent payment is reviewed on a case-by-case basis to determine if the payment should be applied to interest or principal pursuant to regulatory guidelines. Pinnacle Financial recognized no interest income from cash payments received on nonaccrual loans during the three months ended March 31, 2024 and 2023, respectively. Had these loans been on accruing status, an additional \$ 2.6 million and \$ 1.1 million of interest income would have been recognized for the three months ended March 31, 2024 and 2023, respectively. Approximately \$ 31.2 million and \$ 7.9 million of nonaccrual loans were performing pursuant to their contractual terms as of March 31, 2024 and December 31, 2023, respectively.

Pinnacle Financial analyzes its commercial loan portfolio to determine if a concentration of credit risk exists to any industries. Pinnacle Financial utilizes broadly accepted industry classification systems in order to classify borrowers into various industry classifications. Pinnacle Financial has a credit exposure (loans outstanding plus unfunded lines of credit) exceeding 25 % of Pinnacle Bank's total risk-based capital to borrowers in the following industries at March 31, 2024 with the comparative exposures for December 31, 2023 (in thousands):

	March 31, 2024			Total Exposure at December 31, 2023
	Outstanding Principal Balances		Unfunded Commitments	
	Total exposure			
Lessors of nonresidential buildings	\$ 4,784,990	\$ 1,134,125	\$ 5,919,115	\$ 5,916,335
Lessors of residential buildings	2,164,633	967,350	3,131,983	3,179,041
New Housing For-Sale Builders	603,969	746,691	1,350,660	1,396,653
Music Publishers	839,813	438,738	1,278,551	1,219,781

Among other data, Pinnacle Financial monitors two ratios regarding construction and commercial real estate lending as part of its concentration management processes. Both ratios are calculated by dividing certain types of loan balances for each of the two categories by Pinnacle Bank's total risk-based capital. At March 31, 2024 and December 31, 2023, Pinnacle Bank's construction and land development loans as a percentage of total risk-based capital were 77.5 % and 84.2 %, respectively. Non-owner occupied commercial real estate and multifamily loans (including construction and land development loans) as a percentage of total risk-based capital were 258.0 % and 259.0 % as of March 31, 2024 and December 31, 2023, respectively. Banking regulations have established guidelines for the construction ratio of less than 100% of total risk-based capital and for the non-owner occupied ratio of less than 300% of total risk-based capital. When a bank's ratios are in excess of one or both of these guidelines, banking regulations generally require an increased level of monitoring in these lending areas by bank management. At March 31, 2024, Pinnacle Bank was within the 100% and 300% guidelines and has established what it believes to be appropriate monitoring of its lending in these areas as it aims to keep the level of these loans below the 100% and 300% thresholds.

At March 31, 2024, Pinnacle Bank had granted loans and other extensions of credit amounting to approximately \$ 37.6 million to current directors, executive officers, and their related interests, of which \$ 34.4 million had been drawn upon. At December 31, 2023, Pinnacle Bank had granted loans and other extensions of credit amounting to approximately \$ 37.7 million to directors, executive officers, and their related interests, of which approximately \$ 34.7 million had been drawn upon. All loans to directors, executive officers, and their related interests were performing in accordance with contractual terms at March 31, 2024 and December 31, 2023.

Loans Held for Sale

At March 31, 2024, Pinnacle Financial had approximately \$ 6.1 million in commercial loans held for sale compared to \$ 9.3 million at December 31, 2023. These include commercial real estate and apartment loans originated for sale to a third-party as part of a multi-family loan program. Such loans are closed under a pass-through commitment structure wherein Pinnacle Bank's loan commitment to the borrower is the same as the third party's take-out commitment to Pinnacle Bank and the third party purchase typically occurs within thirty days of Pinnacle Bank closing with the borrowers. Also included are commercial loans originated for sale to BHG as part of BHG's alternative financing portfolio.

At March 31, 2024, Pinnacle Financial had approximately \$76.9 million in consumer loans held for sale, excluding mortgage loans, compared to \$84.0 million at December 31, 2023. These include consumer loans originated for sale to BHG as part of BHG's alternative financing portfolio.

At March 31, 2024, Pinnacle Financial had approximately \$ 27.7 million of mortgage loans held-for-sale compared to approximately \$ 20.2 million at December 31, 2023. Total mortgage loan volumes sold during the three months ended March 31, 2024 were approximately \$ 148.6 million compared to approximately \$ 120.1 million for the three months ended March 31, 2023. During the three months ended March 31, 2024, Pinnacle Financial recognized \$ 2.9 million in gains on the sale of these loans, net of commissions paid, compared to \$ 2.1 million during the three months ended March 31, 2023.

These residential mortgage loans held-for-sale are originated internally and are primarily to borrowers in Pinnacle Bank's geographic markets. These sales are typically on a mandatory basis to investors that follow conventional government sponsored entities and the Department of Housing and Urban Development/U.S. Department of Veterans Affairs guidelines.

Each purchaser of a residential mortgage loan held-for-sale has specific guidelines and criteria for sellers of loans and the risk of credit loss with regard to the principal amount of the loans sold is generally transferred to the purchasers upon sale. While the loans are sold without recourse, the purchase agreements require Pinnacle Bank to make certain representations and warranties regarding the existence and sufficiency of file documentation and the absence of fraud by borrowers or other third parties such as appraisers in connection with obtaining the loan. If it is determined that the loans sold were in breach of these representations or warranties, Pinnacle Bank has obligations to either repurchase the loan for the unpaid principal balance and related investor fees or make the purchaser whole for the economic benefits of the loan. To date, Pinnacle Bank's liability pursuant to the terms of these representations and warranties has been insignificant.

Note 5. Income Taxes

ASC 740, *Income Taxes*, defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. This section also provides guidance on the derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties, and includes guidance concerning accounting for income tax uncertainties in interim periods.

The unrecognized tax benefit related to uncertain tax positions related to state income tax filings was \$ 8.8 million at March 31, 2024 and December 31, 2023, respectively. During the three months ended March 31, 2024, Pinnacle Financial paid \$ 3,000 in taxes related to state income tax filings for tax years prior to 2024. During the three months ended March 31, 2023, Pinnacle Financial paid \$ 4.2 million in taxes related to state income tax filings for tax years prior to 2023.

Pinnacle Financial's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. No interest and penalties were recognized during the three months ended March 31, 2024 and March 31, 2023.

Pinnacle Financial's effective tax rate for the three months ended March 31, 2024 was 18.1 % compared to 19.8 % for the three months ended March 31, 2023. The difference between the effective tax rate and the federal and state income tax statutory rate of 25.00 % at March 31, 2024 and 2023, respectively, is primarily due to investments in bank qualified municipal securities, tax benefits of Pinnacle Bank's real estate investment trust subsidiary, participation in the Tennessee Community Investment Tax Credit (CITC) program, and tax benefits associated with share-based compensation and bank-owned life insurance, offset in part by the limitation on deductibility of meals and entertainment expense, non-deductible FDIC premiums and non-deductible executive compensation.

Income tax expense is also impacted by the vesting of equity-based awards and the exercise of employee stock options, which as expense or benefit is recorded as a discrete item as a component of total income tax, the amount of which is dependent upon the change in the grant date fair value and the vest date fair value of the underlying award. For the three months ended March 31, 2024 and 2023, Pinnacle Financial recognized excess tax benefits of \$ 2.4 million and \$ 277,000 , respectively, with respect to the vesting of equity-based awards and the exercise of employee stock options.

Note 6. Commitments and Contingent Liabilities

In the normal course of business, Pinnacle Financial has entered into off-balance sheet financial instruments which include commitments to extend credit (i.e., including unfunded lines of credit) and standby letters of credit. Commitments to extend credit are usually the result of lines of credit granted to existing borrowers under agreements that the total outstanding indebtedness will not exceed a specific amount during the term of the indebtedness. Typical borrowers are commercial concerns that use lines of credit to supplement their treasury management functions, thus their total outstanding indebtedness may fluctuate during any time period based on the seasonality of their business and the resultant timing of their cash flows. Other typical lines of credit are related to home equity loans granted to consumers. Commitments to extend credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At March 31, 2024, these commitments amounted to \$ 14.8 billion, of which approximately \$ 1.9 billion related to home equity lines of credit.

Standby letters of credit are generally issued on behalf of an applicant (customer) to a specifically named beneficiary and are the result of a particular business arrangement that exists between the applicant and the beneficiary. Standby letters of credit have fixed expiration dates and are usually for terms of two years or less unless terminated beforehand due to criteria specified in the standby letter of credit. A typical arrangement involves the applicant routinely being indebted to the beneficiary for such items as inventory purchases, insurance, utilities, lease guarantees or other third party commercial transactions. The standby letter of credit would permit the beneficiary to obtain payment from Pinnacle Financial under certain prescribed circumstances. Subsequently, Pinnacle Financial would then seek reimbursement from the applicant pursuant to the terms of the standby letter of credit. At March 31, 2024 and December 31, 2023, these commitments amounted to \$ 349.5 million and \$325.1 million, respectively.

Pinnacle Financial typically follows the same credit policies and underwriting practices when making these commitments as it does for on-balance sheet instruments. Each customer's creditworthiness is typically evaluated on a case-by-case basis, and the amount of collateral obtained, if any, is based on management's credit evaluation of the customer. Collateral held varies but may include cash, real estate and improvements, marketable securities, accounts receivable, inventory, equipment and personal property.

The contractual amounts of these commitments are not reflected in the consolidated financial statements and only amounts drawn upon would be reflected in the future. Since many of the commitments are expected to expire without being drawn upon, the contractual amounts do not necessarily represent future cash requirements. However, should the commitments be drawn upon and should Pinnacle Bank's customers default on their resulting obligation to Pinnacle Bank, the maximum exposure to credit loss, without consideration of collateral, is represented by the contractual amount of those commitments. At both March 31, 2024 and December 31, 2023, Pinnacle Financial had accrued reserves of \$ 17.5 million for the inherent risks associated with these off-balance sheet commitments. There was no provision for these unfunded commitments for the three months ended March 31, 2024 as compared to a benefit of \$ 2.0 million during the three months ended March 31, 2023.

Various legal claims also arise from time to time in the normal course of business. In the opinion of management, the resolutions of these claims outstanding at March 31, 2024 are not expected to have a material adverse impact on Pinnacle Financial's consolidated financial condition, operating results or cash flows.

Note 7. Equity Compensation

Pinnacle Financial's Amended and Restated 2018 Omnibus Equity Incentive Plan (2018 Plan) permits Pinnacle Financial to reissue outstanding awards that are subsequently forfeited, settled in cash, withheld by Pinnacle Financial to cover withholding taxes or expire unexercised and returned to the 2018 Plan. At March 31, 2024, there were approximately 712,000 shares available for issuance under the 2018 Plan. On April 23, 2024, Pinnacle Financial's common shareholders approved an amendment and restatement of the 2018 Plan that, among other things, authorized an additional 1,000,000 shares for issuance under the 2018 Plan.

Restricted Share Awards

A summary of activity for unvested restricted share awards for the three months ended March 31, 2024 is as follows:

	Number	Grant Date Weighted-Average Cost
Unvested at December 31, 2023	703,399	\$ 77.68
Shares awarded	199,791	
Restrictions lapsed and shares released to associates/directors	(164,428)	
Shares forfeited	(10,095)	
Unvested at March 31, 2024	728,667	\$ 80.26

Pinnacle Financial has granted restricted share awards to associates (including certain members of executive management) and outside directors with time-based vesting criteria. Compensation expense associated with time-based vesting restricted share awards is recognized over the time period that the restrictions associated with the awards lapse on a straight-line basis based on the total cost of the award. The following table outlines restricted stock grants that were made, grouped by similar vesting criteria, during the three months ended March 31, 2024. The table reflects the life-to-date activity for these awards:

Grant year	Group ⁽¹⁾	Vesting period in years	Restrictions			Shares withheld for taxes by participants	Shares forfeited by participants ⁽⁴⁾	Shares unvested
			Shares awarded	lapsed and shares released to participants	Shares withheld for taxes by participants			
Time Based Awards								
2024	Associates ⁽²⁾	5	189,901	10	15	2,199	187,677	
Outside Director Awards ⁽³⁾								
2024	Outside directors	1	9,890	—	—	—	—	9,890

(1) Groups include employees (referred to as associates above) and outside directors. When the restricted shares are awarded, a participant receives voting rights and forfeitable dividend rights with respect to the shares, but is not able to transfer the shares until the restrictions have lapsed. Once the restrictions lapse, the participant is taxed on the value of the award and may elect to sell some shares (or have Pinnacle Financial withhold some shares) to pay the applicable income taxes associated with the award. Alternatively, the recipient can pay the withholding taxes in cash. For time-based vesting restricted share awards, dividends paid on shares for which the forfeiture restrictions do not lapse will be recouped by Pinnacle Financial at the time of termination. For awards to Pinnacle Financial's directors, dividends are placed into escrow until the forfeiture restrictions on such shares lapse.

(2) The forfeiture restrictions on these restricted share awards lapse in equal annual installments on the anniversary date of the grant.

(3) Restricted share awards are issued to the outside members of the board of directors in accordance with their board compensation plan. Restrictions lapse on March 1, 2025 based on each individual board member meeting attendance goals for the various board and board committee meetings to which each member was scheduled to attend.

(4) These shares represent forfeitures resulting from recipients whose employment was terminated during the year-to-date period ended March 31, 2024. Any dividends paid on shares for which the forfeiture restrictions do not lapse will be recouped by Pinnacle Financial at the time of termination or will not be distributed from escrow, as applicable.

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Restricted Stock Unit Awards

A summary of activity for unvested restricted stock units for the three months ended March 31, 2024 is as follows:

	Number	Grant Date Weighted-Average Cost
Unvested at December 31, 2023	102,877	\$ 78.03
Shares awarded	57,480	
Restrictions lapsed and shares released to associates	(49,185)	
Shares forfeited	(658)	
Unvested at March 31, 2024	110,514	\$ 80.84

Pinnacle Financial grants restricted stock units to its Named Executive Officers (NEOs) and leadership team members with time-based vesting criteria. Compensation expense associated with time-based vesting restricted stock unit awards is recognized over the time period that the restrictions associated with the awards lapse on a straight-line basis based on the total cost of the award. The following table outlines restricted stock unit grants that were made, grouped by similar vesting criteria, during the three months ended March 31, 2024. The table reflects the life-to-date activity for these awards:

Grant year	Vesting period in years	Shares awarded	Restrictions lapsed and			Shares forfeited by participants ⁽¹⁾	Shares unvested
			shares released to participants	Shares withheld for taxes by participants	Shares forfeited by participants ⁽¹⁾		
2024	3	57,480	—	—	—	180	57,300

(1) These shares represent forfeitures resulting from recipients whose employment was terminated during the year-to-date period ended March 31, 2024. Dividend equivalents are held in escrow for award recipients for dividends paid prior to the forfeiture restrictions lapsing. Such dividend equivalents are not released from escrow if an award is forfeited.

Performance Stock Unit Awards

The following table details the performance stock unit awards outstanding at March 31, 2024:

Grant year	NEOs ⁽¹⁾	Units Awarded			Service period per tranche (in years)	Subsequent holding period per tranche (in years)	Period in which units to be settled into shares of common stock ⁽²⁾			
		Applicable performance periods associated with each tranche (fiscal year)								
		Leadership	Team other than NEOs	(fiscal year)						
2024	80,211	—	192,499	53,710	2024-2026	0	0 2027			
2023	103,136	—	247,515	61,673	2023-2025	0	0 2026			
2022	56,465	—	135,514	32,320	2022-2024	0	0 2025			
2022	—	—	230,000	—	2022-2024	0	1 2026			
2020	136,137	—	204,220	59,648	2020	2	3 2025			
					2021	2	2 2025			
					2022	2	1 2025			

(1) The named executive officers are awarded a range of awards that generally may be earned based on attainment of goals between a target level of performance and a maximum level of performance. The 230,000 performance units awarded to the NEOs in 2022 may be earned based on target level performance and do not include a maximum level payout.

(2) Performance stock unit awards granted in or after 2021, if earned, will be settled in shares of Pinnacle Financial common stock in the period noted in the table, if the performance criterion included in the applicable performance unit award agreement are met.

During the three months ended March 31, 2024 and 2023, the restrictions associated with 435,881 and 111,108 performance stock unit awards previously granted, respectively, lapsed based on the terms of the underlying award agreements and approval by Pinnacle Financial's Human Resources and Compensation Committee, and were settled into shares of Pinnacle Financial common stock with 158,117 and 38,782 shares, respectively, being withheld to pay the taxes associated with the settlement of those shares.

Stock compensation expense related to restricted share awards, restricted stock unit awards and performance stock unit awards for the three months ended March 31, 2024 was \$ 10.3 million compared to \$ 10.2 million for the three months ended March 31, 2023. As of March 31, 2024, the total compensation cost related to unvested restricted share awards, restricted stock unit awards and performance stock unit awards estimated at maximum performance not yet recognized was \$ 86.0 million. This expense, if the underlying units are earned, is expected to be recognized over a weighted-average period of 2.10 years.

Note 8. Derivative Instruments

Financial derivatives are reported at fair value in other assets or other liabilities. The accounting for changes in the fair value of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and classification as either a cash flow hedge or fair value hedge for those derivatives which are designated as part of a hedging relationship.

Pinnacle Financial's derivative instruments with certain counterparties contain legally enforceable netting that allow multiple transactions to be settled into a single amount. The fair value hedge and interest rate swaps (swaps) assets and liabilities are presented at gross fair value before the application of bilateral collateral and master netting agreements, but after the initial margin posting and daily variation margin payments made with central clearinghouse organizations. Total fair value hedge and swaps assets and liabilities are adjusted to take into consideration the effects of legally enforceable master netting agreements and cash collateral received or paid as of March 31, 2024 and December 31, 2023. The resulting net fair value hedge and swaps asset and liability fair values are included in other assets and other liabilities, respectively, on the consolidated balance sheets. The daily settlement of the derivative exposure does not change or reset the contractual terms of the instrument.

Non-hedge derivatives

For derivatives not designated as hedges, the gain or loss is recognized in current period earnings. Pinnacle Financial enters into swaps to facilitate customer transactions and meet their financing needs. Upon entering into these instruments to meet customer needs, Pinnacle Financial enters into offsetting positions in order to minimize the risk to Pinnacle Financial. These swaps qualify as derivatives, but are not designated as hedging instruments. The income statement impact of the offsetting positions is limited to changes in the reserve for counterparty credit risk. A summary of Pinnacle Financial's interest rate swaps to facilitate customers' transactions as of March 31, 2024 and December 31, 2023 is included in the following table (in thousands):

	March 31, 2024			December 31, 2023		
	Notional Amount	Estimated Fair Value ⁽¹⁾	Notional Amount	Estimated Fair Value ⁽¹⁾		
Interest rate swap agreements:						
Assets	\$ 2,122,251	\$ 82,743	\$ 2,037,740	\$ 66,462		
Liabilities	2,122,251	(83,663)	2,037,740	(67,206)		
Total	\$ 4,244,502	\$ (920)	\$ 4,075,480	\$ (744)		

(1) The variation margin payments for derivatives cleared through central clearing houses are characterized as settlements. At March 31, 2024 and December 31, 2023, there were no interest rate swap agreements designated as non-hedge derivatives cleared through clearing houses.

The effects of Pinnacle Financial's interest rate swaps to facilitate customers' transactions on the income statement during the three months ended March 31, 2024 and 2023 were as follows (in thousands):

	Amount of Loss Recognized in Income		
	Three Months Ended March 31,		
	Location of Loss Recognized in Income	2024	2023
Interest rate swap agreements	Other noninterest income	\$ (178)	\$ (63)

Derivatives designated as cash flow hedges

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For derivative instruments that are designated and qualify as a cash flow hedge, the aggregate fair value of the derivative instrument is recorded in other assets or other liabilities with any gain or loss related to changes in fair value recorded in accumulated other comprehensive income (loss), net of tax. The gain or loss is reclassified into earnings in the same period during which the hedged asset or liability affects earnings and is presented in the same income statement line item as the earnings effect of the hedged asset or liability. Pinnacle Financial uses forward cash flow hedge relationships in an effort to manage future interest rate exposure. A summary of the cash flow hedge relationships as of March 31, 2024 and December 31, 2023 is as follows (in thousands):

				March 31, 2024		December 31, 2023	
Weighted Average				Notional	Estimated	Notional	Estimated
Balance Sheet	Location	Remaining Maturity	(In Years)	Receive Rate	Pay Rate	Fair Value	Fair Value
Asset derivatives							
				4.00%-4.50% minus USD-Term SOFR			
Interest rate floor - loans	Other assets	3.59		1M	N/A	\$ 875,000	\$ 22,466
				4.25%-4.75% minus USD-Term SOFR	1M minus 6.75%-		
Interest rate collars - loans	Other assets	3.59		1M	7.00%	875,000	23,463
						\$ 1,750,000	\$ 45,929
						\$ 1,750,000	\$ 74,797

The effects of Pinnacle Financial's cash flow hedge relationships on the statement of comprehensive income (loss) during the three months ended March 31, 2024 and 2023 were as follows, net of tax (in thousands):

Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss)			
Three Months Ended March 31,			
Asset derivatives	2024	2023	
Interest rate floors and collars - loans	\$ (19,646)	\$ 11,978	

The cash flow hedges were determined to be highly effective during the periods presented and as a result qualify for hedge accounting treatment. If a hedge was deemed to be ineffective, the amount included in accumulated other comprehensive income (loss) would be reclassified into a line item within the statement of income that impacts operating results. The hedge would no longer be considered effective if a portion of the hedge becomes ineffective, the item hedged is no longer in existence or Pinnacle Financial discontinues hedge accounting. Gains on cash flow hedges totaling \$ 2.5 million, net of tax, were reclassified from accumulated other comprehensive income (loss) into net income during the three months ended March 31, 2024 and 2023, respectively. Approximately \$ 6.5 million in unrealized gains, net of tax, are expected to be reclassified from accumulated other comprehensive income (loss) into net income over the next twelve months related to previously terminated cash flow hedges.

Derivatives designated as fair value hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged asset or liability attributable to the hedged risk are recognized in current earnings. The gain or loss on the derivative instrument is presented on the same income statement line item as the earnings effect of the hedged item. Pinnacle Financial utilizes interest rate swaps designated as fair value hedges to mitigate the effect of changing interest rates on the fair values of fixed rate callable available-for-sale securities. The hedging strategy converts the fixed interest rates to variable interest rates based on federal funds rates or SOFR. These derivatives are designated as partial term hedges of selected cash flows covering specified periods of time prior to the call dates of the hedged securities. Pinnacle Financial also utilizes interest rate swaps designated as fair value hedges to mitigate the effect of changing interest rates on FHLB advances with payments beginning on various dates throughout 2024 and the first quarter of 2025.

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A summary of Pinnacle Financial's fair value hedge relationships as of March 31, 2024 and December 31, 2023 is as follows (in thousands):

					March 31, 2024		December 31, 2023	
		Weighted Average Remaining Maturity (In Years)	Weighted Average Pay Rate	Receive Rate	Notional Amount	Estimated Fair Value ⁽¹⁾	Notional Amount	Estimated Fair Value ⁽¹⁾
	Sheet Location							
Asset derivatives								
Interest rate swaps - securities	Other assets	10.70	2.81 %	Federal Funds/ SOFR	\$ 2,112,139	\$ 68,520	\$ 543,061	\$ 42,983
Interest rate swaps - borrowings	Other assets	N/A	N/A	N/A	—	—	750,000	3,654
Liability derivatives								
Interest rate swaps - securities	Other liabilities	N/A	N/A	N/A	\$ —	\$ —	\$ 1,569,078	\$ (1,275)
Interest rate swaps - borrowings	Other liabilities	3.48	5.33 %	SOFR	1,175,000	(23,963)	425,000	(1,656)
					3,287,139	44,557	3,287,139	43,706
					\$ —	\$ —	\$ —	\$ —

⁽¹⁾ The variation margin payments for derivatives cleared through central clearing houses are characterized as settlements. At March 31, 2024 and December 31, 2023, the notional amount of fair value derivatives cleared through central clearing houses was \$2.0 billion with a fair value that approximates zero due to \$27.8 million and \$4.0 million in variation margin payments.

Notional amounts of \$ 392.2 million as of March 31, 2024 receive a variable rate of interest based on the daily compounded federal funds rate and notional amounts totaling \$ 2.9 billion as of March 31, 2024 receive a variable rate of interest based on the daily compounded SOFR.

The effects of Pinnacle Financial's securities fair value hedge relationships on the income statement during the three months ended March 31, 2024 and 2023 were as follows (in thousands):

Securities	Location of Gain (Loss)	Amount of Gain (Loss) Recognized in Income	
		Three Months Ended March 31,	
		2024	2023
Interest rate swaps - securities	Interest income on securities	\$ 26,812	\$ (31,685)
Securities available-for-sale	Interest income on securities	(26,812)	\$ 31,685
FHLB advances			
Interest rate swaps - FHLB advances	Interest expense on FHLB advances and other borrowings	(25,961)	\$ 1,883
FHLB advances	Interest expense on FHLB advances and other borrowings	25,961	\$ (1,883)

The following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges at March 31, 2024 and December 31, 2023 (in thousands):

Line item on the balance sheet	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/Liabilities			
	Carrying Amount of the Hedged Assets/Liabilities		Hedged Assets/Liabilities	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Securities available-for-sale	\$ 2,044,651	\$ 2,074,621	\$ (68,520)	\$ (41,708)
Federal Home Loan Bank advances	\$ 1,151,037	\$ 1,173,002	(23,963)	(1,998)

During the three months ended March 31, 2024 and 2023, amortization expense totaling \$ 104,000 and \$ 210,000 , respectively, related to previously terminated fair value hedges was recognized as a reduction to interest income on loans.

In April 2022, interest rates swaps designated as fair value hedges with notional amounts totaling \$ 164.3 million and market values totaling \$ 14.3 million were terminated. Approximately \$ 986,000 in gains were recognized at the time of termination and the remaining \$ 9.7 million at March 31, 2024 will be accreted as additional interest income on the previously hedged available-for-sale mortgage backed and municipal securities over the same period as existing purchase discounts or premiums on these securities.

Note 9. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. The definition of fair value focuses on the exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not the entry price, i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date. The statement emphasizes that fair value is a market-based measurement; not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Valuation Hierarchy

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Assets

Securities available-for-sale – Where quoted prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other financial products. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation and more complex pricing models or discounted cash flows are used, securities are classified within Level 3 of the valuation hierarchy.

Other investments – Included in other investments are investments recorded at fair value primarily in certain nonpublic investments and funds. The valuation of these nonpublic investments requires management judgment due to the absence of observable quoted market prices, inherent lack of liquidity and the long-term nature of such assets. These investments are valued initially based upon transaction price. The carrying values of other investments are adjusted either upwards or downwards from the transaction price to reflect expected exit values as evidenced by financing and sale transactions with third parties, or when determination of a valuation adjustment is confirmed through financial reports provided by the portfolio managers of the investments. A variety of factors are reviewed and monitored to assess positive and negative changes in valuation including, but not limited to, current operating performance and future expectations of the particular investment, industry valuations of comparable public companies and changes in market outlook and the third-party financing environment over time. In determining valuation adjustments resulting from the investment review process, emphasis is placed on current company performance and market conditions. These investments are included in Level 3 of the valuation hierarchy if the entities and funds are not widely traded and the underlying investments are in privately-held and/or start-up companies for which market values are not readily available. Certain investments in funds for which the underlying assets of the fund represent publicly traded investments are included in Level 2 of the valuation hierarchy.

Mortgage Servicing Rights – On March 31, 2024, Pinnacle Financial recognized a mortgage servicing asset totaling \$ 11.8 million related to a commercial mortgage loan portfolio. Upon the sale of these commercial loans, the MSRs are capitalized and represent the fair value of future net servicing fees from servicing activities associated with these commercial mortgage loans. Pinnacle Financial has elected to account for this class of MSRs under the fair value measurement method. Fair value for MSRs is determined utilizing a discounted cash flow model which calculates the fair value of each servicing right based on the present value of the expected cash flows from servicing revenues less servicing costs of the portfolio. The valuation of MSRs uses assumptions market participants would use in determining fair value including, including prepayment speeds, interest rates, discount rates and other economic factors, which are considered significant unobservable inputs. Due to the nature of the inputs used in the valuation, MSRs are classified within Level 3 of the valuation hierarchy.

Other assets – Included in other assets are certain assets carried at fair value, including interest rate swap agreements to facilitate customer transactions, interest rate swaps designated as fair value hedges, interest rate caps and floors designated as cash flow hedges and interest rate locks associated with the mortgage loan pipeline. The carrying amount of interest rate swap agreements is based on Pinnacle Financial's pricing models that utilize observable market inputs. The fair value of the cash flow hedge agreements is determined by calculating the difference between the discounted fixed rate cash flows and the discounted variable rate cash flows. The fair value of the mortgage loan pipeline is based upon the projected sales price of the underlying loans, taking into account market interest rates and other market factors at the measurement date, net of the projected fallout rate. Pinnacle Financial reflects these assets within Level 2 of the valuation hierarchy as these assets are valued using similar transactions that occur in the market.

Collateral dependent loans – Collateral dependent loans are measured at the fair value of the collateral securing the loan less estimated selling costs. The fair value of real estate collateral is determined based on real estate appraisals which are generally based on recent sales of comparable properties which are then adjusted for property specific factors. Non-real estate collateral is valued based on various sources, including third party asset valuations and internally determined values based on cost adjusted for depreciation and other judgmentally determined discount factors. Collateral dependent loans are classified within Level 3 of the hierarchy due to the unobservable inputs used in determining their fair value such as collateral values and the borrower's underlying financial condition.

Other real estate owned – Other real estate owned (OREO) represents real estate foreclosed upon by Pinnacle Bank through loan defaults by customers or acquired by deed in lieu of foreclosure. A significant portion of these amounts relate to lots, homes and development projects that are either completed or are in various stages of completion for which Pinnacle Financial believes it has adequate collateral. Upon foreclosure, the property is recorded at the lower of cost or fair value, based on appraised value, less selling costs estimated as of the date acquired with any loss recognized as a charge-off through the allowance for credit losses. Additional OREO losses for subsequent valuation downward adjustments are determined on a specific property basis and are included as a component of noninterest expense along with holding costs. Any gains or losses realized at the time of disposal are also reflected in noninterest expense, as applicable. OREO is included in Level 3 of the valuation hierarchy due to the lack of observable market inputs into the determination of fair value as appraisal values are property-specific and sensitive to the changes in the overall economic environment.

Liabilities

Other liabilities – Pinnacle Financial has certain liabilities carried at fair value including certain interest rate swap agreements to facilitate customer transactions, interest rate swaps designated as fair value hedges, interest rate caps and floors designated as cash flow hedges and interest rate locks associated with the funding for its mortgage loan originations. The fair value of these liabilities is based on Pinnacle Financial's pricing models that utilize observable market inputs and is reflected within Level 2 of the valuation hierarchy.

The following tables present financial instruments measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023, by caption on the consolidated balance sheets and by FASB ASC 820 valuation hierarchy (as described above) (in thousands):

	Total carrying value in the consolidated balance sheet	Quoted market prices in an active market (Level 1)	Models with significant observable market parameters (Level 2)	Models with significant unobservable market parameters (Level 3)
March 31, 2024				
Investment securities available-for-sale:				
U.S. Treasury securities	\$ 872,791	\$ —	\$ 872,791	\$ —
U.S. Government agency securities	288,833	—	288,833	—
Mortgage-backed securities	970,212	—	970,212	—
State and municipal securities	1,592,783	—	1,592,451	332
Agency-backed securities	221,668	—	221,668	—
Corporate notes and other	432,431	—	419,579	12,852
Total investment securities available-for-sale	4,378,718	—	4,365,534	13,184
Other investments	184,372	—	22,137	162,235
Mortgage servicing rights	11,812	—	—	11,812
Other assets	209,530	—	209,530	—

	Total carrying value in the consolidated balance sheet	Quoted market prices in an active market (Level 1)	Models with significant observable market parameters (Level 2)	Models with significant unobservable market parameters (Level 3)
Total assets at fair value	\$ 4,784,432	\$ —	\$ 4,597,201	\$ 187,23
Other liabilities	\$ 118,698	\$ —	\$ 118,698	\$ —
Total liabilities at fair value	\$ 118,698	\$ —	\$ 118,698	\$ —
December 31, 2023				
Investment securities available-for-sale:				
U.S. Treasury securities	\$ 893,412	\$ —	\$ 893,412	\$ —
U.S. Government agency securities	262,730	—	262,730	—
Mortgage-backed securities	947,390	—	947,390	—
State and municipal securities	1,585,895	—	1,585,416	47
Agency-backed securities	191,635	—	191,635	—
Corporate notes and other	436,468	—	436,468	—
Total investment securities available-for-sale	4,317,530	—	4,317,051	47
Other investments	179,487	—	22,347	157,14
Other assets	197,541	—	197,541	—
Total assets at fair value	\$ 4,694,558	\$ —	\$ 4,536,939	\$ 157,61
Other liabilities	\$ 79,068	\$ —	\$ 79,068	\$ —
Total liabilities at fair value	\$ 79,068	\$ —	\$ 79,068	\$ —

The following table presents assets measured at fair value on a nonrecurring basis as of March 31, 2024 and December 31, 2023 (in thousands):

	Total carrying value in the consolidated balance sheet	Quoted market prices in an active market (Level 1)	Models with significant observable market parameters (Level 2)	Models with significant unobservable market parameters (Level 3)
March 31, 2024				
Other real estate owned	\$ 2,766	\$ —	\$ —	\$ 2,766
Collateral dependent loans ⁽¹⁾	88,685	—	—	88,685
Total	\$ 91,451	\$ —	\$ —	\$ 91,451
December 31, 2023				
Other real estate owned	\$ 3,937	\$ —	\$ —	\$ 3,937
Collateral dependent loans ⁽¹⁾	52,167	—	—	52,167
Total	\$ 56,104	\$ —	\$ —	\$ 56,104

⁽¹⁾ The carrying values of collateral dependent loans at March 31, 2024 and December 31, 2023 are net of valuation allowances of \$33.4 million and \$18.6 million, respectively.

In the case of the available-for-sale investment securities portfolio, Pinnacle Financial monitors the portfolio to ascertain when transfers between levels have been affected. During the three months ended March 31, 2024, one available-for-sale security previously classified as Level 2 was transferred to Level 3 due to unobservable inputs becoming significant. The nature of the remaining assets and liabilities is such that transfers in and out of any level are expected to be rare. For the three months ended March 31, 2023, there were no transfers between Levels 1, 2 or 3.

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The table below includes a rollforward of the balance sheet amounts for the three months ended March 31, 2024 and 2023 (including the change in fair value) for financial instruments classified by Pinnacle Financial within Level 3 of the valuation hierarchy measured at fair value on a recurring basis including changes in fair value due in part to observable factors that are part of the valuation methodology (in thousands):

	For the Three months ended March 31,				
	2024		2023		
	Available-for-sale securities	Other investments	Mortgage servicing rights	Available-for-sale securities	Other investments
Fair value, beginning of period	\$ 479	\$ 157,140	\$ —	\$ 629	\$ 130,982
Total realized gains (losses) included in income	13	(714)	11,812	1	2,360
Changes in unrealized gains/losses included in other comprehensive income (loss)	16	—	—	8	—
Transfers into Level 3	12,841	—	—	—	—
Purchases	—	7,467	—	—	9,202
Issuances	—	—	—	—	—
Settlements	(165)	(1,658)	—	(159)	(1,534)
Transfers out of Level 3	—	—	—	—	—
Fair value, end of period	\$ 13,184	\$ 162,235	\$ 11,812	\$ 479	\$ 141,010
Total realized gains (losses) included in income	\$ 13	\$ (714)	\$ 11,812	\$ 1	\$ 2,360

The following tables present the carrying amounts, estimated fair value and placement in the fair value hierarchy of Pinnacle Financial's financial instruments at March 31, 2024 and December 31, 2023. This table excludes financial instruments for which the carrying amount approximates fair value. For short-term financial assets such as cash, cash equivalents, and restricted cash, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization. For financial liabilities such as non-interest bearing demand, interest-bearing demand, and savings deposits, the carrying amount is a reasonable estimate of fair value due to these products having no stated maturity (in thousands):

	Carrying Amount	Estimated Fair Value ⁽¹⁾	Quoted market prices in an active market (Level 1)	Models with significant observable market parameters (Level 2)	Models with significant unobservable market parameters (Level 3)			
March 31, 2024								
<i>Financial assets:</i>								
Securities purchased with agreement to resell	\$ 554,022	\$ 459,206	\$ —	\$ —	\$ 459,206			
Securities held-to-maturity	2,993,129	2,733,059	—	2,733,059	—			
Loans, net	32,791,536	32,086,768	—	—	32,086,768			
Consumer loans held-for-sale	104,586	105,060	—	105,060	—			
Commercial loans held-for-sale	6,068	6,096	—	6,096	—			
<i>Financial liabilities:</i>								
Deposits and securities sold under agreements to repurchase								
	39,603,443	38,791,572	—	—	38,791,572			
Federal Home Loan Bank advances	2,116,417	2,104,237	—	—	2,104,237			
Subordinated debt and other borrowings	425,159	462,835	—	—	462,835			

	Carrying Amount	Estimated Fair Value ⁽¹⁾	Quoted market prices in an active market (Level 1)	Models with significant observable market parameters (Level 2)		Models with significant unobservable market parameters (Level 3)				
December 31, 2023										
<i>Financial assets:</i>										
Securities purchased with agreement to resell	\$ 558,009	\$ 461,375	\$ —	\$ —	\$ —	\$ 461,375	\$ —			
Securities held-to-maturity	3,006,357	2,775,184	—	2,775,184	—	—	—			
Loans, net	32,323,036	31,863,583	—	—	—	31,863,583	—			
Consumer loans held-for-sale	104,217	104,626	—	104,626	—	—	—			
Commercial loans held-for-sale	9,280	9,316	—	9,316	—	—	—			
<i>Financial liabilities:</i>										
Deposits and securities sold under agreements to repurchase	38,749,299	37,954,938	—	—	—	37,954,938	—			
Federal Home Loan Bank advances	2,138,169	2,166,912	—	—	—	2,166,912	—			
Subordinated debt and other borrowings	424,938	462,399	—	—	—	462,399	—			

(1) Estimated fair values are consistent with an exit-price concept. The assumptions used to estimate the fair values are intended to approximate those that a market-participant would realize in a hypothetical orderly transaction.

Note 10. Regulatory Matters

Pursuant to Tennessee banking law, Pinnacle Bank may not, without the prior consent of the Commissioner of the Tennessee Department of Financial Institutions (TDFI), pay any dividends to Pinnacle Financial in a calendar year in excess of the total of Pinnacle Bank's retained net income for that year plus the retained net income for the preceding two years. Additionally, approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of Pinnacle Bank to fall below specified minimum levels. Under Tennessee corporate law, Pinnacle Financial is not permitted to pay dividends if, after giving effect to such payment, it would not be able to pay its debts as they become due in the usual course of business or its total assets would be less than the sum of its total liabilities plus any amounts needed to satisfy any preferential rights if it were dissolving. In deciding whether or not to declare a dividend of any particular size, Pinnacle Financial's board of directors must consider its and Pinnacle Bank's current and prospective capital, liquidity and other needs. In addition to state law limitations on Pinnacle Financial's ability to pay dividends, the Federal Reserve imposes limitations on Pinnacle Financial's ability to pay dividends. Federal Reserve regulations limit dividends, stock repurchases and discretionary bonuses to executive officers if Pinnacle Financial's regulatory capital is below the level of regulatory minimums plus the applicable 2.5% capital conservation buffer.

In addition, the Federal Reserve has issued supervisory guidance advising bank holding companies to eliminate, defer or reduce dividends paid on common stock and other forms of Tier 1 capital where the company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, the company's prospective rate of earnings retention is not consistent with the company's capital needs and overall current and prospective financial condition or the company will not meet, or is in danger of not meeting, minimum regulatory capital adequacy ratios. Recent supplements to this guidance reiterate the need for bank holding companies to inform their applicable reserve bank sufficiently in advance of the proposed payment of a dividend in certain circumstances.

During the three months ended March 31, 2024, Pinnacle Bank paid \$ 26.7 million of dividends to Pinnacle Financial. As of March 31, 2024, based on the criteria noted above Pinnacle Bank could pay approximately \$ 1.1 billion of additional dividends to Pinnacle Financial without prior approval of the Commissioner of the TDFI. Since the fourth quarter of 2013, Pinnacle Financial has paid a quarterly common stock dividend. The board of directors of Pinnacle Financial has increased the dividend amount per share over time. The most recent increase occurred on January 18, 2022 when the board of directors increased the dividend to \$ 0.22 per common share from \$ 0.18 per common share. During the second quarter of 2020, Pinnacle Financial issued 9.0 million depositary shares, each representing a 1/40th fractional interest in a share of Series B noncumulative, perpetual preferred stock (the "Series B Preferred Stock") in a registered public offering to both retail and institutional investors. Beginning in the third quarter of 2020, Pinnacle Financial began paying a quarterly dividend of \$ 16.88 per share (or \$ 0.422 per depositary share), on the Series B Preferred Stock. The amount and timing of all future dividend payments by Pinnacle Financial, if any, including dividends on Pinnacle Financial's Series B Preferred Stock (and associated depositary shares), is subject to discretion of Pinnacle Financial's board of

directors and will depend on Pinnacle Financial's receipt of dividends from Pinnacle Bank, earnings, capital position, financial condition, liquidity and other factors, including regulatory capital requirements, as they become known to Pinnacle Financial and receipt of any regulatory approvals that may become required as a result of each of Pinnacle Financial's or Pinnacle Bank's financial results.

Pinnacle Financial and Pinnacle Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Pinnacle Financial and Pinnacle Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Pinnacle Financial's and Pinnacle Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Pinnacle Financial and its banking subsidiary to maintain minimum amounts and ratios of common equity Tier 1 capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, total risk-based capital to risk-weighted assets and Tier 1 capital to average assets.

As permitted by the interim final rule issued on March 27, 2020 by the federal banking regulatory agencies, each of Pinnacle Bank and Pinnacle Financial has elected the option to delay the estimated impact on regulatory capital of Pinnacle Financial's and Pinnacle Bank's adoption of ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which was effective January 1, 2020. The initial impact of adoption of ASU 2016-13, as well as 25% of the quarterly changes in the allowance for credit losses subsequent to adoption of ASU 2016-13 (collectively the "transition adjustments"), was delayed until December 31, 2021. As of January 1, 2022, the cumulative amount of the transition adjustments became fixed and will be phased out of the regulatory capital calculations evenly over a three year period, with 75% recognized in 2022, 50% recognized in 2023 and 25% recognized in 2024. Beginning on January 1, 2025, the temporary regulatory capital benefits will be fully reversed.

Management believes, as of March 31, 2024, that Pinnacle Financial and Pinnacle Bank met all capital adequacy requirements to which they are subject. To be categorized as well-capitalized under applicable banking regulations, Pinnacle Bank must maintain certain total risk-based, Tier 1 risk-based, common equity Tier 1 and Tier 1 leverage ratios as set forth in the following table and not be subject to a written agreement, order or directive to maintain a higher capital level. The capital conservation buffer is not included in the required ratios of the table presented below. Pinnacle Financial's and Pinnacle Bank's actual capital amounts and resulting ratios, not including the applicable 2.5% capital conservation buffer, are presented in the following table (in thousands):

	Actual		Minimum Capital Requirement		Minimum To Be Well-Capitalized ⁽¹⁾	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>At March 31, 2024</i>						
Total capital to risk weighted assets:						
Pinnacle Financial	\$ 5,232,720	12.9 %	\$ 3,242,505	8.0 %	\$ 4,053,131	10.0 %
Pinnacle Bank	\$ 4,924,981	12.2 %	\$ 3,234,396	8.0 %	\$ 4,042,995	10.0 %
Tier 1 capital to risk weighted assets:						
Pinnacle Financial	\$ 4,433,585	10.9 %	\$ 2,431,879	6.0 %	\$ 2,431,879	6.0 %
Pinnacle Bank	\$ 4,554,846	11.3 %	\$ 2,425,797	6.0 %	\$ 3,234,396	8.0 %
Common equity Tier 1 capital to risk weighted assets						
Pinnacle Financial	\$ 4,216,336	10.4 %	\$ 1,823,909	4.5 %	N/A	N/A
Pinnacle Bank	\$ 4,554,723	11.3 %	\$ 1,819,348	4.5 %	\$ 2,627,947	6.5 %
Tier 1 capital to average assets (*):						
Pinnacle Financial	\$ 4,433,585	9.4 %	\$ 1,876,133	4.0 %	N/A	N/A
Pinnacle Bank	\$ 4,554,846	9.7 %	\$ 1,871,699	4.0 %	\$ 2,339,624	5.0 %

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	Actual	Minimum Capital Requirement	Minimum To Be Well-Capitalized ⁽¹⁾
<i>At December 31, 2023</i>			
Total capital to risk weighted assets:			
Pinnacle Financial	\$ 5,115,755	12.7 % \$ 3,216,424	8.0 % \$ 4,020,530 10.0 %
Pinnacle Bank	\$ 4,797,278	12.0 % \$ 3,207,699	8.0 % \$ 4,009,623 10.0 %
Tier 1 capital to risk weighted assets:			
Pinnacle Financial	\$ 4,354,759	10.8 % \$ 2,412,318	6.0 % \$ 2,412,318 6.0 %
Pinnacle Bank	\$ 4,465,282	11.1 % \$ 2,405,774	6.0 % \$ 3,207,699 8.0 %
Common equity Tier 1 capital to risk weighted assets			
Pinnacle Financial	\$ 4,137,510	10.3 % \$ 1,809,238	4.5 % N/A N/A
Pinnacle Bank	\$ 4,465,159	11.1 % \$ 1,804,330	4.5 % \$ 2,606,255 6.5 %
Tier 1 capital to average assets (*):			
Pinnacle Financial	\$ 4,354,759	9.4 % \$ 1,853,213	4.0 % N/A N/A
Pinnacle Bank	\$ 4,465,282	9.7 % \$ 1,847,972	4.0 % \$ 2,309,965 5.0 %

(1) Well-capitalized minimum Common equity Tier 1 capital to risk weighted assets and Tier 1 capital to average assets are not formally defined under applicable banking regulations for bank holding companies.

(*) Average assets for the above calculations were based on the most recent quarter.

Note 11. Other Borrowings

Pinnacle Financial has twelve wholly-owned subsidiaries that are statutory business trusts created for the exclusive purpose of issuing 30 -year capital trust preferred securities and has entered into certain other subordinated debt agreements. These instruments are outlined below as of March 31, 2024 (in thousands):

Name	Date Established	Maturity	Total Debt Outstanding	Interest Rate at March 31, 2024	Coupon Structure at March 31, 2024
<i><u>Trust preferred securities</u></i>					
PNFP Statutory Trust I	December 29, 2003	December 30, 2033	\$ 10,310	8.39 %	3-month SOFR + 2.80% ⁽¹⁾
PNFP Statutory Trust II	September 15, 2005	September 30, 2035	20,619	6.96 %	3-month SOFR + 1.40% ⁽¹⁾
PNFP Statutory Trust III	September 7, 2006	September 30, 2036	20,619	7.21 %	3-month SOFR + 1.65% ⁽¹⁾
PNFP Statutory Trust IV	October 31, 2007	September 30, 2037	30,928	8.44 %	3-month SOFR + 2.85% ⁽¹⁾
BNC Capital Trust I	April 3, 2003	April 15, 2033	5,155	8.83 %	3-month SOFR + 3.25% ⁽¹⁾
BNC Capital Trust II	March 11, 2004	April 7, 2034	6,186	8.43 %	3-month SOFR + 2.85% ⁽¹⁾
BNC Capital Trust III	September 23, 2004	September 23, 2034	5,155	7.98 %	3-month SOFR + 2.40% ⁽¹⁾
BNC Capital Trust IV	September 27, 2006	December 31, 2036	7,217	7.26 %	3-month SOFR + 1.70% ⁽¹⁾
Valley Financial Trust I	June 26, 2003	June 26, 2033	4,124	8.67 %	3-month SOFR + 3.10% ⁽¹⁾
Valley Financial Trust II	September 26, 2005	December 15, 2035	7,217	7.08 %	3-month SOFR + 1.49% ⁽¹⁾
Valley Financial Trust III	December 15, 2006	January 30, 2037	5,155	7.31 %	3-month SOFR + 1.73% ⁽¹⁾
Southcoast Capital Trust III	August 5, 2005	September 30, 2035	10,310	7.06 %	3-month SOFR + 1.50% ⁽¹⁾
<i><u>Subordinated Debt</u></i>					
Pinnacle Financial Subordinated Notes	September 11, 2019	September 15, 2029	\$ 300,000	4.13 %	Fixed ⁽²⁾
Debt issuance costs and fair value adjustments			<u><u>(7,836)</u></u>		
Total subordinated debt and other borrowings			<u><u>\$ 425,159</u></u>		

(1) Rate transitioned to three month term SOFR plus a comparable tenor spread adjustment beginning after July 1, 2023 as three month LIBOR ceased to be published effective July 1, 2023.

(2) Previously was to migrate to three month LIBOR + 2.775%, but will now migrate to an alternative benchmark rate plus comparable spread beginning September 15, 2024 through the end of the term as three month LIBOR ceased to be published effective July 1, 2023.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition at March 31, 2024 and December 31, 2023 and our results of operations for the three months ended March 31, 2024 and 2023. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from our consolidated financial statements. The following discussion and analysis should be read along with our consolidated financial statements and the related notes included elsewhere herein and the risk factors discussed elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2023 (Form 10-K) and the other reports we have filed with the Securities and Exchange Commission since we filed that Form 10-K. Unless the context otherwise requires, the terms "Pinnacle Financial," "we," "our," or similar terms refer to Pinnacle Financial Partners, Inc. and, where appropriate, its subsidiaries.

Overview

General. Our diluted net income per common share for the three months ended March 31, 2024 was \$1.57 compared to \$1.76 for the same period in 2023. At March 31, 2024, loans increased to \$33.2 billion as compared to \$32.7 billion at December 31, 2023, and total deposits increased to \$39.4 billion at March 31, 2024 from \$38.5 billion at December 31, 2023.

Results of Operations. Our net interest income increased to \$318.0 million for the three months ended March 31, 2024 compared to \$312.2 million for the same period in the prior year, representing an increase of \$5.8 million, or 1.9%. For the three months ended March 31, 2024 when compared to the comparable period in 2023, this increase was largely the result of organic loan growth and yield expansion in our earning asset portfolio. Offsetting much of the increase in net interest income were continued increases in cost of funds compared to the prior year's comparable period and increased levels of on-balance sheet liquidity incurred in the first half of 2023 due to macroeconomic uncertainty which we continue to hold. The net interest margin (the ratio of net interest income to average earning assets) for the three months ended March 31, 2024 was 3.04% compared to 3.40% for the same period in 2023 and reflects the continued rise in cost of funds due to the elevated short-term interest rate environment, increased on-balance sheet liquidity, the competitive rate environments for deposits in our markets and increased reliance on brokered deposits and other sources of wholesale funding.

Our provision for credit losses was \$34.5 million for the three months ended March 31, 2024 compared to \$18.8 million for the same period in 2023. The change in provision expense for the three month period ended March 31, 2024 as compared to the same period in 2023 is primarily the result of additional reserves associated with a \$40 million loan which was previously identified as a problem loan and was placed on nonaccrual in the fourth quarter of 2023 and the overall increase in loan loss reserves due to the potential implications of a higher-for-longer interest rate environment. Also contributing to provision expense for the three months ended March 31, 2024 were net charge-offs totaling \$16.2 million compared to \$7.3 million for the same period in 2023.

Noninterest income increased by \$20.6 million, or 23.0%, during the three months ended March 31, 2024 compared to the same period in 2023. For the three months ended March 31, 2024, the increase is in part due to the recognition of a mortgage servicing asset associated with our Freddie Mac Small Business Lending (SBL) platform of approximately \$11.8 million, which has been reflected in other noninterest income. Additionally, bank-owned life insurance (BOLI) revenues, which are also reflected in other noninterest income, increased \$5.4 million during the three months ended March 31, 2024 compared to the same period in 2023 due to the prior restructuring of certain BOLI contracts in the fourth quarter of 2023 and death benefit proceeds we received in the first quarter of 2024. Wealth management revenues were \$26.0 million for the three months ended March 31, 2024 compared to \$22.5 million in the same period in the prior year and also contributed to increased levels of noninterest income. These increases in noninterest income were offset in part by a decline in income from our equity method investment in BHG of \$3.0 million, or 16.0%, during the three months ended March 31, 2024 from the same period in the prior year.

Noninterest expense increased by \$30.6 million, or 14.5%, during the three months ended March 31, 2024 compared to the three months ended March 31, 2023. Impacting noninterest expense for the three months ended March 31, 2024 as compared to the same prior year period was an increase of \$10.3 million in salaries and employee benefits. The increase in salaries and employee benefits was primarily the result of an increase in our associate base to 3,386.5 full-time equivalent associates at March 31, 2024 versus 3,281.5 at March 31, 2023, as well as annual merit increases effective in January 2024. Noninterest expense categories, other than salaries and employee benefits, were \$96.4 million during the three months ended March 31, 2024 compared to \$76.0 million during three months ended March 31, 2023, an increase of 26.8%. This increase is primarily due to increases in equipment and occupancy costs and a \$7.3 million increase in the FDIC special assessment which was originally estimated in the fourth quarter of 2023 and increased in the first quarter of 2024. Equipment and occupancy costs were \$39.6 million for the three months ended March 31, 2024 compared to \$30.4 million for the three months ended March 31, 2023 and were negatively impacted by higher levels of lease expense as a result of the execution of a sale-leaseback transaction during the second quarter of 2023 along with the overall growth in the infrastructure of the firm, additional locations added and new technology implemented in the last twelve months.

Our efficiency ratio (the ratio of noninterest expense to the sum of net interest income and noninterest income) was 56.6% for the three months ended March 31, 2024 compared to 52.7% for the three months ended March 31, 2023. The efficiency ratio measures the amount of expense that is incurred to generate a dollar of revenue. Our efficiency ratio declined during the three months ended March 31, 2024 compared to the same period in 2023 as a result of the increase in noninterest expense outpacing the increases in net interest income and noninterest income.

During the three months ended March 31, 2024, we recorded income tax expense of \$27.3 million compared to \$34.0 million for the three months ended March 31, 2023. Our effective tax rate for the three months ended March 31, 2024 was 18.1% compared to 19.8% for the three months ended March 31, 2023. Our tax rate in each period was impacted by, among other things, the vesting and exercise of equity-based awards previously granted under our equity-based compensation program. For the three months ended March 31, 2024, we recognized excess tax benefits of \$2.4 million in connection with the vesting and exercise of such equity-based awards. For the three months ended March 31, 2023, \$277,000 of excess tax benefits were recognized. The increase in excess tax benefits recognized during the three months ended March 31, 2024 as compared to the same period in 2023 was the primary reason for the decrease in the effective tax rate between periods.

Financial Condition. Loans increased \$486.8 million, or 1.5%, during the three months ended March 31, 2024 when compared to December 31, 2023. The increase is primarily the result of loans made to borrowers that principally operate or are located in the markets in which we've recently entered or expanded our presence, increases in the number of relationship advisors we employ and continued focus on attracting new customers to our company. Loan growth was also positively impacted during the three months ended March 31, 2024 by the continued growth of certain specialty lending groups, including franchise lending and equipment lease financing. During 2023, we made the intentional decision to continue the tightening of our underwriting, particularly in construction and CRE investment property. We expect that to continue through at least the first half of 2024 and our loan growth rates over such period should reflect this tightening. Total deposits were \$39.4 billion at March 31, 2024 compared to \$38.5 billion at December 31, 2023, an increase of \$862.2 million, or 2.2%. Interest-bearing deposits grew during the three months ended March 31, 2024, by approximately \$813.1 million, or 7.2%, from December 31, 2023, as a result of our intentional focus on gathering and retaining these deposits.

At March 31, 2024, our allowance for credit losses was \$371.3 million compared to \$353.1 million at December 31, 2023. The increase in the allowance for credit losses is primarily the result of additional reserves associated with a \$40 million loan which was previously identified as a problem loan and was placed on nonaccrual in the fourth quarter of 2023 and the overall increase in loan loss reserves due to the potential implications of a higher-for-longer interest rate environment. Also contributing to the increase for the three months ended March 31, 2024 were net charge-offs totaling \$16.2 million compared to \$7.3 million for the same period in 2023.

Capital and Liquidity. At March 31, 2024 and December 31, 2023, our capital ratios, including our bank's capital ratios, exceeded regulatory minimum capital requirements and those necessary to be considered well-capitalized under applicable federal regulations. See Note 10, *Regulatory Matters* in the Notes to our Consolidated Financial Statements elsewhere in this Quarterly Report on Form 10-Q (Form 10-Q) for additional information regarding our capital ratios. From time to time we may be required to support the capital needs of our bank (Pinnacle Bank). At March 31, 2024, the Company had approximately \$190.6 million of cash that could be used to support our bank. We believe we have various capital raising techniques available to us to provide for the capital needs of our company and bank, such as issuing subordinated debt or entering into a revolving credit facility with a financial institution. We also periodically evaluate capital markets conditions to identify opportunities to access those markets if necessary or prudent to support our capital levels.

On January 17, 2023, our board of directors authorized a share repurchase program for up to \$125.0 million of our outstanding common stock. The authorization for this program remained in effect through March 31, 2024. On January 16, 2024, our board of directors authorized a share repurchase program for up to \$125.0 million of our common stock which commenced upon the expiration of the previously authorized share repurchase program that expired on March 31, 2024. The new authorization is to remain in effect through March 31, 2025. We did not repurchase any shares under either share repurchase program during 2023 or the first three months of 2024.

Critical Accounting Estimates

The accounting principles we follow and our methods of applying these principles conform with U.S. GAAP and with general practices within the banking industry. There have been no significant changes to our Critical Accounting Estimates as described in our Form 10-K.

Selected Financial Information

The following is a summary of certain financial information for the three month periods ended March 31, 2024 and 2023 and as of March 31, 2024 and December 31, 2023 (dollars in thousands, except per share data):

	Three Months Ended		2024 - 2023 Percent	
	March 31,			
	2024	2023		
Income Statement:				
Interest income	\$ 650,483	\$ 506,039	28.5 %	
Interest expense	332,449	193,808	71.5 %	
Net interest income	318,034	312,231	1.9 %	
Provision for credit losses	34,497	18,767	83.8 %	
Net interest income after provision for credit losses	283,537	293,464	(3.4) %	
Noninterest income	110,103	89,529	23.0 %	
Noninterest expense	242,365	211,727	14.5 %	
Net income before income taxes	151,275	171,266	(11.7) %	
Income tax expense	27,331	33,995	(19.6) %	
Net income	123,944	137,271	(9.7) %	
Preferred stock dividends	(3,798)	(3,798)	— %	
Net income available to common shareholders	\$ 120,146	\$ 133,473	(10.0) %	
Per Share Data:				
Basic net income per common share	\$ 1.58	\$ 1.76	(10.2) %	
Diluted net income per common share	\$ 1.57	\$ 1.76	(10.8) %	
Performance Ratios:				
Return on average assets ⁽¹⁾	1.00 %	1.26 %	(20.6) %	
Return on average shareholders' equity ⁽²⁾	7.94 %	9.66 %	(17.8) %	
Return on average common shareholders' equity ⁽³⁾	8.24 %	10.05 %	(18.0) %	
	March 31, 2024		December 31, 2023	
Balance Sheet:				
Loans, net of allowance for credit losses	\$ 32,791,536	\$ 32,323,036	1.4%	
Deposits	\$ 39,402,025	\$ 38,539,810	2.2%	

⁽¹⁾ Return on average assets is the result of net income available to common shareholders for the reported period on an annualized basis, divided by average assets for the period.

⁽²⁾ Return on average shareholders' equity is the result of net income available to common shareholders for the reported period on an annualized basis, divided by average shareholders' equity for the period.

⁽³⁾ Return on average common shareholders' equity is the result of net income available to common shareholders for the reported period on an annualized basis, divided by average common shareholders' equity for the period.

Results of Operations

Net Interest Income. Net interest income represents the amount by which interest earned on various interest-earning assets exceeds interest paid on deposits and other interest-bearing liabilities and is the most significant component of our revenues. Net interest income totaled \$318.0 million for the three months ended March 31, 2024 compared to \$312.2 million for the same period in the prior year, representing an increase of \$5.8 million, or 1.9%. For the three months ended March 31, 2024, when compared to the comparable period in 2023, this increase was largely the result of organic loan growth and yield expansion in our earning asset portfolio. Offsetting much of the increase in net interest income were continued increases in cost of funds compared to the prior year's comparable period and increased levels of on-balance sheet liquidity incurred in the first half of 2023 due to macroeconomic uncertainty which we continue to hold.

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The following tables set forth the amount of our average balances, interest income or interest expense for each category of interest-earning assets and interest-bearing liabilities and the average interest rate for interest-earning assets and interest-bearing liabilities, net interest spread and net interest margin for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
	Average Balances	Interest	Rates/ Yields	Average Balances	Interest	Rates/ Yields
Interest-earning assets						
Loans ^{(1) (2)}	\$ 33,041,954	\$ 541,199	6.67 %	\$ 29,633,640	\$ 431,902	6.00 %
Securities						
Taxable	3,919,534	44,470	4.56 %	3,508,946	29,358	3.39 %
Tax-exempt ⁽²⁾	3,387,667	24,600	3.48 %	3,256,180	23,802	3.54 %
Interest-bearing due from banks	2,476,800	32,753	5.32 %	1,392,492	15,941	4.64 %
Securities purchased under agreements to resell	543,788	3,858	2.85 %	512,660	3,329	2.63 %
Federal funds sold	—	—	— %	—	(9)	— %
Other	253,474	3,603	5.72 %	195,605	1,716	3.56 %
Total interest-earning assets	43,623,217	\$ 650,483	6.11 %	38,499,523	\$ 506,039	5.45 %
Nonearning assets						
Intangible assets	1,873,871			1,880,890		
Other nonearning assets	2,814,172			2,603,441		
Total assets	\$ 48,311,260			\$ 42,983,854		
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest checking	\$ 11,567,773	112,728	3.92 %	\$ 7,793,823	52,474	2.73 %
Savings and money market	14,608,687	134,752	3.71 %	14,377,996	97,519	2.75 %
Time	4,857,032	53,488	4.43 %	3,787,639	26,596	2.85 %
Total interest-bearing deposits	31,033,492	300,968	3.90 %	25,959,458	176,589	2.76 %
Securities sold under agreements to repurchase	210,888	1,399	2.67 %	219,082	595	1.10 %
Federal Home Loan Bank advances	2,214,489	24,120	4.38 %	1,130,356	10,970	3.94 %
Subordinated debt and other borrowings	428,281	5,962	5.60 %	426,564	5,654	5.38 %
Total interest-bearing liabilities	33,887,150	332,449	3.95 %	27,735,460	193,808	2.83 %
Noninterest-bearing deposits	7,962,217	—	0.00 %	9,332,317	—	0.00 %
Total deposits and interest-bearing liabilities	41,849,367	\$ 332,449	3.20 %	37,067,777	\$ 193,808	2.12 %
Other liabilities	379,277			310,473		
Total liabilities	42,228,644			37,378,250		
Shareholders' equity						
Total liabilities and shareholders' equity	\$ 48,311,260			\$ 42,983,854		
Net interest income	\$ 318,034			\$ 312,231		
Net interest spread ⁽³⁾		2.16 %				2.61 %
Net interest margin ⁽⁴⁾		3.04 %				3.40 %

(1) Average balances of nonperforming loans, consumer loans held-for-sale and commercial loans held-for-sale are included in the above amounts.

(2) Yields computed on tax-exempt instruments on a tax equivalent basis and include \$11.8 million of taxable equivalent income for the three months ended March 31, 2024 compared to \$10.9 million for the three months ended March 31, 2023. The tax-exempt benefit has been reduced by the projected impact of tax-exempt income that will be disallowed pursuant to IRS Regulations as of and for the then current period presented.

(3) Yields realized on interest-bearing assets less the rates paid on interest-bearing liabilities. The net interest spread calculation excludes the impact of demand deposits. Had the impact of demand deposits been included, the net interest spread for the three months ended March 31, 2024 would have been 2.91% compared to a net interest spread of 3.32% for the three months ended March 31, 2023.

(4) Net interest margin is the result of annualized net interest income calculated on a tax-equivalent basis divided by average interest-earning assets for the period.

For the three months ended March 31, 2024, our net interest margin was 3.04% compared to 3.40% for the same period in 2023. The compression in our net interest margin for the three months ended March 31, 2024 reflects the continued rise in cost of funds due to the elevated short-term interest rate environment, increased on-balance sheet liquidity, the competitive rate environments for deposits in our markets and increased reliance on brokered deposits and other sources of wholesale funding. During the three months ended March 31, 2024, our earning asset yield increased by 66 basis points from the same period in the prior year. Conversely, our total funding rates, led by increases in interest-bearing deposits rates, increased by 108 basis points during the three months ended March 31, 2024 compared to the same period in the prior year. Thus far in 2024, the Federal Reserve has left short-term interest rates unchanged.

We seek to fund increased loan volumes by growing our core deposits, but, subject to internal policy limits on the amount of wholesale funding we may maintain, will utilize wholesale funding to fund shortfalls, if any, or provide additional liquidity. To the extent that our dependence on wholesale funding sources increases, as was the case in during the year ended December 31, 2023, our net interest margin would likely be negatively impacted as we may not be able to reduce the rates we pay on these deposits as quickly as we can on core deposits should rates begin to decline.

We continue to deploy various asset liability management strategies to manage our risk to interest rate fluctuations. During 2023, the Federal Reserve raised short-term interest rates by 100 basis points. Our 'most likely' forecast for short-term rates through 2024 is mostly consistent with the federal funds futures market's expectations for rate movements. However, there is much uncertainty in the interest rate futures markets due to the persistent elevated levels of inflation present in the economy, the resiliency of the employment environment and consumer spending and what risks these present for a recession to occur in the near and medium term.

Provision for Credit Losses. The provision for credit losses represents a charge to earnings necessary to establish an allowance for credit losses that, in management's evaluation, is adequate to provide coverage for all expected credit losses. Our provision for credit losses was \$34.5 million for the three months ended March 31, 2024 compared to \$18.8 million for the same period in 2023. The provision for credit losses is impacted by growth in our loan portfolio, recent historical and projected future economic conditions, our internal assessment of the credit quality of the loan portfolio and net charge-offs. The change in provision expense for the three month period ended March 31, 2024 as compared to the same period in 2023 is primarily the result of additional reserves associated with a \$40 million loan which was previously identified as a problem loan and was placed on nonaccrual in the fourth quarter of 2023 and the overall increase in loan loss reserves due to the potential implications of a higher-for-longer interest rate environment. Also contributing to provision expense for the three months ended March 31, 2024 were net charge-offs totaling \$16.2 million compared to \$7.3 million for the same period in 2023.

Noninterest Income. Our noninterest income is composed of several components, some of which vary significantly between quarterly and annual periods. Service charges on deposit accounts and other noninterest income generally reflect our growth, while investment services, fees from the origination of mortgage loans, swap fees and gains or losses on the sale of securities will often reflect financial market conditions or our asset/liability management efforts and fluctuate from period to period.

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The following is a summary of our noninterest income for the three months ended March 31, 2024 and 2023 (in thousands):

	<i>Three Months Ended March 31,</i>		<i>2024 - 2023</i>
	<i>2024</i>	<i>2023</i>	<i>Increase (Decrease)</i>
Noninterest income:			
Service charges on deposit accounts	\$ 13,439	\$ 11,718	14.7%
Investment services	14,751	11,595	27.2%
Insurance sales commissions	3,852	4,464	(13.7)%
Gains on mortgage loans sold, net	2,879	2,053	40.2%
Trust fees	7,415	6,429	15.3%
Income from equity method investment	16,035	19,079	(16.0)%
Gain on sale of fixed assets	58	135	(57.0)%
Other noninterest income:			
Interchange and other consumer fees	18,032	16,846	7.0%
Bank-owned life insurance	10,944	5,584	96.0%
Loan swap fees	578	2,607	(77.8)%
SBA loan sales	1,229	714	72.1%
Other noninterest income	20,891	8,305	>100%
Total other noninterest income	51,674	34,056	51.7%
Total noninterest income	\$ 110,103	\$ 89,529	23.0%

Our fee categories of wealth management and service charges on deposit accounts, including interchange and other consumer fees, reflect strong revenue growth. The increase in service charges on deposit accounts during the three months ended March 31, 2024 compared to the three months ended March 31, 2023 is the result of increased transaction volumes which we believe is the result of the increased economic activity in our markets in each of the periods presented.

Income from our wealth management groups (investments, insurance and trust) is also included in noninterest income and was impacted in part during the three months ended March 31, 2024 by market volatility. For the three months ended March 31, 2024, commissions and fees from investment services at our financial advisory unit, Pinnacle Asset Management, a division of Pinnacle Bank, and fees from our wealth advisory group, PNFP Capital Markets, Inc., increased by approximately \$3.2 million when compared to the three months ended March 31, 2023. At March 31, 2024 and 2023, Pinnacle Asset Management was receiving commissions and fees in connection with approximately \$10.8 billion and \$8.6 billion, respectively, in brokerage assets. Revenues from the sale of insurance products by our insurance subsidiaries for the three months ended March 31, 2024 decreased by \$612,000 compared to the same period in the prior year. Included in insurance revenues for the three months ended March 31, 2024 was \$545,000 of contingent income that was recorded in the period but based on 2023 sales production and claims experience compared to \$1.5 million recorded in the same period in the prior year that was based on 2022 sales production and claims experience. Additionally, at March 31, 2024 our trust department was receiving fees on approximately \$6.3 billion of managed assets compared to \$4.9 billion at March 31, 2023. We believe the improvement in the results of the investment and trust segments of our wealth management business during the three months ended March 31, 2024 and recorded fees of \$7.4 million in the first quarter of 2024 compared to \$6.4 million in the first quarter of 2023 is primarily attributable to an increased number of wealth management advisors and corresponding client acquisition.

Gains on mortgage loans sold, net, consists of fees from the origination and sale of mortgage loans. These mortgage fees are for loans primarily originated in our current markets that are subsequently sold to third-party investors. Substantially all of these loan sales transfer servicing rights to the buyer. Generally, mortgage origination fees increase in lower interest rate environments and more robust housing markets and decrease in rising or higher interest rate environments and more challenging housing markets. Mortgage origination fees will fluctuate from quarter to quarter as the rate environment changes. Gains on mortgage loans sold, net, were \$2.9 million for the three months ended March 31, 2024 compared to \$2.1 million for the same period in the prior year. The year-over-year increase for the three months ended March 31, 2024 is the direct result of increased mortgage originator headcount and stronger business flows in our markets. We hedge a portion of our mortgage pipeline as part of a mandatory delivery program whereby the hedge protects against changes in the fair value of the pipeline. The hedge is not designated as a hedge for U.S. GAAP purposes and, as such, changes in its fair value are recorded directly through the income statement. The change in the fair value of the outstanding mortgage pipeline at the end of any reporting period will directly impact the amount of gain recorded for mortgage loans held for sale during that reporting period. At March 31, 2024, the mortgage pipeline included \$91.9 million in loans expected to close in 2024 compared to \$86.1 million in loans at March 31, 2023 expected to close in 2023.

During the three months ended March 31, 2024 and March 31, 2023, no investment securities were sold in our available-for-sale securities portfolio. For any securities classified as available-for-sale that are in an unrealized loss position at the balance sheet date, we assess whether or not we intend to sell the security, or more likely than not will be required to sell the security, before recovery of its amortized cost basis which would require a write-down to fair value through net income. Because we currently do not intend to sell those available-for-sale securities that have an unrealized loss at March 31, 2024, and it is not more-likely-than-not that we will be required to sell the securities before recovery of their amortized cost bases, which may be maturity, we have determined that no write-down is necessary.

Income from equity-method investment. Income from equity-method investment is comprised solely of income from our 49% equity-method investment in BHG. BHG is engaged in the origination of commercial and consumer loans largely to healthcare providers and other skilled professionals throughout the United States. The loans originated by BHG are either financed by secured borrowings or sold to independent financial institutions and investors.

Income from this equity-method investment was \$16.0 million for the three months ended March 31, 2024 compared to \$19.1 million for the same period last year. Historically, BHG has sold the majority of the loans it originates to a network of bank purchasers through a combination of online auctions, direct sales and its direct purchase option. In recent years, BHG began an effort to retain more loans on its balance sheet. BHG's decision to sell loans through its auction platform (or, recently, directly to institutional investors) or retain loans on its balance sheet will be impacted by a variety of factors, including interest rates as well as demand levels from the community bank network of buyers and institutional buyers to whom BHG markets these loans. In a rising or elevated rate environment, BHG may choose to sell more loans if the cost of financing loans on its balance sheet is not as attractive as a sale, either directly to asset managers, such as during the second and third quarters of 2023 and first quarter of 2024 when BHG sold loans totaling approximately \$550 million, \$400 million and \$98 million, respectively, or through its auction platform. Since 2020, BHG has completed nine securitizations totaling \$2.9 billion, with the latest securitization of approximately \$300 million having been completed in the first quarter of 2024. BHG also entered into funding facilities in the fourth quarter of 2022 and first quarter of 2023 including a facility with a U.S. asset manager with outstanding balances of \$469 million and \$506 million at March 31, 2024 and December 31, 2023, respectively, and an annualized interest rate at March 31, 2024 of approximately 7.90%. These facilities, which are secured by loans on BHG's balance sheet, represent incremental funding sources to BHG. We anticipate that BHG will complete additional securitizations in the future or otherwise establish other borrowing facilities to facilitate the retention of additional loans on BHG's balance sheet.

Income from equity-method investment is recorded net of amortization expense associated with customer lists and other intangible assets associated with Pinnacle Bank's investment in BHG of \$59,000 for the three months ended March 31, 2024 compared to \$87,000 for the three months ended March 31, 2023. At March 31, 2024, there were \$5.9 million of these intangible assets that are expected to be amortized in lesser amounts over the next 12 years. Also included in income from equity-method investment is accretion income associated with the fair valuation of certain of BHG's liabilities of \$39,000 for the three months ended March 31, 2024, compared to \$95,000 for the three months ended March 31, 2023. At March 31, 2024, there were \$200,000 of these liabilities that are expected to accrete into income in lesser amounts over the next three years.

During the three months ended March 31, 2024, Pinnacle Bank received dividends of \$3.6 million from BHG compared to \$24.0 million received during the three months ended March 31, 2023. Dividends from BHG during such periods reduced the carrying amount of our investment in BHG, while earnings from BHG during such periods increased the carrying amount of our investment in BHG. Profits from intercompany transactions are eliminated. Our proportionate share of earnings from BHG is included in our consolidated tax return. During the three months ended March 31, 2024 and March 31, 2023, Pinnacle Bank purchased no loans from BHG. At March 31, 2024 and December 31, 2023, there were \$245.8 million and \$263.0 million, respectively, of BHG joint venture program loans held by Pinnacle Bank. These loans were purchased at par from BHG by Pinnacle Bank and whereby BHG and Pinnacle Bank share proportionately in the credit risk of the acquired loans based on the rate on the loan and the rate of the purchase. The yield on this portfolio to Pinnacle Bank is anticipated to be between 4.50% and 6.00% per annum.

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For the three months ended March 31, 2024, BHG reported \$277.3 million in revenues, net of substitution and prepayment losses of \$78.9 million, compared to revenues of \$302.0 million for the three months ended March 31, 2023, net of substitution and prepayment losses of \$69.9 million. Earnings from BHG are likely to fluctuate from period-to-period. Approximately \$109.8 million, or 39.6%, of BHG's revenues for the three months ended March 31, 2024 related to gains on the sale of commercial and consumer loans compared to \$152.3 million, or 50.4%, for the three months ended March 31, 2023. These loans have typically been sold by BHG with no recourse to a network of community banks and other financial institutions at a premium to the par value of the loan, although the purchaser may access a BHG cash reserve account of up to 3% of the loan balance to support loan payments. BHG retains no servicing or other responsibilities related to the core product loan once sold. As a result, this gain on sale premium represents BHG's compensation for absorbing the costs to originate the loan as well as marketing expenses associated with maintaining its business model. At March 31, 2024 and 2023, there were \$6.9 billion and \$6.0 billion, respectively, of these loans previously sold by BHG that were being actively serviced by the purchasing banks. BHG, at its sole option, may also provide purchasers of these loans the ability to substitute the acquired loan with another more recently-issued BHG loan should the previously-acquired loan become at least 90-days past due as to its monthly payments. As a result, BHG maintained a liability as of March 31, 2024 and 2023 of \$390.6 million and \$349.7 million, respectively, that represents an estimate of the future inherent losses for the outstanding core portfolio that may be subject to future substitution due to payment default or prepayment. This liability represents 5.7% and 5.8%, respectively, of core product loans previously sold by BHG that remain outstanding as of March 31, 2024 and 2023, respectively. The change in this liability as a percentage of core product loans during the three months ended March 31, 2024 compared to the comparable period ended March 31, 2023 was principally the result of an increase in the amount of loans sold by BHG to financial institutions and BHG management's estimate of future substitution losses due to economic uncertainty.

In addition to these loans that BHG sells into its auction market or directly to institutional investors, at March 31, 2024, BHG reported loans that remained on BHG's balance sheet totaling \$3.2 billion compared to \$3.8 billion as of March 31, 2023. A portion of these loans do not qualify for sale accounting and accordingly an offsetting secured borrowing liability has been recorded. At March 31, 2024 and 2023, BHG had \$2.6 billion and \$2.9 billion, respectively, of secured borrowings associated with loans held for investment. At March 31, 2024 and 2023, BHG reported an allowance for credit losses totaling \$306.2 million and \$178.0 million, respectively, with respect to the loans on its balance sheet. The increase in allowance for loan losses for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was principally the result of the uncertain economic environment and BHG's adoption of CECL on October 1, 2023. Prior to October 1, 2023, BHG recorded its allowance for loan losses under the incurred loss method. Interest income and fees associated with these on-balance sheet loans amounted to \$140.6 million for the three months ended March 31, 2024 compared to \$142.5 million for the three months ended March 31, 2023.

Included in our other noninterest income are interchange and other consumer fees, gains from bank-owned life insurance, swap fees earned for the facilitation of derivative transactions for our clients, SBA loan sales and other noninterest income items. Interchange revenues increased 7.0% during the three months ended March 31, 2024 as compared to the same period in 2023 as a result of increases in debit and credit card usage. Other noninterest income also includes changes in the cash surrender value of bank-owned life insurance (BOLI) which was \$10.9 million for the three months ended March 31, 2024 compared to \$5.6 million in the same period in the prior year. The assets that support these policies are administered by the life insurance carriers and the income we recognize (i.e., increases or decreases in the cash surrender value of the policies) on these policies is dependent upon the crediting rates applied by the insurance carriers, which are subject to change at the discretion of the carriers, subject to any applicable floors. Earnings on these policies generally are not taxable. During the fourth quarter of 2023, we restructured approximately \$740 million of BOLI contracts held by various insurance carriers. The increase in BOLI revenue during the three months ended March 31, 2024 is a direct result of this restructuring and death benefit proceeds we received in the first quarter of 2024. Loan swap fees decreased \$2.0 million during the three months ended March 31, 2024 as compared to the same period in 2023. SBA loan sales are included in other noninterest income and increased by \$515,000 during the three months ended March 31, 2024 when compared to the same period in the prior year. The change in both loan swap fees and SBA loan sales are most directly impacted by the changing market conditions during the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. The other components of other noninterest income increased \$12.6 million during the three months ended March 31, 2024 compared to the same period in the prior year. The increase during the three months ended March 31, 2024 is primarily the result of recognition of an \$11.8 million mortgage servicing right associated with our Freddie Mac SBL platform during the first quarter of 2024. The remainder of the change in the other components of other noninterest income include the impact of fair value adjustments from various other equity investments, which can fluctuate on a quarter-to-quarter basis.

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Noninterest Expense. Noninterest expense consists of salaries and employee benefits, equipment and occupancy expenses, other real estate expenses and other operating expenses. The following is a summary of our noninterest expense for the three months ended March 31, 2024 and 2023 (in thousands):

	<i>Three Months Ended</i>		<i>2024-2023</i>	
	<i>March 31,</i>			
	<i>2024</i>	<i>2023</i>		
Noninterest expense:				
Salaries and employee benefits:				
Salaries and commissions	\$ 97,772	\$ 89,320	9.5%	
Cash and equity incentives	23,911	22,971	4.1%	
Employee benefits and other	24,327	23,417	3.9%	
Total salaries and employee benefits	146,010	135,708	7.6%	
Equipment and occupancy	39,646	30,353	30.6%	
Other real estate expense, net	84	99	(15.2%)	
Marketing and other business development	6,125	5,942	3.1%	
Postage and supplies	2,771	2,819	(1.7%)	
Amortization of intangibles	1,584	1,794	(11.7%)	
Other noninterest expense:				
Deposit related expense	21,246	10,116	>100%	
Lending related expense	12,693	13,216	(4.0%)	
Wealth management related expense	922	833	10.7%	
Other noninterest expense	11,284	10,847	4.0%	
Total other noninterest expense	46,145	35,012	31.8%	
Total noninterest expense	\$ 242,365	\$ 211,727	14.5%	

Total salaries and employee benefits expenses increased \$10.3 million for the three months ended March 31, 2024 compared to the same period in 2023. The change in salaries and employee benefits was largely the result of an increase in our associate base in 2024 versus 2023 as well as annual merit increases effective in January 2024. Our associate base increased to 3,386.5 full-time equivalent associates at March 31, 2024 from 3,281.5 at March 31, 2023. We expect total salary and benefit expenses for the year ended 2024 to increase when compared to the comparable period in 2023 as we continue our focus on hiring experienced bankers in all of our markets.

We believe that cash and equity incentives are a valuable tool in motivating an associate base that is focused on providing our clients effective financial advice and increasing shareholder value. As a result, and unlike many other financial institutions, all of our bank's non-commissioned associates participate in our annual cash incentive plan with a minimum targeted bonus equal to 10% of each associate's annual salary, and all of our bank's associates participate in our equity compensation plans. Under the 2024 annual cash incentive plan, the targeted level of incentive payments requires achievement of a certain soundness threshold and a targeted level of annual earnings per common share and annual revenues (subject to certain adjustments). To the extent that the soundness threshold is met and earnings per common share and revenues are above or below the targeted amount, the aggregate incentive payments are increased or decreased. Historically, we have paid between 0% and 125% of our targeted incentives. For 2024, our annual incentive plan provides for maximum payouts of up to 125% of target.

Cash incentive expense for the three months ended March 31, 2024 totaled \$13.6 million compared to \$12.8 million during the same prior year period due to our estimate at the end of the first quarter of 2024 that we would likely achieve a payout percentage in 2024 that would be higher than what we paid out under our 2023 plan.

Also included in cash and equity incentives for the three months ended March 31, 2024 were approximately \$4.5 million of compensation expenses related to equity-based restricted share awards compared to \$4.1 million for the three months ended March 31, 2023 as well as approximately \$5.8 million of compensation expenses related to equity-based restricted share units with either time-based or performance-based vesting criteria compared to \$6.1 million for the three months ended March 31, 2023. Under our equity incentive plans, we provide a broad-based equity incentive program for all of our bank's associates, a significant percentage of which is performance-based for our senior executive officers. We believe that equity incentives provide a vehicle for all associates to become meaningful shareholders of Pinnacle Financial over an extended period of time and create a shareholder-centric culture throughout our organization.

Employee benefits and other expenses include costs associated with our 401k plan, health insurance, payroll taxes and contract labor. These expenses increased by \$910,000 for the three months ended March 31, 2024 compared to the same prior year period. These increases reflect the increase in our associate base in the respective periods.

Equipment and occupancy expenses for the three months ended March 31, 2024 were \$39.6 million compared to \$30.4 million for the three months ended March 31, 2023. The increase is in large part due to the sale-leaseback transaction completed in the second quarter of 2023. Additionally impacting equipment and occupancy expense in both periods were costs associated with the opening of new locations across our footprint in 2023 and the first quarter of 2024 as well as costs associated with the planned relocation of our corporate headquarters to a new location in early 2025 which we announced in 2021.

Marketing and business development expense for the three months ended March 31, 2024 was \$6.1 million compared to \$5.9 million for the three months ended March 31, 2023. We expect these costs to rise modestly in 2024 when compared to 2023 taking into account anticipated increases associated with the associates we have hired in the last twelve months and expect to hire during the remainder of 2024.

Intangible amortization expense was \$1.6 million for the three months ended March 31, 2024 compared to \$1.8 million for the same period in 2023. The following table outlines our amortizing intangible assets, their initial valuation and amortizable lives at March 31, 2024:

	Year acquired	Initial Valuation (in millions)	Amortizable Life (in years)	Remaining Value (in millions)
<i>Core Deposit Intangible:</i>				
Avenue	2016	\$ 8.8	9	\$ 0.2
BNC	2017	48.1	10	11.4
<i>Book of Business Intangible:</i>				
Miller Loughry Beach Insurance	2008	\$ 1.3	20	\$ 0.1
CapitalMark	2015	0.3	16	0.1
BNC Insurance	2017	0.4	20	0.2
BNC Trust	2017	1.9	10	0.6
Advocate Capital	2019	13.6	13	4.5
JB&B Capital	2022	6.7	10	4.9
Sweeney Asset Management	2022	0.8	10	0.7

These assets are being amortized on an accelerated basis which reflects the anticipated life of the underlying assets. Annual amortization expense of these intangibles is estimated to decrease from \$6.1 million to \$1.1 million per year over the next five years with lesser amounts for the remaining amortization period.

Other noninterest expenses, which consists primarily of deposit, lending, wealth management and administrative expenses increased by \$11.1 million for the three months ended March 31, 2024 when compared to the three months ended March 31, 2023. Lending related expense, which represents costs associated with loan origination as well as operation of our credit card program, decreased by \$523,000 for the three months ended March 31, 2024 when compared to the same period in the prior year. Deposit related expense increased by \$11.1 million during the three months ended March 31, 2024 when compared to the same period in 2023 due to increased FDIC insurance assessments which were \$9.3 million higher in the first quarter of 2024 than in the first quarter of 2023 and included a \$7.3 million FDIC estimated special assessment to recover losses incurred by the Deposit Insurance Fund associated with the multiple high-profile bank failures which occurred in the first quarter of 2023 that was in addition to the initial estimate of \$29.0 million we recorded in the fourth quarter of 2023 related to this special assessment. Wealth management related expenses during the three months ended March 31, 2024 grew \$89,000 when compared to the same period in 2023. Other noninterest expenses increased \$437,000 during the three months ended March 31, 2024 as compared to the same period in 2023.

Our efficiency ratio (the ratio of noninterest expense to the sum of net interest income and noninterest income) was 56.6% for the three months ended March 31, 2024 compared to 52.7% for the three months ended March 31, 2023. Our efficiency ratio deteriorated during the three months ended March 31, 2024 compared to the same period in 2023 as a result of the increase in noninterest expense outpacing the increases in net interest income and noninterest income.

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Income Taxes. During the three months ended March 31, 2024, we recorded income tax expense of \$27.3 million compared to \$34.0 million for the three months ended March 31, 2023. Our effective tax rate for the three months ended March 31, 2024 was 18.1% compared to 19.8% for the three months ended March 31, 2023. Our effective tax rate differs from the combined federal and state income tax statutory rate in effect of 25.00% at March 31, 2024 and 2023 primarily due to our investments in bank-qualified municipal securities, tax benefits from our real estate investment trust subsidiary, participation in Tennessee's Community Investment Tax Credit (CITC) program, tax benefits associated with share-based compensation and bank-owned life insurance, offset in part by the limitation on deductibility of meals and entertainment expense, non-deductible FDIC insurance premiums and non-deductible executive compensation. Our tax rate in each period was also impacted by the vesting and exercise of equity-based awards previously granted under our equity-based compensation program. For the three months ended March 31, 2024 and 2023, we recognized excess tax benefits of \$2.4 million and \$277,000, respectively, related to the vesting and exercise of equity-based awards. The increase in excess tax benefits recognized during the three months ended March 31, 2024 as compared to the same period in 2023 was the primary reason for the decrease in the effective tax rate between periods.

Financial Condition

Our consolidated balance sheet at March 31, 2024 reflects an increase in total loans outstanding to \$33.2 billion compared to \$32.7 billion at December 31, 2023. Total deposits increased by \$862.2 million to \$39.4 billion between December 31, 2023 and March 31, 2024. Total assets were \$48.9 billion at March 31, 2024 compared to \$48.0 billion at December 31, 2023.

Loans. The composition of loans at March 31, 2024 and at December 31, 2023 and the percentage (%) of each classification to total loans are summarized as follows (in thousands):

	March 31, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
Commercial real estate:				
Owner occupied	\$ 4,044,973	12.2 %	\$ 4,044,896	12.4 %
Non-owner occupied	8,063,642	24.3 %	7,535,494	23.1 %
Consumer real estate – mortgage	4,828,416	14.5 %	4,851,531	14.8 %
Construction and land development	3,818,334	11.5 %	4,041,081	12.4 %
Commercial and industrial	11,893,198	35.9 %	11,666,691	35.7 %
Consumer and other	514,310	1.6 %	536,398	1.6 %
Total loans	\$ 33,162,873	100.0 %	\$ 32,676,091	100.0 %

At March 31, 2024, our loan portfolio composition had changed slightly from the composition at December 31, 2023 with commercial real estate and commercial and industrial lending generally continuing to make up the largest segments of our portfolio. At March 31, 2024, approximately 33.4% of the outstanding principal balance of our commercial real estate loans was secured by owner occupied commercial real estate properties compared to 34.9% at December 31, 2023. Owner occupied commercial real estate is similar in many ways to our commercial and industrial lending in that these loans are generally made to businesses on the basis of the cash flows of the business rather than on the valuation of the real estate. Additionally, the construction and land development loan segment continues to be a meaningful portion of our portfolio and reflects the development and growth of the local communities in which we operate and is diversified between commercial, residential and land.

Lending Concentrations. We periodically analyze our loan portfolio to determine if a concentration of credit risk exists to any one or more industries. We use broadly accepted industry classification systems in order to classify borrowers into various industry classifications. We have a credit exposure (loans outstanding plus unfunded commitments) exceeding 25% of Pinnacle Bank's total risk-based capital to borrowers in the following industries at March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024				Total Exposure at December 31, 2023	
	Outstanding Principal Balances		Unfunded Commitments			
	Amount	Amount	Amount	Amount		
Lessors of nonresidential buildings	\$ 4,784,990	\$ 1,134,125	\$ 5,919,115	\$ 5,916,335		
Lessors of residential buildings	2,164,633	967,350	3,131,983	3,179,041		
New Housing For-Sale Builders	603,969	746,691	1,350,660	1,396,653		
Music Publishers	839,813	438,738	1,278,551	1,219,781		

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Banking regulations have established guidelines for the construction ratio of less than 100% of total risk-based capital and for the non-owner occupied ratio of less than 300% of total risk-based capital. Should a bank's ratios be in excess of these guidelines, banking regulations generally require an increased level of monitoring in these lending areas by bank management. Both ratios are calculated by dividing certain types of loan balances for each of the two categories by Pinnacle Bank's total risk-based capital. At March 31, 2024, Pinnacle Bank's construction and land development loans as a percentage of total risk-based capital were 77.5% compared to 84.2% at December 31, 2023. Construction and land development, non-owner occupied commercial real estate and multifamily loans as a percentage of total risk-based capital were 258.0% and 259.0% as of March 31, 2024 and December 31, 2023, respectively. At March 31, 2024, Pinnacle Bank was within the 100% and 300% guidelines and has established what it believes to be appropriate controls to monitor and regulate its lending in these areas as it aims to keep the level of these loans to below the 100% and 300% thresholds.

The following table presents the maturity distribution of our loan portfolio by loan segment at March 31, 2024 according to contractual maturities of (1) one year or less, (2) after one but within five years, (3) after five but within fifteen years and (4) after fifteen years. The table also presents the portion of loans by loan segment that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index (dollars in thousands):

	After one but within		After five but within		Total
	Due in one year or less	five years	fifteen years	After fifteen years	
Commercial real estate:					
Owner-occupied	\$ 205,970	\$ 2,125,253	\$ 1,258,694	\$ 455,056	\$ 4,044,973
Non-owner occupied	1,747,782	5,613,960	639,842	62,058	8,063,642
Consumer real estate - mortgage	116,922	490,365	315,146	3,905,983	4,828,416
Construction and land development	1,125,047	2,358,666	256,523	78,098	3,818,334
Commercial and industrial	3,109,605	6,767,380	1,637,141	379,072	11,893,198
Consumer and other	149,404	308,126	16,302	40,478	514,310
Total loans	\$ 6,454,730	\$ 17,663,750	\$ 4,123,648	\$ 4,920,745	\$ 33,162,873
<i>Loans with fixed interest rates:</i>					
Commercial real estate:					
Owner-occupied	\$ 131,498	\$ 1,349,265	\$ 854,386	\$ 324,534	\$ 2,659,683
Non-owner occupied	388,963	2,905,172	319,873	51,709	3,665,717
Consumer real estate - mortgage	50,503	365,286	90,702	2,055,675	2,562,166
Construction and land development	164,314	379,445	143,999	64,800	752,558
Commercial and industrial	951,746	2,375,405	1,145,053	290,107	4,762,311
Consumer and other	77,229	189,709	14,927	40,411	322,276
Total loans	\$ 1,764,253	\$ 7,564,282	\$ 2,568,940	\$ 2,827,236	\$ 14,724,711
<i>Loans with variable interest rates:</i>					
Commercial real estate:					
Owner-occupied	\$ 74,472	\$ 775,988	\$ 404,308	\$ 130,522	\$ 1,385,290
Non-owner occupied	1,358,819	2,708,788	319,969	10,349	4,397,925
Consumer real estate - mortgage	66,419	125,079	224,444	1,850,308	2,266,250
Construction and land development	960,733	1,979,221	112,524	13,298	3,065,776
Commercial and industrial	2,157,859	4,391,975	492,088	88,965	7,130,887
Consumer and other	72,175	118,417	1,375	67	192,034
Total loans	\$ 4,690,477	\$ 10,099,468	\$ 1,554,708	\$ 2,093,509	\$ 18,438,162

The above information does not consider the impact of scheduled principal payments. Loans totaling \$1.5 billion at their contractual floor rate at March 31, 2024 are presented as fixed interest rate loans in the table above.

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Loans in Past Due Status. The following table is a summary of our loans that were past due at least 30 days but less than 89 days and 90 days or more past due as of March 31, 2024 and December 31, 2023 (in thousands):

	<i>March 31,</i>	<i>December 31,</i>
	<i>2024</i>	<i>2023</i>
<i>Loans past due 30 to 89 days:</i>		
Commercial real estate:		
Owner occupied	\$ 9,769	\$ 2,178
Non-owner occupied	1,316	41,066
Consumer real estate – mortgage	22,255	22,937
Construction and land development	1,726	649
Commercial and industrial	23,869	42,418
Consumer and other	5,687	7,154
Total loans past due 30 to 89 days	<u>\$ 64,622</u>	<u>\$ 116,402</u>
<i>Loans past due 90 days or more:</i>		
Commercial real estate:		
Owner occupied	\$ 2,601	\$ 3,398
Non-owner occupied	38,654	153
Consumer real estate – mortgage	6,755	10,824
Construction and land development	107	608
Commercial and industrial	20,120	16,890
Consumer and other	1,151	1,496
Total loans past due 90 days or more	<u>\$ 69,388</u>	<u>\$ 33,369</u>
<i>Ratios:</i>		
Loans past due 30 to 89 days as a percentage of total loans	0.19 %	0.36 %
Loans past due 90 days or more as a percentage of total loans	0.21 %	0.10 %
Total loans in past due status as a percentage of total loans	<u>0.40 %</u>	<u>0.46 %</u>

Potential Problem Loans. Potential problem loans, which are not included in nonperforming assets, amounted to approximately \$94.2 million, or 0.3% of total loans at March 31, 2024, compared to \$127.4 million, or 0.4% of total loans at December 31, 2023. Potential problem loans represent those loans with a well-defined weakness and where information about possible credit problems of borrowers has caused management to have doubts about the borrower's ability to comply with present repayment terms. This definition is believed to be substantially consistent with the standards established by Pinnacle Bank's primary regulators, for loans classified as substandard, or worse, but not considered nonperforming loans. None of the potential problem loans were past due at least 30 days but less than 90 days as of March 31, 2024.

Nonperforming Assets and Modified Loans. At March 31, 2024, we had \$111.1 million in nonperforming assets compared to \$86.6 million at December 31, 2023. Included in nonperforming assets were \$108.3 million in nonaccrual loans and \$2.8 million in OREO and other nonperforming assets at March 31, 2024 and \$82.3 million in nonaccrual loans and \$4.3 million in OREO and other nonperforming assets at December 31, 2023. The increase in nonaccrual loans at March 31, 2024 as compared to December 31, 2023, is largely the result of the downgrading of two loans, one in our construction portfolio and the other in our C&I portfolio. At March 31, 2024, there were \$54.7 million of modified loans to borrowers experiencing financial difficulty, of which \$32.7 million were accruing as of the modification date and remain on accrual status.

Allowance for Credit Losses on Loans (ACL). The current expected credit losses (CECL) methodology requires us to estimate all expected credit losses over the remaining life of our loan portfolio. Accordingly, the ACL represents an amount that, in management's evaluation, is adequate to provide coverage for all expected future credit losses on outstanding loans. As of March 31, 2024 and December 31, 2023, our ACL was approximately \$371.3 million and \$353.1 million, respectively, which our management believed to be adequate at each of the respective dates. Our ACL as a percentage of total loans was 1.12% at March 31, 2024 compared to 1.08% at December 31, 2023. The increase in the ACL is primarily the result of additional reserves associated with a \$40 million loan which was previously identified as a problem loan and was placed on nonaccrual in the fourth quarter of 2023 and the impact that the potential implications of a higher-for-longer interest rate environment could have on our ACL model.

Our CECL models rely largely on recent historical and projected future macroeconomic conditions to estimate future credit losses. Macroeconomic factors used in the model include the unadjusted and seasonally adjusted national unemployment rate, GDP, commercial property price index, consumer credit, commercial real estate price index, household debt ratio, household financial obligations ratio, and certain home price indices. Projections of these macroeconomic factors, obtained from an independent third party, are utilized to predict quarterly rates of default.

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Under the CECL methodology, the allowance for credit losses is measured on a collective basis for pools of loans with similar risk characteristics, and for loans that do not share similar risk characteristics with the collectively evaluated pools, evaluations are performed on an individual basis. Losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable period losses are reverted to long term historical averages. At both March 31, 2024 and December 31, 2023, a reasonable and supportable period of fifteen months was utilized for all loan segments followed by a twelve month straight line reversion period to long term averages.

The following table sets forth, based on management's estimate, the allocation of the allowance for credit losses on loans to categories of loans and loan balances by category and the percentage of loans in each category to total loans and allowance for credit losses as a percentage of total loans within each loan category as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024				December 31, 2023			
	ACL Allocated (\$)	Total Loans (\$)	ACL to Total Loans (%)	Loans to Total Loans (%)	ACL Allocated (\$)	Total Loans (\$)	ACL to Total Loans (%)	Loans to Total Loans (%)
Commercial real estate:								
Owner occupied	\$ 29,690	\$ 4,044,973	0.73 %	12.2 %	\$ 28,690	\$ 4,044,896	0.71 %	12.4 %
Non-owner occupied	72,581	8,063,642	0.90 %	24.3 %	57,687	7,535,494	0.77 %	23.1 %
Consumer real estate - mortgage	75,814	4,828,416	1.57 %	14.5 %	71,354	4,851,531	1.47 %	14.8 %
Construction and land development	33,734	3,818,334	0.88 %	11.5 %	39,142	4,041,081	0.97 %	12.4 %
Commercial and industrial	151,172	11,893,198	1.27 %	35.9 %	148,212	11,666,691	1.27 %	35.7 %
Consumer and other	8,346	514,310	1.62 %	1.6 %	7,970	536,398	1.49 %	1.6 %
Total	\$ 371,337	\$ 33,162,873	1.12 %	100.0 %	\$ 353,055	\$ 32,676,091	1.08 %	100.0 %

The following table presents information related to credit losses on loans by loan segment for the three months ended March 31, 2024 and year ended December 31, 2023 (in thousands):

	Provision for credit losses	Net (charge-offs) recoveries	Average loans	Ratio of net (charge-offs) recoveries to average loans
				(1)
For the three months ended March 31, 2024:				
Commercial real estate:				
Owner occupied	\$ 1,077	\$ (77)	\$ 4,008,624	(0.01) %
Non-owner occupied	16,880	(1,986)	7,756,564	(0.10) %
Consumer real estate - mortgage	4,839	(379)	4,838,319	(0.03) %
Construction and land development	(5,415)	7	3,982,337	— %
Commercial and industrial	14,946	(11,986)	11,891,020	(0.41) %
Consumer and other	2,170	(1,794)	466,426	(1.55) %
Total	\$ 34,497	\$ (16,215)	\$ 32,943,290	(0.20) %
For the year ended December 31, 2023:				
Commercial real estate:				
Owner occupied	\$ 1,997	\$ 76	\$ 3,799,201	— %
Non-owner occupied	15,576	1,632	7,123,135	0.02 %
Consumer real estate - mortgage	33,587	1,231	4,654,130	0.03 %
Construction and land development	2,693	335	3,918,539	0.01 %
Commercial and industrial	48,845	(44,986)	11,034,560	(0.41) %
Consumer and other	(1,702)	(6,894)	486,834	(1.42) %
Total	\$ 100,996	\$ (48,606)	\$ 31,016,399	(0.16) %

⁽¹⁾ Net charge-offs for the year-to-date period ended March 31, 2024 have been annualized.

Pinnacle Financial's management assesses the adequacy of the allowance for credit losses on loans on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay the loan (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. The allowance is increased by provisions charged to expense and decreased by charge-offs, net of recoveries of amounts previously charged-off.

Based upon our evaluation of the loan portfolio, we believe the allowance for credit losses on loans to be adequate to absorb our estimate of expected future credit losses on loans outstanding at March 31, 2024. While our policies and procedures used to estimate the allowance for credit losses as well as the resultant provision for credit losses charged to operations are considered adequate by management, they are necessarily approximate and imprecise. There are factors beyond our control, such as conditions in the local and national economy, local real estate market or a particular industry or borrower which may negatively impact, materially, our asset quality and the adequacy of our allowance for credit losses and, thus, the resulting provision for credit losses.

Investments. Our investment securities portfolio, consisting primarily of U.S. Treasury securities, Federal agency bonds, mortgage-backed securities, and state and municipal securities, amounted to \$7.4 billion and \$7.3 billion at March 31, 2024 and December 31, 2023, respectively. Our investment portfolio serves many purposes including serving as a stable source of income, as collateral for public funds deposits and as a potential liquidity source. A summary of our investment portfolio at March 31, 2024 and December 31, 2023 follows:

	March 31, 2024	December 31, 2023
Weighted average life	10.22 years	8.05 years
Effective duration*	3.12%	2.93%
Tax equivalent yield	4.06%	4.12%

(*) The metric is presented net of fair value hedges tied to certain investment portfolio holdings. The effective duration of the investment portfolio without the fair value hedges as of March 31, 2024 and December 31, 2023 was 6.30% and 6.19%, respectively.

Restricted Cash. Our restricted cash balances totaled approximately \$58.3 million at March 31, 2024 compared to \$86.9 million at December 31, 2023. This restricted cash is maintained at other financial institutions as collateral primarily for our derivative portfolio. The decrease in restricted cash is attributable primarily to a decrease in collateral requirements on certain derivative instruments for which the fair value has increased. See Note 8, *Derivative Instruments* in the Notes to our Consolidated Financial Statements elsewhere in this Form 10-Q.

Securities Purchased with Agreement to Resell. At March 31, 2024 and December 31, 2023, we had \$554.0 million and \$558.0 million, respectively, in securities purchased with agreement to resell. This balance is the result of repurchase agreement transactions with financial institution counterparties. We initially secured these investments to allow us to deploy some of our excess liquidity position into instruments that improved the return on funds in the then current historically low interest rate environment. The current repurchase agreements are set to mature in 2026.

Deposits and Other Borrowings. We had approximately \$39.4 billion of deposits at March 31, 2024 compared to \$38.5 billion at December 31, 2023. Our deposits consist of noninterest and interest-bearing demand accounts, savings accounts, money market accounts and time deposits. At March 31, 2024 and December 31, 2023, we estimate that we had approximately \$12.0 billion and \$11.1 billion, respectively, in uninsured deposits, which are the portion of deposit accounts that exceed the FDIC insurance limit. We estimate that we had approximately \$1.9 billion and \$2.0 billion, respectively, in our uninsured deposits at March 31, 2024 and December 31, 2023, respectively, which were collateralized at those dates. We routinely enter into agreements with certain customers to sell certain securities under agreements to repurchase the security the following day. These agreements (which are typically associated with comprehensive treasury management programs for our clients and provide them with short-term returns for their excess funds) amounted to \$201.4 million at March 31, 2024 and \$209.5 million at December 31, 2023. Additionally, at both March 31, 2024 and December 31, 2023, Pinnacle Bank had borrowed \$2.1 billion in advances from the Federal Home Loan Bank of Cincinnati (FHLB). The amount of FHLB advances at each date was impacted by our decision in the first half of 2023 to increase our levels of on-balance sheet liquidity in response to the current economic environment and its impact on the banking sector following the failures of multiple high-profile banking institutions. At March 31, 2024, Pinnacle Bank had approximately \$3.3 billion in additional availability with the FHLB; however, incremental borrowings are subject to applicable collateral requirements and are made in a formal request by Pinnacle Bank and the subsequent approval by the FHLB.

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Generally, we have classified our funding base as either core funding or noncore funding as shown in the table below. The following table represents the balances of our deposits and other funding, the average rate paid for each type and the percentage of each type to the total at March 31, 2024 and December 31, 2023 (in thousands):

	Average Rate			December 31,		
	March 31, 2024	Paid	Percent	2023	Paid	Percent
Core funding:						
Noninterest-bearing deposit accounts	\$ 7,958,739	0.00%	18.9%	\$ 7,906,502	0.00%	19.1%
Interest-bearing demand accounts	5,421,995	3.23%	12.9%	5,150,878	2.92%	12.5%
Savings and money market accounts	10,696,500	3.36%	25.4%	10,083,448	2.96%	24.4%
Time deposit accounts less than \$250,000	1,876,306	4.04%	4.4%	1,951,389	3.46%	4.7%
Reciprocating deposits ⁽¹⁾	7,947,355	4.46%	18.8%	7,954,522	4.05%	19.3%
Reciprocating CD accounts ⁽¹⁾	737,714	4.71%	1.8%	692,178	4.23%	1.7%
Total core funding	34,638,609	2.88%	82.2%	33,738,917	2.42%	81.7%
Noncore funding:						
Relationship based noncore funding:						
Other time deposits	1,472,591	4.61%	3.5%	1,654,147	4.12%	4.0%
Securities sold under agreements to repurchase	201,418	2.67%	0.5%	209,489	1.95%	0.5%
Total relationship based noncore funding	1,674,009	4.40%	4.0%	1,863,636	3.89%	4.5%
Wholesale funding:						
Brokered deposits	2,874,194	4.69%	6.8%	2,603,707	4.59%	6.3%
Brokered time deposits	416,631	4.90%	1.0%	543,039	3.78%	1.3%
Federal Home Loan Bank advances	2,116,417	4.38%	5.0%	2,138,169	4.18%	5.2%
Subordinated debt and other funding	425,159	5.63%	1.0%	424,938	5.52%	1.0%
Total wholesale funding	5,832,401	4.66%	13.8%	5,709,853	4.41%	13.8%
Total noncore funding	7,506,410	4.60%	17.8%	7,573,489	4.28%	18.3%
Totals	\$ 42,145,019	3.20%	100.0%	\$ 41,312,406	2.75%	100.0%

⁽¹⁾ The reciprocating categories consists of time and money market deposits we receive from a bank network (the IntraFi network) in connection with deposits of our customers in excess of our FDIC coverage limit that we place with the IntraFi network. Regulatory guidance defines reciprocating deposits in a portfolio of a bank of our size over and above \$5.0 billion as noncore funding. However, we have witnessed no distinction in the behavior of the deposits in our portfolio over and above \$5.0 billion versus the deposits up to \$5.0 billion. Therefore, we have included the entire portfolio of reciprocating deposits in the table above as core funding.

As noted in the table above, our core funding as a percentage of total funding increased moving from 81.7% at December 31, 2023 to 82.2% at March 31, 2024 and remained well above internal policies. We experienced a mix shift in deposits during 2023 as a result of the multiple high-profile bank failures in the first half of 2023 as certain of our depositors opted for additional insurance by way of the reciprocating deposit accounts we offer through the IntraFi network and certain of our depositors moved their deposits out of non-interest bearing accounts and into interest-bearing accounts to take advantage of increased rates. We continue to create and implement new and enhanced deposit gathering initiatives each year as part of our annual strategic planning process in anticipation of the more challenging deposit gathering environment. When wholesale funding is necessary to complement our core deposit base, management determines which source is best suited to address both liquidity risk management and interest rate risk management objectives. Our Asset Liability Management Policy imposes limitations on overall wholesale funding reliance and on brokered deposit exposure specifically. Both our overall reliance on wholesale funding and exposure to brokered deposits and brokered time deposits were within those policy limitations as of March 31, 2024.

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The amount of time deposits as of March 31, 2024 amounted to \$4.5 billion. The following table shows our time deposits in denominations of less than \$250,000 and in denominations of \$250,000 and greater by category based on time remaining until maturity and the weighted average rate for each category as of March 31, 2024 (in thousands):

	<i>Balances</i>	<i>Weighted Avg. Rate</i>
<i>Denominations less than \$250,000</i>		
Three months or less	\$ 1,036,477	4.34 %
Over three but less than six months	696,277	4.14 %
Over six but less than twelve months	792,327	4.29 %
Over twelve months	374,088	4.04 %
	<hr/>	<hr/>
	\$ 2,899,169	4.24 %
<i>Denominations \$250,000 and greater</i>		
Three months or less	\$ 570,226	4.62 %
Over three but less than six months	420,913	4.32 %
Over six but less than twelve months	452,962	4.40 %
Over twelve months	159,972	4.33 %
	<hr/>	<hr/>
Totals	\$ 1,604,073	4.45 %
	<hr/>	<hr/>
	\$ 4,503,242	4.32 %

Subordinated debt and other borrowings. Pinnacle Bank receives advances from the FHLB pursuant to the terms of various borrowing agreements which assist it in the funding of its home mortgage and commercial real estate loan portfolios. Under the borrowing agreements with the FHLB, Pinnacle Bank has pledged certain qualifying residential mortgage loans and, pursuant to a blanket lien, all qualifying commercial mortgage loans as collateral. At both March 31, 2024 and December 31, 2023, Pinnacle Bank had received advances from the FHLB totaling \$2.1 billion. At March 31, 2024, the scheduled maturities of FHLB advances and interest rates are as follows (in thousands):

	<i>Scheduled maturities</i>	<i>Weighted average interest rates⁽¹⁾</i>
2024	\$ —	— %
2025	366,250	4.95 %
2026	162,500	4.00 %
2027	237,500	4.14 %
2028	1,375,000	3.97 %
Thereafter	11	2.75 %
	<hr/>	<hr/>
2,141,261		
Deferred costs	(881)	
Fair value hedging adjustment	<hr/>	
Total Federal Home Loan Bank advances	\$ 2,116,417	
<i>Weighted average interest rate</i>		4.16 %

⁽¹⁾ Some FHLB advances include variable interest rates that could increase or decrease in the future. The table reflects rates in effect as of March 31, 2024.

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We have established, or through acquisition acquired, twelve statutory business trusts which were established to issue 30-year trust preferred securities and certain other subordinated debt agreements. From time to time we, or our bank subsidiary, have issued subordinated notes to enhance our capital positions. These trust-preferred securities and subordinated notes qualify as Tier 2 capital subject to annual phase outs beginning five years from maturity. These instruments are outlined below (in thousands):

Name	Date Established	Maturity	Total Debt Outstanding	Interest Rate at March 31, 2024	Coupon Structure at March 31, 2024
<u>Trust preferred securities</u>					
PNFP Statutory Trust I	December 29, 2003	December 30, 2033	\$ 10,310	8.39 %	3-month SOFR + 2.80% ⁽¹⁾
PNFP Statutory Trust II	September 15, 2005	September 30, 2035	20,619	6.96 %	3-month SOFR + 1.40% ⁽¹⁾
PNFP Statutory Trust III	September 7, 2006	September 30, 2036	20,619	7.21 %	3-month SOFR + 1.65% ⁽¹⁾
PNFP Statutory Trust IV	October 31, 2007	September 30, 2037	30,928	8.44 %	3-month SOFR + 2.85% ⁽¹⁾
BNC Capital Trust I	April 3, 2003	April 15, 2033	5,155	8.83 %	3-month SOFR + 3.25% ⁽¹⁾
BNC Capital Trust II	March 11, 2004	April 7, 2034	6,186	8.43 %	3-month SOFR + 2.85% ⁽¹⁾
BNC Capital Trust III	September 23, 2004	September 23, 2034	5,155	7.98 %	3-month SOFR + 2.40% ⁽¹⁾
BNC Capital Trust IV	September 27, 2006	December 31, 2036	7,217	7.26 %	3-month SOFR + 1.70% ⁽¹⁾
Valley Financial Trust I	June 26, 2003	June 26, 2033	4,124	8.67 %	3-month SOFR + 3.10% ⁽¹⁾
Valley Financial Trust II	September 26, 2005	December 15, 2035	7,217	7.08 %	3-month SOFR + 1.49% ⁽¹⁾
Valley Financial Trust III	December 15, 2006	January 30, 2037	5,155	7.31 %	3-month SOFR + 1.73% ⁽¹⁾
Southcoast Capital Trust III	August 5, 2005	September 30, 2035	10,310	7.06 %	3-month SOFR + 1.50% ⁽¹⁾
<u>Subordinated Debt</u>					
Pinnacle Financial Subordinated Notes	September 11, 2019	September 15, 2029	300,000	4.13 %	Fixed ⁽²⁾
Debt issuance costs and fair value adjustments			(7,836)		
Total subordinated debt and other borrowings			\$ 425,159		

⁽¹⁾ Rate transitioned to three month term SOFR plus a comparable tenor spread adjustment beginning after July 1, 2023 as three month LIBOR ceased to be published effective July 1, 2023.

⁽²⁾ Previously was to migrate to three month LIBOR + 2.775%, but will now migrate to an alternative benchmark rate plus a comparable spread beginning September 15, 2024 through the end of the term as three month LIBOR ceased to be published effective July 1, 2023.

Capital Resources. At March 31, 2024 and December 31, 2023, our shareholders' equity amounted to \$6.1 billion and \$6.0 billion, respectively. At March 31, 2024 and December 31, 2023, our capital ratios, including our bank's capital ratios, exceeded regulatory minimum capital requirements and those necessary to be considered well-capitalized under applicable federal regulations. See *Note 10. Regulatory Matters* in the Notes to our Consolidated Financial Statements elsewhere in this Form 10-Q for additional information regarding our capital ratios. From time to time we may be required to support the capital needs of our bank (Pinnacle Bank). At March 31, 2024, we had approximately \$190.6 million of cash at the parent company that could be used to support our bank. We believe we have various capital raising techniques available to us to provide for the capital needs of our company and bank, such as issuing subordinated debt or entering into a revolving credit facility with a financial institution. We also periodically evaluate capital markets conditions to identify opportunities to access those markets if necessary or prudent to support our capital levels.

Share Repurchase Program. On January 17, 2023, our board of directors authorized a share repurchase program for up to \$125.0 million of our outstanding common stock. The authorization for this program remained in effect through March 31, 2024. On January 16, 2024, our board of directors authorized a share repurchase program for up to \$125.0 million of our common stock which commenced upon the expiration of the share repurchase program that expired on March 31, 2024. The new authorization is to remain in effect through March 31, 2025. We did not repurchase any shares under either share repurchase program during 2023 or the first three months of 2024.

Dividends. Pursuant to Tennessee banking law, our bank may not, without the prior consent of the Commissioner of the TDFI, pay any dividends to us in a calendar year in excess of the total of our bank's retained net profits for that year plus the retained net profits for the preceding two years, which was \$1.1 billion at March 31, 2024. Additionally, approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of Pinnacle Bank to fall below specified minimum levels. During the three months ended March 31, 2024, the bank paid dividends of \$26.7 million to us which is within the limits allowed by banking regulations.

During the three months ended March 31, 2024, we paid \$17.3 million in dividends to our common shareholders and \$3.8 million in dividends on our Series B Preferred Stock. On April 23, 2024, our board of directors declared a \$0.22 per share quarterly cash dividend to common shareholders which should approximate \$17.3 million in aggregate dividend payments that are expected to be paid on May 31, 2024 to common shareholders of record as of the close of business on May 3, 2024. Additionally, on that same day, our board of directors approved a quarterly dividend of approximately \$3.8 million, or \$16.88 per share (or \$0.422 per depositary share), on the Series B Preferred Stock payable on June 1, 2024 to shareholders of record at the close of business on May 17, 2024. The amount and timing of all future dividend payments, if any, is subject to board discretion and will depend on our earnings, capital position, financial condition and other factors, including, if necessary, our receipt of dividends from Pinnacle Bank, regulatory capital requirements, as they become known to us and receipt of any regulatory approvals that may become required as a result of our and our bank subsidiary's financial results.

Market and Liquidity Risk Management

Our objective is to manage assets and liabilities to provide a satisfactory, consistent level of profitability within the framework of established liquidity, loan, investment, borrowing, and capital policies. Our Asset Liability Management Committee (ALCO) is charged with the responsibility of monitoring these policies, which are designed to ensure acceptable composition of asset/liability mix. Two critical areas of focus for ALCO are interest rate sensitivity and liquidity risk management.

Interest Rate Sensitivity. In the normal course of business, we are exposed to market risk arising from fluctuations in interest rates. ALCO measures and evaluates the interest rate risk so that we can meet customer demands for various types of loans and deposits. ALCO determines the most appropriate amounts of on-balance sheet and off-balance sheet items. Measurements which we use to help us manage interest rate sensitivity include an earnings simulation model and an economic value of equity (EVE) model.

Our interest rate sensitivity modeling incorporates a number of assumptions for both earnings simulation and EVE, including loan and deposit re-pricing characteristics, the rate of loan prepayments, etc. ALCO periodically reviews these assumptions for accuracy based on historical data and future expectations. Our ALCO policy requires that the base scenario assumes rates remain flat and is the scenario to which all others are compared in order to measure the change in net interest income and EVE. Policy limits are applied to the results of certain modeling scenarios. While the primary policy scenarios focus on a twelve month time frame for the earnings simulations model, longer time horizons are also modeled. All policy scenarios assume a static volume forecast where the balance sheet is held constant, although other scenarios are modeled.

Earnings simulation model. We believe interest rate risk is best measured by our earnings simulation modeling. Earning assets, interest-bearing liabilities and off-balance sheet financial instruments are combined with forecasts of interest rates for the next 12 months and are combined with other factors in order to produce various earnings simulations over that same 12-month period. To limit interest rate risk, we have policy guidelines for our earnings at risk which seek to limit the variance of net interest income in both gradual and instantaneous changes to interest rates. For instantaneous upward and downward changes in rates from management's flat interest rate forecast over the next twelve months, assuming a static balance sheet, the following estimated changes are calculated:

	Estimated % Change in Net Interest Income Over 12 Months	
	March 31, 2024	March 31, 2023
Instantaneous Rate Change		
300 bps increase	2.76%	6.50%
200 bps increase	2.31%	4.90%
100 bps increase	1.41%	2.50%
100 bps decrease	(1.42)%	(2.00)%
200 bps decrease	(2.01)%	(3.60)%
300 bps decrease	(3.00)%	(5.80)%

While an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, we believe that a gradual shift in interest rates would have a more modest impact. Further, the earnings simulation model does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, hedging activities we might take and changing product spreads that could mitigate any potential adverse impact of changes in interest rates.

The behavior of our deposit portfolio in the baseline forecast and in alternate interest rate scenarios set out in the table above is a key assumption in our projected estimates of net interest income. The projected impact on net interest income in the table above assumes no change in deposit portfolio size or mix from the baseline forecast in alternative rate environments. In higher rate scenarios, any customer activity resulting in the replacement of low-cost or noninterest-bearing deposits with higher-yielding deposits or market-based funding would reduce the assumed benefit of those deposits. The projected impact on net interest income in the table above also assumes a "through-the-cycle" non-maturity deposit beta which may not be an accurate predictor of actual deposit rate changes realized in scenarios of smaller and/or non-parallel interest rate movements.

At March 31, 2024, our earnings simulation model indicated we were in compliance with our policies for interest rate scenarios for which we model as required by our board approved Asset Liability Policy.

Economic value of equity model. While earnings simulation modeling attempts to determine the impact of a changing rate environment to our net interest income, our EVE model measures estimated changes to the economic values of our assets, liabilities and off-balance sheet items as a result of interest rate changes. Economic values are determined by discounting expected cash flows from assets, liabilities and off-balance sheet items, which establishes a base case EVE. We then shock rates as prescribed by our Asset Liability Policy and measure the sensitivity in EVE values for each of those shocked rate scenarios versus the base case. The Asset Liability Policy sets limits for those sensitivities. At March 31, 2024, our EVE modeling calculated the following estimated changes in EVE due to instantaneous upward and downward changes in rates:

	March 31, 2024	March 31, 2023
Instantaneous Rate Change		
300 bps increase	(19.25)%	(17.30)%
200 bps increase	(13.30)%	(11.90)%
100 bps increase	(6.88)%	(6.10)%
100 bps decrease	7.43%	4.40%
200 bps decrease	12.35%	(2.10)%
300 bps decrease	1.18%	(2.90)%

While an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, we believe that a gradual shift in interest rates would have a more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, EVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, hedging activities we might take and changing product spreads that could mitigate the adverse impact of changes in interest rates.

At March 31, 2024, our EVE model indicated we were in compliance with our policies for all interest rate scenarios for which we model as required by our board approved Asset Liability Policy.

Most likely earnings simulation models. We also analyze a most-likely earnings simulation scenario that projects the expected change in rates based on a forward yield curve adopted by management using expected balance sheet volumes forecasted by management. Separate growth assumptions are developed for loans, investments, deposits, etc. Other interest rate scenarios analyzed by management may include delayed rate shocks, yield curve steepening or flattening, or other variations in rate movements to further analyze or stress our balance sheet under various interest rate scenarios. Each scenario is evaluated by management. These processes assist management to better anticipate our financial results and, as a result, management may determine the need to invest in other operating strategies and tactics which might enhance results or better position the firm's balance sheet to reduce interest rate risk going forward.

Each of the above analyses may not, on its own, be an accurate indicator of how our net interest income will be affected by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as interest rate caps and floors) which limit changes in interest rates. Prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the maturity of certain instruments. The ability of many borrowers to service their debts also may decrease during periods of rising interest rates. ALCO reviews each of the above interest rate sensitivity analyses along with several different interest rate scenarios as part of its responsibility to provide a satisfactory, consistent level of profitability within the framework of established liquidity, loan, investment, borrowing, and capital policies.

Management's model governance, model implementation and model validation processes and controls are subject to review in our regulatory examinations to ensure they are in compliance with the most recent regulatory guidelines and industry and regulatory practices. Management utilizes a respected, sophisticated third party asset liability modeling software to help ensure implementation of management's assumptions into the model are processed as intended in a robust manner. That said, there are numerous assumptions regarding financial instrument behavior that are integrated into the model. The assumptions are formulated by combining observations gleaned from our historical studies of financial instruments and our best estimations of how these instruments may behave in the future given changes in economic conditions, technology, etc. These assumptions may prove to be inaccurate. Additionally, given the large number of assumptions built into our asset liability modeling software, it is difficult, at best, to compare our results to other firms.

ALCO may determine that Pinnacle Financial should over time become more or less asset or liability sensitive depending on the underlying balance sheet circumstances and our conclusions as to anticipated interest rate fluctuations in future periods. At present, ALCO has determined that its "most likely" rate scenario assumes two 25 basis point decreases in the Federal Funds Rate during 2024 with the first decrease occurring in the third quarter of 2024. Our "most likely" rate forecast is based primarily on information we acquire from a service which includes a consensus forecast of numerous interest rate benchmarks. We may implement additional actions designed to achieve our desired sensitivity position which could change from time to time.

We have in the past used, and may in the future continue to use, derivative financial instruments as one tool to manage our interest rate sensitivity, including in our mortgage lending program, while continuing to meet the credit and deposit needs of our customers. For further details on the derivatives we currently use, see *Note 8. Derivative Instruments* in the Notes to our Consolidated Financial Statements elsewhere in this Form 10-Q.

We may also enter into interest rate swaps to facilitate customer transactions and meet their financing needs. These swaps qualify as derivatives, even though they are not designated as hedging instruments.

Liquidity Risk Management. The purpose of liquidity risk management is to ensure that there are sufficient cash flows to satisfy loan demand, deposit withdrawals, and our other needs. Traditional sources of liquidity for a bank include asset maturities and growth in core deposits. A bank may achieve its desired liquidity objectives from the management of its assets and liabilities and by internally generated funding through its operations. Funds invested in marketable instruments that can be readily sold and the continuous maturing of other earning assets are sources of liquidity from an asset perspective. The liability base provides sources of liquidity through attraction of increased deposits and borrowing funds from various other institutions.

To assist in determining the adequacy of our liquidity, we perform a variety of liquidity stress tests including idiosyncratic, systemic and combined scenarios for both moderate and severe events. Liquidity is defined as the ability to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining our ability to meet the daily cash flow requirements of our customers, both depositors and borrowers. We seek to maintain a sufficiently liquid asset balance to ensure our ability to meet our obligations. The amount of the appropriate minimum liquid asset balance is determined through severe liquidity stress testing as measured by our liquidity coverage ratio calculation. At March 31, 2024, we were in compliance with our liquidity coverage ratio.

Changes in interest rates also affect our liquidity position. We currently price deposits in response to market rates, and our management intends to continue this policy. If deposits are not priced in response to market rates, a loss of deposits could occur which would negatively affect our liquidity position.

Scheduled loan payments are a relatively stable source of funds, but loan payoffs and deposit flows fluctuate significantly, being influenced by interest rates, general economic conditions and competition. Additionally, debt security investments are subject to prepayment and call provisions that could accelerate their payoff prior to stated maturity. Our financial advisors attempt to price our deposit products to meet our asset/liability objectives consistent with local market conditions. Our ALCO is responsible for monitoring our ongoing liquidity needs. Our regulators also monitor our liquidity and capital resources on a periodic basis.

As noted previously, Pinnacle Bank is a member of the FHLB and, pursuant to a borrowing agreement with the FHLB, has pledged certain assets pursuant to a blanket lien. As such, Pinnacle Bank may use the FHLB as a source of liquidity depending on the firm's ALCO strategies. Additionally, we may pledge additional qualifying assets or reduce the amount of pledged assets with the FHLB to increase or decrease our borrowing capacity at the FHLB. At March 31, 2024, we believe we had an estimated \$3.3 billion in additional borrowing capacity with the FHLB; however, incremental borrowings are made via a formal request by Pinnacle Bank and the subsequent approval by the FHLB.

Pinnacle Bank also has accommodations with upstream correspondent banks for unsecured short-term advances which aggregate \$105.0 million. These accommodations have various covenants related to their term and availability, and in most cases must be repaid within less than one month. There were no outstanding borrowings under these agreements at March 31, 2024, or during the year then ended, although we test the availability of these accommodations periodically. Pinnacle Bank also had approximately \$6.5 billion in available Federal Reserve discount window lines of credit at March 31, 2024.

At March 31, 2024, excluding reciprocating time and money market deposits issued through the IntraFi network, we had approximately \$3.3 billion in brokered deposits and \$12.0 billion in uninsured and uncollateralized deposits. Historically, we have issued brokered certificates through several different brokerage houses based on competitive bid. During 2023, and in response to the uncertainty resulting from the macroeconomic environment and the failure of multiple high-profile financial institutions, we intentionally increased our levels of on-balance sheet liquidity. This increase was funded by a combination of increased core deposits, increased borrowings from the FHLB, holding the proceeds from the sale-leaseback transaction completed in the second quarter of 2023, the sale of investment securities and increases in brokered time deposits. We intend to continue to prepay and/or let mature wholesale funding as core deposit levels allow.

Banking regulators have defined additional liquidity guidelines, through the issuance of the Basel III Liquidity Coverage Ratio (LCR) and the Modified LCR. These regulatory guidelines became effective January 2015 with phase in over subsequent years and require these large institutions to follow prescriptive guidance in determining an absolute level of a high quality liquid asset (HQLA) buffer that must be maintained on their balance sheets in order to withstand a potential liquidity crisis event. Although Pinnacle Financial follows the principles outlined in the Interagency Policy Statement on Liquidity Risk Management, issued March 2010, to determine its HQLA buffer, Pinnacle Financial is not currently subject to these regulations. However, these formulas could eventually be imposed on smaller banks, such as Pinnacle Bank, and require an increase in the absolute level of liquidity on our balance sheet, which could result in lower net interest margins for us in future periods.

At March 31, 2024, we had no individually significant commitments for capital expenditures. But, we believe the number of our locations, including non-branch locations, will increase over an extended period of time across our footprint, including the markets to which we have recently expanded, and that certain of our locations will be in need of required renovations. In future periods, these expansions and renovation projects may lead to additional equipment and occupancy expenses as well as related increases in salaries and benefits expense. If we were to breach the terms of one of the leases entered into in the sale-leaseback transaction and the counterparty terminated the lease in accordance with its terms, we may be forced to expend significant amounts of capital expenditures to lease, procure and build or renovate a suitable replacement branch. Additionally, we expect we will continue to incur costs associated with planned technology improvements to enhance the infrastructure of our firm.

Our short-term borrowings (borrowings which mature within the next fiscal year) consist primarily of securities sold under agreements to repurchase (these agreements are typically associated with comprehensive treasury management programs for our clients and provide them with short-term returns on their excess funds).

We have certain contractual obligations as of March 31, 2024, which by their terms have a contractual maturity and termination dates subsequent to March 31, 2024. Each of these commitments is noted throughout *Item 2. Management's Discussion and Analysis*. Our management believes that we have adequate liquidity to meet all known contractual obligations and unfunded commitments, including loan commitments and reasonable borrower, depositor, and creditor requirements over the next twelve months and that we will have adequate liquidity to meet our obligations over a longer-term as well.

Off-Balance Sheet Arrangements. At March 31, 2024, we had outstanding standby letters of credit of \$349.5 million and unfunded loan commitments outstanding of \$14.8 billion. Because these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash requirements. If needed to fund these outstanding commitments, Pinnacle Bank has the ability to liquidate securities available-for-sale, or on a short-term basis to borrow and purchase federal funds from other financial institutions.

We follow the same credit policies and underwriting practices when making these commitments as we do for on-balance sheet instruments. Each customer's creditworthiness is evaluated on a case-by-case basis and the amount of collateral obtained, if any, is based on management's credit evaluation of the customer. However, should the commitments be drawn upon and should our customers default on their resulting obligation to us, our maximum exposure to credit loss, without consideration of collateral, is represented by the contractual amount of those instruments. At March 31, 2024, we had accrued reserves of \$17.5 million related to expected credit losses associated with off-balance sheet commitments.

Recently Adopted Accounting Pronouncements

See "Part I - Item 1. Consolidated Financial Statements - Note. 1 Summary of Significant Accounting Policies" of this Form 10-Q for further information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item 3 is included on pages 37 through 58 of Part I - Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pinnacle Financial maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by it in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to Pinnacle Financial's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Pinnacle Financial carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that Pinnacle Financial's disclosure controls and procedures were effective as of the end of the period covered by this report in ensuring that the information required to be disclosed by Pinnacle Financial in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to Pinnacle Financial's management (including the Principal Executive Officer and Principal Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Controls

No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f) or 15d-(f)) occurred during the fiscal quarter ended March 31, 2024 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

Various legal proceedings to which Pinnacle Financial or a subsidiary of Pinnacle Financial is a party arise from time to time in the normal course of business. There are no material pending legal proceedings to which Pinnacle Financial or a subsidiary of Pinnacle Financial is a party or of which any of their property is the subject.

ITEM 1A. RISK FACTORS

Investing in Pinnacle Financial involves various risks which are particular to our company, our industry and our market area. We believe all significant risks to investors in Pinnacle Financial have been outlined in Part II, Item 1A of our Form 10-K for the year ended December 31, 2023. However, other risks may prove to be important in the future, and new risks may emerge at any time. We cannot predict with certainty all potential developments which could materially affect our financial performance or condition. There has been no material change to our risk factors as previously disclosed in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table discloses shares of our common stock repurchased during the three months ended March 31, 2024.

Period	Total Number of Shares Repurchased ⁽¹⁾⁽²⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
January 1, 2024 to January 31, 2024	21,196	\$ 84.83	—	125,000,000
February 1, 2024 to February 29, 2024	76,500	83.29	—	125,000,000
March 1, 2024 to March 31, 2024	78,476	82.22	—	125,000,000
Total	176,172	\$ 83.04	—	125,000,000

(1) During the quarter ended March 31, 2024, 493,719 shares of restricted stock, restricted stock units or performance stock units previously awarded to certain of the participants in our equity incentive plans vested. We withheld 176,172 shares of common stock to satisfy tax withholding requirements associated with the vesting of these awards.

(2) On January 17, 2023, our board of directors authorized a share repurchase program for up to \$125.0 million of our common stock. The authorization for this program remained in effect through March 31, 2024. On January 16, 2024, our board of directors authorized a share repurchase program for up to \$125.0 million of our common stock which commenced upon the expiration of the previously authorized share repurchase program that expired on March 31, 2024. The new authorization is to remain in effect through March 31, 2025. Share repurchases may be made from time to time, on the open market or in privately negotiated transactions, at the discretion of the management of Pinnacle Financial, after the board of directors of Pinnacle Financial authorizes a repurchase program. The approved share repurchase program does not obligate Pinnacle Financial to repurchase any dollar amount or number of shares, and the program may be extended, modified, suspended, or discontinued at any time. Stock repurchases generally are affected through open market purchases, and may be made through unsolicited negotiated transactions. The timing of these repurchases will depend on market conditions and other requirements. Pinnacle Financial did not repurchase any shares under its share repurchase program during the three months ended March 31, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

During the fiscal quarter ended March 31, 2024, no director or officer adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as such terms are defined in Item 408(a) and (c) of Regulation S-K except as noted below:

On March 12, 2024, M. Terry Turner, the President, Chief Executive Officer and a director of Pinnacle Financial, terminated an existing Rule 10b5-1 trading plan that he originally adopted on December 14, 2023. The plan was to expire on the earlier of (i) December 1, 2024 or (ii) upon the completion of the sale of the maximum number of shares under the plan. The aggregate number of shares to be sold under the plan was 72,000 shares. No shares were sold under this plan prior to its termination.

On March 12, 2024, Robert A. McCabe, Jr., the Chairman of the Board and a director of Pinnacle Financial, terminated an existing Rule 10b5-1 trading plan that he originally adopted on December 14, 2023. The plan was to expire on the earlier of (i) December 1, 2024 or (ii) upon the completion of the sale of the maximum number of shares under the plan. The aggregate number of shares to be sold under the plan was 72,000 shares. No shares were sold under this plan prior to its termination.

In addition, during the quarter ended March 31, 2024, Pinnacle Financial did not adopt or terminate any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as such terms are defined in Item 408(a) and (d) of Regulation S-K.

ITEM 6. EXHIBITS

10.1#	Form of 2024 Restricted Share Award Agreement, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 22, 2024.
10.2#	Form of Named Executive Officers 2024 Performance Unit Award Agreement, incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 22, 2024.
10.3#	Pinnacle Financial Partners, Inc. 2024 Annual Cash Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 27, 2024.
10.4#	Pinnacle Financial Partners, Inc. Second Amended and Restated 2018 Omnibus Equity Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 26, 2024.
31.1*	Certification pursuant to Rule 13a-14(a)/15d-14(a)
31.2*	Certification pursuant to Rule 13a-14(a)/15d-14(a)
32.1**	Certification pursuant to 18 USC Section 1350 - Sarbanes-Oxley Act of 2002
32.2**	Certification pursuant to 18 USC Section 1350 - Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Documents
101.CAL*	Inline XBRL Calculation Linkbase Document
101.LAB*	Inline XBRL Label Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101)
#	Management contract or compensatory plan or arrangement
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PINNACLE FINANCIAL PARTNERS, INC.

May 7, 2024

/s/ M. Terry Turner

M. Terry Turner
President and Chief Executive Officer
(Principal Executive Officer)

May 7, 2024

/s/ Harold R. Carpenter

Harold R. Carpenter
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification

I, M. Terry Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pinnacle Financial Partners, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 10, 2024

Signature: /s/ M. Terry Turner

M. Terry Turner

President and Chief Executive Officer

Pinnacle Financial Partners, Inc.

Certification

I, Harold R. Carpenter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pinnacle Financial Partners, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 10, 2024

Signature: /s/ Harold R. Carpenter

Harold R. Carpenter
Chief Financial Officer
Pinnacle Financial Partners, Inc.

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pinnacle Financial Partners (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Terry Turner, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 10, 2024

/s/ M. Terry Turner

M. Terry Turner
President and Chief Executive Officer
Pinnacle Financial Partners, Inc.

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pinnacle Financial Partners (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harold R. Carpenter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 10, 2024

/s/ Harold R. Carpenter

Harold R. Carpenter
Chief Financial Officer
Pinnacle Financial Partners, Inc.