Risk Factors Comparison 2024-02-26 to 2023-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Investing in our common stock involves various risks which are particular to our company, our industry and our market areas. If any of the following risks were to occur, we may not be able to conduct our business as currently planned and our results of operations and financial condition could be materially and negatively impacted. These matters could cause the trading price of our common stock to decline in future periods. Summary Risk Factors Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to: Interest Rate Risks • Our net interest margin, and consequently our net earnings, are significantly affected by interest rate levels and movements in short- term interest rates as well as competitive pressures we face. • The performance of our investment securities portfolio is subject to fluctuation due to changes in interest rates and market conditions, including credit deterioration of the issuers of individual securities. ~~• The elimination of, and transition away from, LIBOR as a reference rate for financial contracts may negatively affect our income and expense and the value of various financial contracts.~~ Credit and Lending Risks • We have a concentration of credit exposure to borrowers in certain industries, and we also target small to medium- sized businesses **and make other loans** that may **carry increased levels of credit risk** ~~be less able to weather challenging economic circumstances~~ . • Our ability to grow our loan portfolio may be limited by, among other things, economic conditions, competition within our market areas, and our ability to hire and retain experienced bankers ~~. • Changes in accounting standards may change the way we calculate our Allowance for Credit Losses~~ . • If our Allowance for Credit Losses is not sufficient to cover losses inherent in our loan or securities portfolios, our results of operations and financial condition will be negatively impacted. • Our accounting estimates and risk management processes rely on analytical and forecasting models. • Environmental liability associated with commercial lending could result in losses. • We depend on the accuracy and completeness of information about customers. • We may be subject to claims and litigation asserting lender liability. Liquidity and Capital Risks • Liquidity risk could impair our ability to fund our operations and jeopardize our financial condition. • Excess levels of liquidity could negatively impact our earnings. • Our ability to maintain required capital levels and adequate sources of funding and liquidity could be impacted by changes in the capital markets and deteriorating economic and market conditions. Operational and Market Risks • Negative developments in the U. S. and local economies in our primary markets may adversely impact our results in the future. • Our operations are principally geographically concentrated in certain markets in the southeastern United States, and changes in local economic conditions could impact our profitability. • Our business may suffer if there are significant declines in the value of real estate. • BHG' s results of operations **are** ~~have become~~ a ~~larger~~ **meaningful** portion of our results of operations, and ~~challenges in~~ **adverse events affecting BHG or** BHG' s business that negatively affect its **operations, financial** results **or financial condition, including its ability to generate and fund loans, including through the auction platform it has developed,** ~~would~~ **could** ~~now more~~ significantly impact our results. • The fair values of our investments in private companies and venture capital funds are likely to fluctuate and the value that we ultimately realize on those investments may vary materially. • A decline in our stock price or expected future cash flows, or a material adverse change in our results of operations or prospects, could result in impairment of our goodwill. • Our selection of accounting policies and methods may affect our reported financial results. • We currently invest in bank owned life insurance and may continue to do so in the future. • An ineffective risk management framework could have a material adverse effect on our strategic planning and our ability to mitigate risks and / or losses and could have adverse regulatory consequences. • We are dependent on our IT and telecommunications systems and third- party servicers, and systems failures, interruptions or breaches of security could have an adverse effect on our financial condition. • Our business reputation and relationships are important and any damage to them could have a material adverse effect on our business. • We face substantial competition and are subject to certain regulatory constraints not applicable to some of our competitors, which may decrease our growth or profits. • Our operations, business and customers could be materially adversely affected by the impacts related to climate change. • The implementation of other new lines of business or new products and services may subject us to additional risk. • Inability to retain senior management and key employees or to attract new experienced financial services professionals could adversely affect our business. • We are subject to regulatory oversight and certain litigation, and our expenses related to this oversight and litigation may adversely affect our results. • Our business is dependent on technology, and an inability to invest in technological improvements may adversely affect our results of operations and financial condition. • The soundness of other financial institutions, including those with whom we have engaged in transactions, could adversely affect us. • We may be subject to claims and litigation pertaining to fiduciary responsibility. • Natural disasters and the affects of a changing climate may adversely affect us and our customers. • If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. Risks Related to Acquisition Activity • Our acquisitions and future expansion may result in additional risks. • We may face risks with respect to future acquisitions. **• Changes in accounting standards may change the way we calculate our Allowance for Credit Losses.** Regulatory and Compliance Risks • National or state legislation or regulation may increase our expenses and reduce earnings. • We are subject to various statutes and regulations that may impose additional costs **on us** or limit our ability to take certain actions. • We must maintain adequate regulatory capital to support our business objectives. • Pinnacle Financial is required to act as a source of financial and managerial strength for Pinnacle Bank in times of stress. • Non- compliance with the USA PATRIOT Act, the Bank Secrecy Act or other laws and regulations **, like those issued by OFAC,** could result in fines or sanctions against us or restrict our ability to make acquisitions. Risks ~~Relating~~ **Related** to Our Securities • The price of our capital stock may be volatile or may decline. • Our ability to declare and pay dividends is limited. • We may issue additional common stock or other equity securities in the future which could dilute the ownership interest of existing shareholders. • The Series B Preferred Stock **, like our common stock,** constitutes an equity security and ranks junior to all of our and our subsidiaries' existing indebtedness and will rank junior to our and our subsidiaries' future indebtedness. • The Series B Preferred Stock and the depositary shares representing the Series B Preferred Stock **, like our common stock,** effectively rank junior to any existing and all future liabilities of our subsidiaries. • Dividends on the Series B Preferred Stock are non- cumulative and discretionary. • The holders of the Series B Preferred Stock (and underlying depositary shares) have limited voting rights. • Holders of Pinnacle Financial' s junior subordinated debentures have rights that are senior to those of Pinnacle Financial' s shareholders. • Pinnacle Financial has issued subordinated indebtedness the holders of which have rights that are senior to those of Pinnacle Financial' s shareholders. • We and / or the holders of certain types of our securities could be adversely affected by unfavorable ratings from rating agencies. • Our common stock and the depositary shares underlying our Series B Preferred Stock have less liquidity than many other stocks quoted on a national securities exchange. • Our corporate organizational documents and the provisions of Tennessee law to which we are subject contain certain provisions that could have an anti- takeover effect. • An investment in our common stock or depositary shares is not an insured deposit and is not guaranteed by the FDIC. Risks Related to Our Business Our net interest margin, and consequently our net earnings, are significantly affected by interest rate levels. Our profitability is dependent to a large extent on net interest income, which is the difference between interest income earned on loans and investment securities and other interest- earning assets and interest expense paid on deposits, other borrowings, subordinated debentures and subordinated notes. The absolute level of interest rates as well as changes in interest rates or that affect the yield curve may affect our level of interest income, the largest component of our gross revenue, as well as the level of our interest expense. Interest rate fluctuations are caused by many factors which, for the most part, are not under our control. For example, national monetary policy ~~plays~~ **has played** a significant role in the determination of interest rates ~~as is currently the case~~ **and we expect this trend to continue during 2024** . Additionally, competition, including competitor pricing, and the resulting negotiations that occur with our customers also impact the rates we collect on loans and the rates we pay on deposits as does our liquidity position and then- current loan demand and our orientation toward loan growth ~~. In addition, changes in the method of determining or the elimination of the London Interbank Offered Rate (LIBOR) or other reference rates, or uncertainty related to such potential changes, may adversely affect the value of reference rate- linked debt securities that we hold or issue, which could further impact our interest rate spread~~ . Changes in the level of interest rates also may negatively affect our ability to originate loans, the value of our assets (as is currently the case with our investment securities portfolio) and our ability to realize gains from the sale of our assets, all of which could ultimately affect our results of operations and financial condition. A decline in the market value of our assets may limit our ability to borrow additional funds or otherwise create issues for us should our liquidity levels decline. As a result, we could be required to sell some of our loans and investments under adverse market conditions, upon terms that are not favorable to us, in order to maintain our liquidity. If those sales are made at prices lower than the amortized costs of the investments, which is the case with a portion of our investment securities portfolio at this time, we will incur losses. Following changes in the general level of interest rates, our ability to maintain a positive net interest spread is dependent on our ability to increase (in a rising rate environment) or maintain or minimize the decline in (in a falling rate environment) our loan offering rates, minimize increases on our deposit rates in a rising rate environment or promptly reduce the rates we pay on deposits in a falling rate environment, and maintain an acceptable level and mix of funding. Although at times we have implemented strategies we believe will reduce the potential effects of changes in interest rates on our net interest income, these strategies may not always be successful, and, in the case of certain hedging strategies (including the hedging strategy we entered into in the fourth quarter of 2022), could materially and adversely impact our results of operations if short term interest rates move in a direction that is different than the direction we anticipated at the time we initiated the strategy. Accordingly, changes in levels of market interest rates could materially and adversely affect our net income, net interest income and our net interest margin, asset quality, loan origination volume, liquidity, and overall profitability. We cannot assure you that we can minimize our interest rate risk. As interest rates change, we expect that we will periodically experience " gaps " in the interest rate sensitivities of our assets and liabilities, meaning that either our interest- bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest- earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this " gap " may work against us, and our results of operations and financial condition may be negatively affected. Short- term interest rates rose significantly in 2022 and **remained at elevated levels throughout 2023. Short- term interest rates** are expected to **stabilize** ~~continue to rise~~ during **the first part of 2024** at ~~least~~ **current elevated levels, and potentially start to decline beginning in** the ~~first half~~ **second quarter** of ~~2023~~ **2024** . In ~~a rising~~ **an elevated** rate environment our ability to **maintain or** increase the rates we charge on loans ~~faster than~~ **while limiting any further increase in, or potentially reducing,** the rates we pay on deposits will be critical to maintaining or expanding our net interest margin. During the **recent** rising rate environment ~~in 2022 (most notably in the fourth quarter of 2022)~~ , the rates we paid on our deposits increased at a faster rate than the rates we earned on loans, which had an increasingly negative impact on our net interest margin over the ~~year~~ **period** . ~~This negative impact was particularly acute in~~ **We expect deposit costs to continue to remain elevated during** the ~~fourth quarter~~ **first part** of ~~2022~~ **2024 due** ~~. In addition, many of our variable rate loans have loan floors that limited our ability~~ to ~~capture~~ the ~~full benefit~~ **expected persistence** of ~~initial increases in~~ **heightened levels of** short- term **interest** rates **and competition** ~~, though all of these floors have been exceeded at this point. There exists at this time much uncertainty~~ in **our** ~~the interest rate futures~~ markets ~~due to the currently high level of inflation present in the economy, the pace of the rate tightening cycle being led by the Federal Reserve Open Market Committee and what risks these present for a recession to occur in the near- term~~ . While short- term interest rates are expected to continue to **stabilize** ~~rise at least~~ through the first ~~half~~ **part** of ~~2023~~ **2024** , we believe that ~~these~~ **a**

falling ~~rates~~ - **rate environment** may begin **in** ~~to fall during~~ the second ~~half~~ **quarter** of ~~2023~~ **2024** . Were that to happen, our ability to lower the rates we pay on deposits will be critical to our ability to maintain or slow any potential decline in our net interest margin, as we anticipate that loan pricing in a falling rate environment would be competitive and existing loans that we have made may be refinanced at lower interest rates, particularly in the case of fixed rate loans with no prepayment penalties. We **may also be limited in our ability to lower, in a timely manner, the rates we pay on our brokered deposits and other time deposits with stated maturities, the balances of which increased during 2023. We** attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing characteristics, and balances of the different types of our interest- earning assets and interest- bearing liabilities and by utilizing hedging strategies to reduce the impact of changes in rates. Interest **-** rate risk management techniques are not exact. From time to time we have repositioned a portion of our investment securities portfolio in an effort to better position our balance sheet for potential changes in short- term rates. We employ the use of models and modeling techniques to quantify the levels of risks to net interest income, which inherently involve the use of assumptions, judgments, and estimates. While we strive to ensure the accuracy of our modeled interest rate risk profile, there are inherent limitations and imprecision in this determination and actual results may differ. At times, we have entered into certain hedging transactions including interest rate swaps and interest rate floors, which are designed to lessen elements of our interest rate exposure. In addition, from time to time we have utilized fixed- to- floating rate cash flow hedges to manage interest rate exposure for our wholesale borrowings portfolio ~~. This hedging strategy converted the LIBOR- based variable interest rate on forecasted borrowings to a fixed interest rate and was used in an effort to protect us from floating interest rate variability in a rising rate environment~~ . During the year ended December 31, 2022, we purchased interest rate caps and floors totaling approximately $ 1. 8 billion that we intended to mitigate the impact of interest rate changes on certain LIBOR and SOFR- based variable rate loans. In the event that interest rates do not change in the manner that we anticipate at the times we institute our hedging strategies or at the pace that we anticipated (including the hedging strategies we entered into during the year ended December 31, 2022), such transactions may materially and adversely affect our results of operations. Hedging creates certain risks for us, including the risk that the other party to the hedge transaction will fail to perform (counterparty risk, which is a type of credit risk), and the risk that the hedge will not fully protect us from loss as intended (hedge failure risk). Unexpected counterparty failure or hedge failure could have a significant adverse effect on our liquidity and earnings. Changes in interest rates can negatively affect the performance of most of our investment securities. Interest rate volatility can reduce unrealized gains or increase unrealized losses in our portfolio, as was the case in 2022 **and 2023** with the rising rate environment. Interest rates are highly sensitive to many factors including monetary policies, domestic and international economic, social and political conditions and issues, including trade disputes and global health pandemics, and other factors beyond our control. Fluctuations in interest rates can materially affect both the returns on and market value of our investment securities. Additionally, actual investment income and cash flows from investment securities that carry prepayment risk, such as mortgage- backed securities and callable securities, may materially differ from those anticipated at the time of investment or subsequently as a result of changes in interest rates and market conditions. Our investment securities portfolio consists of certain securities whose trading markets are " not active. " As a result, we utilize alternative methodologies for pricing these securities that include various estimates and assumptions. There can be no assurance that we can sell these investment securities at the price derived by these methodologies, or that we can sell these investment securities at all, which could have an adverse effect on our financial condition, results of operations and liquidity. We monitor the financial position of the various issuers of investment securities in our portfolio, including each of the state and local governments and other political subdivisions where we have exposure. To the extent we have securities in our portfolio from issuers who have experienced a deterioration of financial condition, or who may experience future deterioration of financial condition, the value of such securities may decline and could result in a write down through income, which could have an adverse effect on our financial condition, results of operations and liquidity. In addition, from time to time we may restructure portions of our investment securities portfolio as part of our asset liability management strategies or in response to liquidity needs, and we may incur losses, which may be material, in connection with any such restructuring. We currently have a significant amount of unrealized losses in our securities portfolio. These losses are largely the result of the rising interest rate environment we experienced in 2022 and **2023 and the continued elevated interest rate environment we** are ~~continuing to experience~~ **experiencing so far** in ~~2023~~ **2024** . If we were to sell any of these securities before their value recovers, including as a result of asset liability management strategies or in response to liquidity needs, we would be required to recognize these losses and the recognition of those losses could materially and adversely affect our results of operations, capital and financial condition. ~~On July 27, 2017, the Financial Conduct Authority, which regulates LIBOR, announced that it intended to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the LIBOR administrator after 2021. Beginning on January 1, 2022, one- week and 2- month LIBOR are no longer being published, though overnight, 1- month, 3- month, 6- month and 12- month LIBOR are expected to be published until June 30, 2023. Given consumer protection, litigation, and reputation risks, the bank regulatory agencies have indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and that they will examine bank practices accordingly. Therefore, the agencies encouraged banks to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. In light of this regulatory guidance, we implemented a transition plan to identify and modify our loans and other financial instruments, including certain indebtedness, with attributes that are either directly or indirectly influenced by LIBOR. We have begun negotiating loans using our preferred replacement index, the Secured Overnight Financing Rate (" SOFR"). For Pinnacle Financial' s currently outstanding LIBOR- based loans, the timing and manner in which each customer' s contract transitions to SOFR will vary on a case- by- case basis. Pinnacle Financial expects to complete all loan transitions by June 30, 2023, or, if later, the loan' s next repricing date. At December 31, 2022, approximately 15 % of our total loan portfolio was indexed to 1- month, 3- month, 6- month and one- year LIBOR. Many of our loan agreements that are indexed to LIBOR include provisions that do not require us~~

~~to default to any alternative index recommendations but instead allow us, in our sole discretion, to designate an alternative interest rate index in the event that LIBOR should become unavailable or unstable. While we believe these provisions within our loan agreements address the potential future unavailability of LIBOR, there can be no assurance that such provisions will be effective or that they, or our actions in this respect, will not be challenged by our borrowers. The Adjustable Interest Rate (LIBOR) Act, enacted in March 2022, provides a statutory framework to replace U. S. dollar LIBOR with a benchmark rate based on SOFR for contracts governed by U. S. law that have no or ineffective fallbacks, and in December 2022, the Federal Reserve adopted related implementing regulations. Although governmental authorities have endeavored to facilitate an orderly discontinuation of LIBOR, no assurance can be provided that this aim will be achieved or that the use, level, and volatility of LIBOR or other interest rates or the value of LIBOR- based securities will not be adversely affected. As a result, and despite the enactment of the LIBOR Act, for the most commonly used LIBOR settings, the use or selection of a successor rate could expose us to risks associated with disputes and litigation with our customers and counterparties and other market participants in connection with implementing LIBOR fallback provisions. In addition to loans, certain of our investment securities, funding sources and derivative contracts are also priced to LIBOR, like the subordinated notes we have issued and our trust preferred securities. At this time, it appears that SOFR is emerging as the replacement rate for instruments of these types when LIBOR is discontinued. The governing documents for the subordinated notes we have issued have fallback language in them that call for the transition to SOFR for purposes of determining the interest rate we will pay with respect to these notes when LIBOR is discontinued, but the governing documents for our trust preferred securities do not include any language addressing what replacement rate will be utilized when LIBOR is no longer quoted. Under the LIBOR Act and related Federal Reserve regulation, if applicable, the interest rates on these trust preferred securities will transition from three- month LIBOR to three- month term SOFR plus a tenor spread adjustment outlined in the Federal Reserve' s regulations plus the applicable spread that currently applies to these securities. The alternative rate may not be indicative of the rate we would have paid had LIBOR not been discontinued. If the LIBOR transition Act and the related Federal Reserve regulations do not apply to our trust preferred securities a replacement rate will need to be established and, the uncertainty around the calculation methodology by which interest is calculated could adversely affect the value of and return on these securities. We have a concentration of credit exposure to borrowers in certain industries, and we also target small to medium- sized businesses.~~ We have meaningful credit exposures to borrowers in certain businesses, including commercial and residential building lessors, new home builders and music publishers. ~~Certain industries, particularly hotel and motel operators, experienced adversity as a result of the COVID- 19 pandemic, and, as a result, an increased level of borrowers in these industries were unable to perform under the original terms of their loan agreements with us during the pandemic, which negatively impacted our results of operations in 2020 and 2021.~~ Economic conditions ~~remained volatile~~ **were challenging** throughout ~~2022~~ **2023** , and **if** the economic environment in our markets further weakens, including as a result of persistent high inflation, ~~supply chain disruptions~~ **elevated short- term interest rates,** and ~~labor shortages~~ **increased geopolitical tensions around the world, including escalating hostilities in the Middle East** , our exposure to these industries or other concentrations could result in increased deterioration in credit quality, past dues, loan charge offs and collateral value declines, which could cause our results of operations and financial condition to be negatively impacted. Furthermore, any of our large credit exposures that deteriorate unexpectedly could cause us to have to make significant additional credit loss provisions, negatively impacting our results of operations and financial condition. A substantial focus of our marketing and business strategy is to serve small to medium- sized businesses in our market areas. As a result, a relatively high percentage of our loan portfolio consists of commercial loans primarily to small to medium- sized businesses. At December 31, ~~2022~~ **2023** , our commercial and industrial loans accounted for approximately 35. ~~3~~ **7** % of our total loans. Additionally, approximately ~~35~~ **34** . ~~4~~ **9** % of our commercial real ~~-~~estate loans at December 31, ~~2022~~ **2023** are owner- occupied commercial real estate loans, which are loans to businesses secured by the businesses' real estate. We expect to seek to expand the amount of these two types of loans in our portfolio during ~~2023~~ **2024** . Small to medium- sized businesses frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, or other operational challenges like those resulting from supply chain disruption, labor shortages or inflationary pressures on their costs, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower' s ability to repay a loan. In addition, the success of a small or medium- sized business often depends on the management skills, talents and efforts of one or two people or a small group of people, and the death, disability or resignation of one or more of these people could have an adverse impact on the business and its ability to repay its obligations to us. If general economic conditions negatively impact the markets in which we operate and small to medium- sized businesses are adversely affected or our borrowers are otherwise harmed by adverse business developments, the ability of such businesses to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Real estate construction and development loans are also an important part of our business. This type of lending is generally considered to have relatively high credit risks because the principal is concentrated in a limited number of loans with repayment dependent on the successful completion and operation of the related real estate project. Real estate industry pricing dynamics in the geographical markets in which we operate can vary from year to year, and with respect to construction, can vary between project funding and project completion. Asset values to which we underwrite loans can fluctuate from year to year and impact collateral values and the ability of our borrowers to repay their loans. Like regulatory guidelines on commercial real estate loans, federal regulators have issued guidance that imposes additional restrictions on banks with construction and development loans in excess of 100 % of total risk- based capital. If our level of these loans was to exceed these guidelines, our ability to make additional loans in this segment would be limited. Weakness in residential real estate market prices as well as demand could result in price reductions in home and land values adversely affecting the value of collateral securing some of the construction and development loans that we hold. Reduced demand for new residential mortgage loans **as we experienced in 2022 and 2023** , whether the result of higher mortgage interest rates, inflationary pressures on building costs **, depressed inventory levels** or other factors, could also **continue to** cause reduced demand for mortgage loans, which would reduce our net interest income and noninterest income levels. If economic and real estate market conditions **further** deteriorate in our markets, we may experience increases in non- performing loans and other real estate owned, increased losses and expenses from the management and disposition of non- performing assets, increases in provision for credit losses, and increases in operating expenses as a result of the allocation of management time and resources to the collection and work out of loans, all of which would negatively impact our financial condition and results of operations. We make loans to portfolio companies of private equity firms and other loans that qualify as highly leveraged transactions. In certain instances, including during challenging economic environments, these loans may deteriorate and that deterioration may occur quickly. If the private equity sponsor is unwilling or unable to provide necessary support we may suffer losses on these loans that could materially and adversely affect our results of operations. Our ability to grow our loan portfolio may be limited by, among other things, economic conditions, competition within our market areas, the timing of loan repayments, our ability to grow our core deposits, our ability to hire experienced bankers and seasonality. Our ability to improve our results of operations is dependent upon, among other things, growing our loan portfolio and increasing net interest income. While we believe that our strategy to grow our loan portfolio is sound and our growth targets are achievable over an extended period of time, competition within our market areas is significant and as a result of that competition, as well as a worsening in general economic conditions **(including as a result of elevated short- term interest rates)** , we may experience periods when our loan growth is muted or we could experience declines in our loan portfolio. We compete with both large regional and national financial institutions, who are sometimes able to offer more attractive interest rates and other financial terms than we choose to offer, and smaller community- based financial institutions who seek to offer a similar level of service to that which we offer. This competition can make loan growth challenging, particularly if we are unwilling to price loans at levels that would cause unacceptable levels of compression of our net interest margin or if we are unwilling to structure a loan in a manner that we believe results in a level of risk to us that we are not willing to accept. Our ability to grow our loan portfolio is also dependent on our ability to fund loan growth. We primarily seek to fund our loan growth through stable, core deposits, but at times our ability to attract core deposits in amounts sufficient to fund our loan growth has been limited by competitive pressures in our markets, general economic conditions, and our business model that focuses principally on serving small to medium- sized businesses and their owners rather than a broad retail distribution strategy. As a result, at times **, including during 2023,** our funding sources have consisted of greater amounts of non- core funding. Increased reliance on these non- core funding sources can negatively impact our net interest margin and our net interest income if the rates we pay on these non- core funding sources exceed the rates we would pay on core funding sources. Larger banks, with a more developed retail footprint, and non- banks, who are able to operate with greater flexibility and lower cost structures due to less regulatory oversight, are better able to attract lower- cost retail deposits **or other funding sources** than we can, which at times causes us to utilize a larger percentage of noncore funding to fund our loan growth. ~~Though we grew our~~ **Our levels of non-** core deposits **increased in 2023** ~~meaningfully during the COVID- 19 pandemic,~~ as ~~consumer spending subsequently~~ **competition for, and the rates paid on, core deposits** increased **significantly** ~~and has remained elevated and as the level of M2~~ in ~~the economy begins to shrink and competition from others for~~ our **markets** ~~customers to place their money (including U. S. treasuries) increases, our levels of core funding may decline~~ . If we are unable to retain or attract core deposits at sufficient levels to fund our loan growth and our percentage of noncore funding rises to levels that approach our policy limits, we may need to modify our growth plans, liquidate certain assets, participate loans to correspondents or execute other actions to allow for us to return to an acceptable level of noncore funding within a reasonable amount of time, any one of which actions could adversely affect our results of operations, particularly during periods of time when our net interest margin is experiencing compression. Moreover, loan growth throughout the year can fluctuate due in part to seasonality of the businesses of our borrowers and potential borrowers and the timing on loan repayments, particularly those of our borrowers with significant relationships with us, resulting from, among other things, excess levels of liquidity. Much of our organic loan growth that we have experienced in recent years (and a key part of our loan growth strategy in ~~2023~~ **2024** and beyond) was the result not of strong loan demand but rather of our ability to attract experienced financial services professionals who have been able to attract customers from other financial institutions. Inability to retain these key personnel (including key personnel of the businesses we have acquired) or to continue to attract experienced lenders with established books of business (including, in either case, as a result of competitive compensation and other hiring and retention pressures), at all or at the pace we have anticipated, could negatively impact our growth because of the loss of these individuals' skills and customer relationships and / or the potential difficulty of promptly replacing them. Moreover, if these advisors we hire are unable to cause their customers to move their relationships to us in the time periods that we are targeting (including as a result of the current elevated interest rate environment we are experiencing) or at all, or if we are unable to retain such business, our loan growth may be negatively affected, which could have a material adverse effect on our results of operations and financial condition. In our efforts to continue to grow our loan portfolio, we have expanded the types of loans that we offer to certain specialty areas, like equipment financing and ~~the~~ **franchise** financing ~~of solar power generating projects~~ , and these areas remain an important focus of our loan growth plans for ~~2023~~ **2024** . Our ability to grow loans in these areas will be dependent on our ability to attract bankers with experience in these areas and those bankers' ability to win new deals and projects in these spaces. It will also be important for us to adequately underwrite lending opportunities in these new specialty areas and price these transactions at levels that appropriately compensate us for the risks that we assume in these transactions ~~. The Financial Accounting Standards Board and the SEC may change the financial accounting and reporting standards, or the interpretation of those standards, that govern the preparation of our external financial statements from time to time. The impact of these changes or the application thereof on our financial condition and operations can be difficult to predict. For example, the FASB adopted a new accounting standard that became effective for Pinnacle Bank beginning January 1, 2020. This standard, referred to as current expected credit loss, or CECL, requires financial institutions to determine periodic estimates of lifetime expected credit losses on financial assets,~~

~~including loans, and recognize the expected credit losses through provision for credit losses. CECL changed the current method of provisioning for loan losses, which required us to increase our allowance for credit losses in the first half of 2020, and is increasing the types and amounts of data we need to collect and review to determine the appropriate level of our allowance for credit losses. In addition, the adoption of CECL may result in more volatility in the level of our allowance for credit losses. An increase, to the extent material, in our allowance for credit losses or expenses incurred to determine the appropriate level of the allowance for credit losses could have a material adverse effect on our capital levels, financial condition and results of operations. A reduction in our capital levels could subject us to a variety of enforcement remedies available to the federal regulatory authorities and would negatively impact our ability to pursue acquisitions or other expansion opportunities if we are unable to satisfactorily raise additional capital~~ . We maintain allowances for credit losses on loans, securities and off- balance sheet credit exposures. If loan customers with significant loan balances individually or in the aggregate fail to repay their loans, our results of operations, financial condition and capital levels will suffer. We make various assumptions and judgments about the expected losses in our loan portfolio, including the creditworthiness of our borrowers and the value of any collateral securing the loans. Utilizing objective and subjective factors, we maintain an allowance for credit losses, established through a provision for credit losses charged to expense, to cover our estimate of the current expected credit losses in our loan and securities portfolios. In determining the size of this allowance, we utilize estimates based on analyses of volume and types of loans, internal loan classifications, trends in classifications, volume and trends in delinquencies, nonaccruals and charge- offs, loss experience of various loan categories, national and local economic conditions, including unemployment statistics, industry and peer bank loan quality indications, and other pertinent factors and information. Actual losses are difficult to forecast, especially if those losses stem from factors beyond our historical experience or are otherwise inconsistent with our credit quality assessments. If our assumptions are inaccurate, our current allowance may not be sufficient to cover potential credit losses, and additional provisions may be necessary which would negatively impact our results of operations and financial condition. In addition, federal and state regulators periodically review our loan portfolio and may require us to increase our allowance for credit losses or recognize loan charge- offs. Their conclusions about the quality of a particular borrower or our entire loan portfolio may be different than ours. Any increase in our allowance for credit losses or loan charge offs as required by these regulatory agencies could have a negative effect on our results of operations and financial condition. Moreover, additions to the allowance may be necessary based on changes in economic and real estate market conditions and forecasted conditions, new information regarding existing loans, identification of additional problem loans, accounting rule changes (like those that contributed to ~~increases~~ **increased** levels of provision expense in 2020 as a result of our adopting CECL) and other factors, both within and outside of our management' s control. These additions may require increased provision expense which would negatively impact our results of operations and financial condition. Our accounting estimates and risk management processes rely on analytical and forecasting models and tools. The processes we use to estimate expected credit losses, calculate our allowance for credit losses and measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other measures of our financial condition and results of operations, depend upon the use of analytical and forecasting models and tools. These models and tools reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models and tools may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. Any such failure in our analytical or forecasting models and tools could have a material adverse effect on our business, financial condition and results of operations. In the course of business, Pinnacle Bank may acquire, through foreclosure, or deed in lieu of foreclosure, properties securing loans it has originated or purchased which are in default. Particularly in commercial real estate lending, there is a risk that hazardous substances could be discovered on these properties. In this event, Pinnacle Financial, or Pinnacle Bank, might be required to remove these substances from the affected properties at our sole cost and expense. The cost of this removal could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties **, or these persons may not have sufficient resources to compensate us for our damages,** and **we** could find it difficult or impossible to sell the affected properties. These events could have a material adverse effect on our business, results of operations and financial condition. We have acquired a number of retail banking facilities and other real properties, any of which may contain hazardous or toxic substances. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. In deciding whether to extend credit or enter into certain transactions, we rely on information furnished by or on behalf of customers, including financial statements, credit reports, tax returns and other financial information. We may also rely on representations of those customers or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading personal information, financial statements, credit reports, tax returns or other financial information, including information falsely provided as a result of identity theft, could have an adverse effect on our business, financial condition and results of operations. From time to time, and particularly during periods of economic stress, customers, including real estate developers and consumer borrowers, may make claims or otherwise take legal action pertaining to performance of our responsibilities. These claims are often referred to as " lender liability " claims and are sometimes brought in an effort to produce or increase leverage against us in workout negotiations or debt collection proceedings. Lender liability claims frequently assert one or more of the following allegations: breach of fiduciary duties, fraud, economic duress, breach of contract, breach of the implied covenant of good faith and fair dealing, and similar claims. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a favorable manner, they may result in significant financial liability and / or adversely affect our market reputation, products and services, as well as potentially affecting customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition, results of operations and liquidity. Liquidity represents an institution' s ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk arises from the possibility that we may be unable to satisfy current or future funding requirements and needs. The objective of managing liquidity risk is to ensure that our cash flow requirements resulting from depositor, borrower and other creditor demands as well as our operating cash needs, are met, and that our cost of funding such requirements and needs is reasonable. We maintain an asset / liability and interest rate risk policy and a liquidity and funds management policy, including a contingency funding plan that, among other things, include procedures for managing and monitoring liquidity risk. Generally we rely on deposits, repayments of loans and cash flows from our investment securities as our primary sources of funds. Our principal deposit sources include consumer, commercial and public funds customers in our markets. We have used these funds, together with wholesale deposit sources such as brokered deposits, along with Federal Home Loan Bank of Cincinnati (" FHLB Cincinnati ") advances, federal funds purchased and other sources of short- term and long- term borrowings, including subordinated indebtedness, to make loans, acquire investment securities and other assets and to fund continuing operations. An inability to maintain or raise funds in amounts necessary to meet our liquidity needs could have a substantial negative effect, individually or collectively, on Pinnacle Financial' s and Pinnacle Bank' s liquidity. Our access to funding sources in amounts adequate to finance our activities, including our loan growth, or on terms attractive to us, could be impaired by factors that affect us specifically or the financial services industry in general. For example, factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us, increased levels of indebtedness, a reduction in our published credit ratings, any damage to our reputation or any other decrease in depositor or investor confidence in our creditworthiness and business. Our access to liquidity could also be impaired by factors that are not specific to us, such as a decrease in the money supply as a result of actions by the Federal Reserve, severe volatility or disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. Any such event or failure to manage our liquidity effectively could affect our competitive position, increase our borrowing costs and the interest rates we pay on deposits, limit our access to the capital markets, require us to sell investment securities when they are in a loss position, cause our regulators to criticize our operations and have a material adverse effect on our results of operations or financial condition. Deposit levels may be affected by a number of factors, including demands by customers, rates paid by competitors (particularly as it relates to brokered deposits and other noncore deposits), general interest rate levels, returns available to customers on alternative investments, government programs, general economic and market conditions and other factors **, including a loss of confidence in us by our customers** . Loan repayments are a relatively stable source of funds but are subject to the borrowers' ability to repay loans, which can be adversely affected by a number of factors including changes in general economic **and geopolitical** conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay- offs, inclement weather, natural disasters, prolonged government shutdowns and other factors. Furthermore, loans generally are not readily convertible to cash. Accordingly, we may be required from time to time to rely on secondary sources of liquidity to meet growth in loans, deposit withdrawal demands or otherwise fund operations. Such secondary sources include FHLB Cincinnati advances, brokered deposits, secured and unsecured federal funds lines of credit from correspondent banks, Federal Reserve borrowings **, liquidating securities that we own in our investment securities portfolio** and / or accessing the equity or debt capital markets. ~~An~~ **We increased our levels of brokered deposits during 2023 to provide additional liquidity and fund our loan growth. A further** increase in our reliance on noncore funding (particularly brokered time deposits) would increase our liquidity risk. These noncore funding sources can be more rate sensitive than core deposits, and the availability of these noncore funding sources is subject to broad economic conditions, in some instances regulation, and to investor assessment of our financial strength and, as such, the cost of funds may fluctuate significantly and / or the availability of such funds may be restricted, thus impacting our net interest income, our immediate liquidity and / or our access to additional liquidity. We have somewhat similar risks to the extent high balance core deposits exceed the amount of deposit insurance coverage available **and, at times, may be required to increase the rates we pay on these uninsured deposits over those levels we pay on deposits that are fully insured** . In the event that our funding strategies call for the use of brokered deposits, there can be no assurance that such sources will be available, or will remain available, or that the cost of such funding sources will be reasonable, or that we will be able to offer competitive rates to retain these deposits upon their maturity (particularly in a down rate or low rate environment). Additionally, should we no longer be considered well- capitalized, our ability to access new brokered deposits or retain existing brokered deposits could be **limited or otherwise** affected by market conditions, regulatory requirements or a combination thereof, which could result in most, if not all, brokered deposit sources being unavailable. The inability to utilize brokered deposits as a source of funding could have an adverse effect on our results of operations, financial condition and liquidity. We anticipate we will continue to rely primarily on deposits, loan repayments, and cash flows from our investment securities to provide liquidity. Additionally, where necessary, the secondary sources of borrowed funds and brokered deposits described above will be used to augment our primary funding sources. If we are unable to access any of these secondary funding sources when needed, or retain these funding sources upon maturity, we might be unable to meet our customers' or creditors' needs, which would adversely affect our financial condition, results of operations, and liquidity. Federal and state bank regulators require Pinnacle Financial and Pinnacle Bank to maintain adequate levels of capital to support operations. At December 31, ~~2022~~ **2023** , Pinnacle Financial' s and Pinnacle Bank' s regulatory capital ratios were at " well- capitalized " levels under regulatory guidelines. Growth in assets (either organically or as a result of acquisitions) at rates in excess of the rate at which our capital is increased through retained earnings, or significant losses, including as a result of selling investment securities that are in a loss position at the time of sale, will reduce our capital ratios unless we continue to increase capital.

Failure by us to meet applicable capital guidelines or to satisfy certain other regulatory requirements could subject us to a variety of enforcement remedies available to the federal regulatory authorities and would negatively impact our ability to pursue acquisitions or other expansion opportunities **, including through the opening of new branch locations** . We may need to raise additional capital (including through the issuance of common or preferred stock or additional Tier 2 capital instruments) in the future to provide us with sufficient capital resources (or replace expiring capital instruments) and liquidity to meet our commitments and business needs or in connection with our growth or as a result of deterioration in our asset quality. Our ability to maintain capital levels, sources of funding and liquidity could be impacted by negative perceptions of our business or prospects, changes in the capital markets and deteriorating economic and market conditions. Pinnacle Bank is required to obtain regulatory approval in order to pay dividends to Pinnacle Financial unless the amount of such dividends does not exceed its net income for that calendar year plus retained net income for the preceding two years. Any restriction on the ability of Pinnacle Bank to pay dividends to Pinnacle Financial could impact Pinnacle Financial' s ability to continue to pay dividends on its capital stock or its ability to pay interest on its indebtedness. Unexpected changes in requirements for capital resulting from regulatory actions could require us to raise capital at a time, and at a price, that might be unfavorable, or could require that we forego continuing growth or reduce our current loan portfolio. We cannot assure you that access to capital will be available to us in needed amounts or on acceptable terms or at all. Any occurrence that may limit our access to the capital markets may materially and adversely affect our capital costs and our ability to raise capital and / or debt and, in turn, our liquidity. If we cannot raise additional capital when needed, our ability to expand through internal growth or acquisitions or to continue operations **at then-current levels** could be impaired. Factors that could adversely affect our ability to raise additional capital or necessary funding include conditions in the capital markets, our financial performance, our credit ratings, regulatory actions and general economic conditions. Increases in our cost of capital, including dilution and increased interest or dividend requirements, could have a direct adverse impact on our operating performance and our ability to achieve our growth objectives. Our financial performance is highly dependent on the business environment in the markets where we operate and in the U. S. as a whole. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, investor or business confidence, consumer sentiment, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, natural disasters, international trade disputes and retaliatory tariffs, supply chain disruptions, labor shortages, terrorist attacks, global pandemics, acts of war, or a combination of these or other factors. ~~Economic conditions in certain industries in the markets in which we operate deteriorated rapidly in 2020 as a result of the COVID- 19 pandemic. These challenges manifested themselves primarily within the hotel, restaurant, retail, commercial real estate and entertainment industries and contributed to increased levels of provisions for credit losses. In addition, inflation~~ **Inflation** rose sharply at the end of 2021 and continued at heightened levels throughout 2022 ~~,~~ and ~~is~~ **much of 2023, and while inflation started to ease at the end of 2023, prices are** currently expected to remain elevated **for many goods and services** in **the near term. We, along with our customers, experienced an uncertain and volatile economic environment during** 2023 **, and economic growth and activity began to show some signs of decline in the second half of 2023 due to issues of national security, inflation, and the pressure of sustained high levels of short- term interest rates. We believe that it is possible that we will, along with our customers, continue to experience an uneven or declining economic environment in 2024 for many of the same reasons** . A worsening of business and economic conditions **(including as a result of escalating geopolitical tensions around the world, including hostilities in the Middle East)** , or persistent inflationary pressures, and actions taken by the Federal Reserve in response thereto, or supply chain disruptions or labor shortages, generally or specifically in the principal markets in which we conduct business could have adverse effects, including the following: – a decrease in deposit balances or the demand for loans and other products and services we offer; – an increase in the number of borrowers who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us, which could lead to higher levels of nonperforming assets, net charge- offs and provisions for credit losses; – a decrease in the value of loans and other assets secured by real estate; – a decrease in net interest income from our lending and deposit gathering activities; and – an increase in competition resulting from financial services companies. ~~Although economic conditions have improved in most of our markets when compared to the first and second quarters of 2020 and we have returned our focus to growing earning assets, we and our customers began to experience an uncertain and volatile economic environment during 2022, and believe that it is possible we and our customers will continue to experience it in 2023, including as a result of issues of national security, health crises around the world, inflation, labor shortages and supply chain disruptions.~~ There can be no assurance that ~~these~~ **economic** conditions will improve in the near term or that conditions will not worsen. Such conditions could adversely affect our business, financial condition, and results of operations. In addition, over the last several years, the federal government has shut down periodically, in some cases for prolonged periods. It is possible that the federal government may shut down again in the future, particularly in light of the evenly divided United States Congress. If a prolonged government shutdown occurs, it could significantly impact business and economic conditions generally or specifically in our principal markets, which could have a material adverse effect on our results of operations and financial condition. A significant percentage of our borrowers are situated in various MSAs in Tennessee, North Carolina, South Carolina ~~and~~ **,** Virginia **and Georgia** in which we operate. In ~~December 2019~~ - **2021** ~~,~~ we expanded our operations ~~into Georgia, in 2021~~ into Alabama and the Washington, D. C. area, and recently we have expanded into Kentucky **and announced plans to open an office in the Jacksonville, Florida area** . Our success significantly depends upon the growth in population, income levels, deposits, employment levels and housing starts in our markets, along with the continued attraction of business ventures to these areas, and our profitability is impacted by the changes in general economic conditions in these markets and other markets in which collateral securing our loans is located. We cannot assure you that economic conditions, including loan demand, in these markets will not remain challenged during ~~2023~~ **2024** or thereafter, and as a result, we may not be able to grow our loan portfolio in line with our expectations and the ability of our customers to repay their loans to us may be negatively impacted and our financial condition and results of operations could be negatively and materially impacted. The market value of real estate can fluctuate significantly in a short period of time, including as a result of market conditions in the geographic area in which the real estate is located. If the value of the real estate serving as collateral for our loan portfolio were to decline materially, a significant part of our loan portfolio could become under- collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, we may not be able to realize the value of the security anticipated when we originated the loan, which in turn could have an adverse effect on our allowance and provision for credit losses and our financial condition, results of operations and liquidity. Most of our foreclosed assets are comprised of real estate properties. We carry these properties at their estimated fair values less estimated selling costs. While we believe the carrying values for such assets are reasonable and appropriately reflect current market conditions, there can be no assurance that the values of such assets will not further decline prior to sale or that the amount of proceeds realized upon disposition of foreclosed assets will approximate the carrying value of such assets. If the proceeds from any such dispositions are less than the carrying value of foreclosed assets, we will record a loss on the disposition of such assets, which in turn could have an adverse effect on our results of operations. Compared to national financial institutions, we are less able to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, we cannot give any assurance that we will benefit from any market growth or return of more favorable economic conditions in our primary market areas if they do occur. Pinnacle Bank holds a 49 % interest in BHG. Our share of BHG' s earnings make up a ~~significant~~ **meaningful** portion of our recurring noninterest income, and as a result, a meaningful portion of our net income. While we have a significant stake in BHG, are entitled to designate two members of BHG' s five person board of managers and in some instances have protective rights to block BHG from engaging in certain activities, the other managers and members of BHG may make most decisions regarding BHG' s and its subsidiaries' operations without our consent or approval. This includes a decision to sell the company or the other owners' interest in the company. Any sale of all or a portion of our interest in BHG would adversely affect our recurring noninterest income. In addition, any sale of all or a portion of the other members' interest in BHG, including in connection with a capital raising transaction, could affect our governance rights in BHG and adversely affect our recurring noninterest income. Moreover, there are certain limitations on our ability to sell our interest in BHG without first offering BHG and the other members a right of first refusal, other than transfers in connection with an acquisition of Pinnacle Bank **, which may make it more difficult to sell all or a portion of our interest in BHG** . A significant portion of BHG' s revenue (and correspondingly our interest in any of BHG' s net profits) comes from the sale of loans originated by BHG to community banks **that BHG accounts for by applying gain- on- sale accounting** . BHG, and its subsidiaries, also retain loans that they originate on their balance sheet and earn interest income on those loans. This practice requires more external funding of BHG' s business than the historical practice of routinely selling loans to other financial institutions and **has** ~~will likely increase~~ **increased** BHG' s funding costs and operating expenses. It also increases BHG' s exposure to credit losses in its portfolio, which losses could materially and adversely impact BHG' s results of operations and Pinnacle Bank' s interest in BHG' s net profits. BHG' s decision whether to sell more loans through its auction platform or retain more loans on its balance sheet will impact BHG' s earnings and as a result its contribution to our recurring noninterest income. ~~The sale of~~ **When BHG sells** loans ~~though~~ **through** ~~the~~ **its** auction platform ~~generates~~ **, it records** a gain on the sale that results in the income from the transaction being recorded in the period when the sale is consummated. Conversely, when BHG decides to retain a loan on its balance sheet, the income from that loan is recognized over the life of the loan. BHG ~~currently maintains an allowance for loan losses under the incurred loss method related to the loans it retains on its balance sheet, but will be required to adopt~~ **adopted** CECL effective October 1, 2023. This change **has** ~~is likely to require~~ **required** BHG to increase its allowance for ~~loan~~ **credit** losses, and is ~~likely to increase~~ **increasing** the types **and amounts** of data BHG ~~would need~~ **needs** to collect and review to determine the appropriate level of its allowance for ~~loan~~ **credit** losses. In addition, this change may result in more volatility in the level of BHG' s allowance for ~~loan~~ **credit** losses. ~~An~~ **A further** increase, to the extent material, in BHG' s allowance for ~~loan~~ **credit** losses or **additional** expenses incurred to determine the appropriate level of the allowance for ~~loan~~ **credit** losses could have a material adverse effect on BHG' s financial condition and results of operations, which would negatively impact our interest in BHG' s **net** profits **, and, consequently, our noninterest income** . Future growth in contributions to our earnings from BHG and its subsidiaries will require that they continue to grow their business and increase the amount of loans that they are able to originate and sell, if not retained on BHG' s or a subsidiary' s balance sheet. In the event that BHG' s loan growth slows over historical levels, its loan sales decrease (including but not limited to as a result of regulatory, or other restrictions or **positions taken, including those that result in restrictions or** limitations on banks that are the principal purchasers of BHG' s loans), the interest rates that BHG earns on its loans, or the spread between the rate BHG charges on its loans and the rates paid by banks who buy loans through the auction platform, decline or it experiences increased levels of ~~loan~~ **credit** losses or requests for substitutions on loans it previously originated and sold, its results of operations and our noninterest income would be adversely affected ~~to amounts below those that BHG charges~~ . BHG currently operates in certain states without the need for a permit or any other license as its loans are principally commercial, business purpose loans that don' t trigger the need for licensure. In the event that BHG or its subsidiaries were required to register or become licensed in any state in which they operate, ~~including as a result of their expanding into consumer lending or expanding into other lending areas like patient financing,~~ or regulations are adopted that seek to limit BHG' s or its subsidiaries' ability to operate in any jurisdiction or that seek to limit the amounts of interest that BHG can charge on its loans, BHG' s results of operations (and Pinnacle Bank' s interest in BHG' s net profits **, and, consequently, our noninterest income**) could be materially and adversely affected. Since our initial investment, BHG has expanded its operations to include commercial lending to other professional service firms like attorneys, accountants and others. Through subsidiaries that it owns, it also has expanded into patient financing, which involves making loans to individuals to finance medical expenses, particularly those where patients have high deductible health plans. BHG is also expanding into point- of- sale consumer lending and may further expand its business into other types of lending, which may not be as profitable as BHG' s current lending products or successful at all.

These new product lines may involve more risk than BHG' s historical business and BHG' s loss rates may increase when compared to historical levels. Moreover, BHG **' s** and its subsidiaries ~~will likely face greater~~ **' expansion into these new lines of business and the expansion of the type of borrowers it markets its products to has increased the** regulatory scrutiny **BHG faces which has** ~~in certain of these lines of business that may increase~~ **increased** BHG' s compliance costs ~~and its risk of regulatory scrutiny~~ . Failure to realize the expected revenue increases and / or other projected benefits from, and any increased compliance costs and regulatory scrutiny in connection with, any such expansion could have a negative impact on BHG' s business, which would negatively impact our interest in BHG' s **net** profits and, consequently, our noninterest income. BHG' s business is also subject to increased scrutiny by bank regulatory agencies as a result of our investment **. These regulatory agencies' oversight over BHG exceeds the level of oversight that these agencies may have over other nonbank lenders, like BHG, that are not owned by an insured depository institution like Pinnacle Bank. This increased regulatory oversight could result in BHG being required to modify its operations in ways that other nonbank lenders may not be required to do, which could negatively impact BHG' s business, results of operations and financial condition, which would negatively impact BHG' s net profits and, consequently, our noninterest income** . The FDIC has published guidance related to the operation of marketplace lenders and banks' business relationships with such lenders and other third parties in which banks are required to exercise increased oversight and ongoing monitoring and other responsibility for such third parties' compliance with applicable regulatory guidance and requirements. As a result, we are subject to enhanced responsibility for and risk related to BHG and our relationship with it. BHG' s compliance costs have increased since our investment and are likely to continue to increase, ~~including as a result of its new product lines,~~ and its loan yields may be negatively impacted, which would negatively impact its results of operations and Pinnacle Bank' s interest in BHG' s net profits. If banks that are examined by the FDIC became restricted in their ability to buy loans originated by BHG, BHG' s business would be negatively impacted, which would negatively impact our interest in BHG' s **net** profits **and, consequently, our noninterest income** . Because of our ownership of a portion of BHG, BHG is limited in the types of activities in which it may engage. Were BHG to desire to expand its operations into areas that are not permissible for an entity owned by a state member bank like Pinnacle Bank, it may need to do so through separate entities in which we do not have an ownership interest. Were these businesses to be more profitable than BHG' s core business or require BHG' s management' s attention in ways that are detrimental to BHG, our investment in BHG may be negatively impacted. From time to time, we and our affiliates, including Pinnacle Bank, make investments in private companies and venture capital funds. The fair value of these investments are reflected in our financial statements and are adjusted on a quarterly basis. Moreover, because valuations of private companies are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value for private companies may differ materially from the values that would have been used if a ready market for these securities existed. Therefore, fair value determinations may materially understate or overstate the value that we ultimately realize upon the sale of one or more investments. We cannot predict future realized or unrealized gains or losses, and any such gains or losses are likely to vary materially from period to period. A significant and sustained decline in our stock price and market capitalization below book value, a significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or other factors could result in impairment of our goodwill. At December 31, ~~2022~~ **2023** , our goodwill and other identifiable intangible assets totaled approximately $ 1. 9 billion. If we were to conclude that a write- down of our goodwill is necessary, then the appropriate charge would likely cause a material loss. Any significant loss would adversely impact the capacity of Pinnacle Bank to pay dividends to Pinnacle Financial without seeking prior regulatory approval, which could adversely affect Pinnacle Financial' s ability to pay required interest payments on its outstanding indebtedness or to continue to pay dividends to its common and preferred shareholders. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management' s judgment of the most appropriate manner to report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, which may result in our reporting materially different results than would have been reported under a different alternative. Certain accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for credit losses or sustain loan losses that are significantly higher than the reserve provided; recognize significant impairment on goodwill and other intangible asset balances; reduce the carrying value of an asset measured at fair value; or significantly increase our accrued tax liability. Any of these could have a material adverse effect on our business, financial condition or results of operations. For a discussion of our critical accounting policies, see " Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations- Critical Accounting Estimates " included elsewhere in this Annual Report on Form 10- K. We currently invest in bank owned life insurance (" BOLI ") and may continue to do so in the future. We had $ ~~881~~ **995** . ~~9~~ **2** million in general, hybrid and separate account BOLI contracts at December 31, ~~2022~~ **2023** . BOLI is an illiquid long- term asset that provides tax savings because cash value growth and life insurance proceeds are not taxable, subject to certain exceptions. However, if we needed additional liquidity and converted the BOLI to cash, such transaction would be subject to ordinary income tax and applicable penalties. We are also exposed to the credit risk of the underlying securities in the investment portfolio and to the insurance carrier' s credit risk (in a general account contract). If BOLI was exchanged to another carrier, additional fees would be incurred and a tax- free exchange could only be done for insureds that were still actively employed by us at that time. There is interest rate risk relating to the market value of the underlying investment securities associated with the BOLI in that there is no assurance that the market value of these securities will not decline. **If the market value of these**

securities did decline, and we restructured them to obtain securities with improved yields, we may incur losses and penalties in connection with such restructuring, as was the case in the fourth quarter of 2023. Investing in BOLI exposes us to liquidity, credit and interest rate risk, which could adversely affect our results of operations, financial condition and liquidity. We have implemented a risk management framework **in an effort** to identify and manage our risk exposure. This framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, fraud, operational, capital, cybersecurity, compliance, strategic and reputational risks. Our framework also includes financial, analytical, forecasting, or other modeling methodologies, which involves management assumptions and judgment. In addition, our board of directors, in consultation with management, has adopted a risk appetite statement, which sets forth certain thresholds and limits to govern our overall risk profile. However, there is no assurance that our risk management framework, including the risk metrics under our risk appetite statement, will be effective under all circumstances or that it will adequately identify, manage or mitigate any risk or loss to us. If our risk management framework is not effective, we could suffer unexpected losses and become subject to regulatory consequences, as a result of which our business, financial condition, results of operations or prospects could be materially adversely affected. We are dependent on our information technology and telecommunications systems and third- party servicers, and systems failures, interruptions or breaches of security could have ~~an~~ **a material** adverse effect on our financial condition and results of operations, as well as cause legal or reputational harm. We are dependent upon information technologies, computer systems and networks, including those we maintain and those maintained and provided to us by third parties, to conduct operations and are reliant on technology to help increase efficiency in our business. These systems could become unavailable or impaired due to a variety of causes, including storms and other natural disasters, terrorist attacks, fires **, phishing schemes, social engineering** , utility outages, internal or external theft or fraud, design defects, human error, misconduct or complications or failures encountered as existing systems are maintained, replaced or upgraded. For example, our financial, accounting, data processing, or other operating or security systems or infrastructure or those of third parties upon which we rely may fail to operate properly or become compromised, disabled or damaged, which could adversely affect our ability to process transactions or provide services. In the event that backup systems are utilized, they may not process data as quickly as our primary systems and we may experience data losses in the course of such recovery. We continuously update the systems on which we rely to support our operations and growth and to remain compliant with all applicable laws, rules and regulations ~~globally~~ . This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones, including business interruptions that may occur in the course of such implementation challenges. We maintain a system of internal controls and security to mitigate the risks of many of these occurrences and maintain insurance coverage for certain risks; however, should an event, including a cyberattack (including a ransomware attack), occur that is not prevented or detected by our internal controls, causes an interruption, degradation or outage in service, **causes us to pay a ransom fee,** or is uninsured against or in excess of applicable insurance limits, such occurrence could have an adverse effect on our business and our reputation, which, in turn, could have a material adverse effect on our financial condition, results of operations and liquidity. Our operations rely on the secure processing, storage and transmission of confidential, proprietary, personal and other information in our computer systems and networks. Although we take protective measures and endeavor to modify these systems as circumstances warrant, the security of our computer systems, software and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. We provide our customers the ability to bank remotely, including over the Internet or through their mobile device. The secure transmission of confidential information is a critical element of remote and mobile banking. Our network, and the systems of parties with whom we contract or on which we rely, as well as those of our customers and regulators, could be vulnerable to unauthorized access, computer viruses, phishing schemes, **social engineering,** spam attacks, ransomware attacks, human error, natural disasters, power loss and other security breaches. Sources of attacks vary and may include hackers, disgruntled employees or vendors, organized crime, terrorists, foreign governments, corporate espionage and activists. In recent periods, there continues to be a rise in electronic fraudulent activity **(including wire fraud)** , security breaches and **cyberattacks** ~~cyber-attacks~~ within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts or seeking to infiltrate legitimate transactions **. We believe these types of efforts will continue to increase in frequency and in their level of sophistication. We have established policies, processes, and procedures to identify, measure, monitor, mitigate, report, and analyze risks associated with fraud, and continue to invest in systems, resources, and controls to detect and prevent it. There are inherent limitations, however, to our risk management strategies, systems, and controls as they may exist, or develop in the future. We may not appropriately anticipate, monitor, or identify these risks. If our risk management framework proves ineffective in connection with any fraudulent activity, we could suffer unexpected losses, we may have to expend resources detecting and correcting the failure in our systems, and we may be subject to potential claims from third parties and government agencies. We may also suffer reputational damage. Any of these consequences could adversely affect our business, financial condition, or results of operations** . Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as we continue to increase our mobile- payment and other internet- based product offerings and expand our internal use of web- based **and cloud- based** products and applications. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks are becoming more prevalent and sophisticated and are extremely difficult to prevent. **Generative artificial intelligence is further increasing risks in this area, including by making fraud detection more difficult, particularly with detection devices that use voice recognition or authentication.** The techniques used by bad actors change frequently, may not be recognized until launched and may not be recognized until well after a breach has occurred. Additionally, the existence of **cyberattacks** ~~cyber~~

~~attacks~~ or security breaches at third parties with access to our data, such as vendors, may not be disclosed to us in a timely manner. Consistent with industry trends, we remain at risk for attempted electronic fraudulent activity, as well as attempts at security breaches and cybersecurity- related incidents. Cloud technologies are also critical to the operation of our systems, and our reliance on cloud technologies is growing. Service disruptions in cloud technologies or intrusion into those of our systems hosted on cloud- based technologies may lead to unauthorized access of, delays in accessing, or the loss of, data that is important to our businesses and may hinder our clients' access to our products and services, which would negatively impact our operations which in turn could have a material adverse effect on our financial condition, results of operations and liquidity. We spend significant capital and other resources to protect against the threat of security breaches and computer viruses, and may be required to spend significant capital and other resources to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our vendors, regulators or customers involve the storage and transmission of confidential information, security breaches (including breaches of security of customer, vendor or regulatory systems and networks) and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent or promptly detect security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations and ability to attract and retain customers and businesses. In addition, a security breach could also subject us to additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems. The failure of these systems, or the termination of a third- party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third- party systems, we could experience service denials if demand for such services exceeds capacity or such third- party systems fail or experience interruptions, including as a result of viruses or other attacks. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewal loans, gather deposits and provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and / or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition, results of operations and liquidity. We also face the risk of operational disruption, failure, termination, or capacity constraints of any of the third parties that facilitate our business activities, including vendors, exchanges, and other financial intermediaries. Such parties could also be the source or cause of an attack on, or breach of, our operational systems, data or infrastructure, and could disclose such attack or breach to us in a delayed manner or not at all. In addition, we may be at risk of an operational failure with respect to our customers' systems. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and the continued uncertain global economic environment. As ~~cyber~~ **cybersecurity** threats continue to evolve, we will likely expend significant additional resources to continue to modify or enhance our protective measures, investigate and remediate any information security vulnerabilities, or respond to any changes to state or federal regulations, policy statements or laws concerning information systems or security. Any failure to maintain adequate security over our information systems, our technology- driven products and services or our customers' personal and transactional information could negatively affect our business and our reputation and result in fines, penalties, or other costs, including litigation expense and / or additional compliance costs, all of which could have a material adverse effect on our financial condition, results of operations and liquidity. Furthermore, the public perception that a cyber- attack on our systems has been successful, whether or not this perception is correct, may damage our reputation with customers and third parties with whom we do business. A successful penetration or circumvention of system security could ~~cause us~~ **result in** negative consequences **for us** , including loss of customers and business opportunities, disruption to our operations and business, misappropriation or destruction of our confidential information and / or that of our customers, or damage to our customers' and / or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact our financial condition, results of operations and liquidity. Our reputation is very important in sustaining our business and we rely on our relationships with our current, former and potential clients and shareholders and other actors in the industries that we serve. Any damage to our reputation, whether arising from regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with SEC and exchange listing requirements, negative publicity, the way in which we conduct our business or otherwise could strain our existing relationships and make it difficult for us to develop new relationships. Any such damage to our reputation and relationships could in turn lead to a material adverse effect on our business. We face substantial competition for deposits, and for credit and trust relationships, and other financial services and products in the communities we serve. Competing providers include other banks, thrifts and trust companies, insurance companies, mortgage banking operations, credit unions, finance companies, title companies **, private equity firms** , money market funds and other financial and nonfinancial companies, including mobile payment platforms, which may offer products functionally equivalent to those offered by us. Competing providers may have greater financial resources than we do **or lower operating costs, including as a result of being less regulated,** and offer services within and outside the market areas we serve. In addition to this challenge of attracting and retaining customers for traditional banking services, our competitors include securities dealers, brokers, mortgage bankers, investment advisors and finance and insurance companies who seek to offer one- stop financial services to their customers that may include services that financial institutions have not been able or allowed to offer to their customers in the past. The increasingly competitive environment is primarily a result of changes in regulation, changes in technology and product delivery systems and the accelerating pace of consolidation among financial service providers. If we are unable to adjust both to increased competition for traditional banking services and changing customer needs and preferences, our financial performance could be adversely affected. Some of our competitors, including credit unions, are not subject to certain regulatory constraints, such as the Community Reinvestment Act, which requires us to, among other things, implement procedures to make and monitor loans throughout the communities we serve **(and which will become more expansive in 2024)** . Credit unions also have federal tax exemptions that may allow them to offer lower rates on loans and higher rates on deposits than taxpaying financial institutions such as commercial banks. In addition, non- depository institution competitors **, like private equity firms,** are generally not subject to the extensive regulation applicable to institutions, like Pinnacle Bank, that offer federally insured deposits. Other institutions may have other competitive advantages in particular markets or may be willing to accept lower profit margins on certain products. These differences in resources, regulation, competitive advantages, and business strategy may decrease our net interest margin, may increase our operating costs, and may make it harder for us to compete profitably. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Technology has lowered barriers to entry and made it possible for non- banks to offer products and services traditionally provided by banks, such as mobile payment and other automatic transfer and payment systems, and for banks that do not have a physical presence in our markets to compete for deposits. The absence of regulatory requirements may give non- bank financial companies a competitive advantage over us. Our operations, businesses and customers could be materially adversely affected by the impacts related to climate change. There is an increasing concern among individuals and governments over the risks of climate change and related environmental sustainability matters that create additional risk for us as it relates to the operation of our business and our relationships with our clients. The physical risks of climate change include rising average global temperatures, rising sea levels and an increase in the frequency and severity of extreme weather events and natural disasters, including floods, wildfires, hurricanes and tornados. Such disasters could disrupt our operations or the operations of customers or third parties on which we rely. Such disasters could result in market volatility or negatively impact our customers' ability to repay outstanding loans, result in rapid deposit outflows, cause supply chain and / or distribution network disruptions, damage collateral or result in the deterioration of the value of collateral or insurance shortfalls. Additionally, climate change concerns could result in transition risk. Changes in consumer preferences or technology and additional legislation, regulatory and legal requirements, including those associated with the transition to a low- carbon economy, could restrict the scope of our or our clients' existing businesses, amplify credit and market risks, disproportionately impact certain of our clients, like those that own and / or operate trucking companies, negatively impact asset values, increase expenses, including as a result of strategic planning and technology and market changes, and / or otherwise adversely impact us, our businesses or our customers. Our response to climate change, our climate change strategies, policies and disclosure, and / or our ability to achieve ~~our~~ **any** climate- related goals ~~and~~ **or** commitments **that we may make** (which are subject to risks and uncertainties, many of which are outside of our control) could result in reputational harm as a result of negative public sentiment, regulatory scrutiny, litigation and reduced investor and stakeholder confidence. We continuously evaluate our service offerings and may implement new lines of business or offer new products and services within existing lines of business in the future. There are substantial risks and uncertainties associated with these efforts. In developing and marketing new lines of business and / or new products and services, we undergo a new product process to assess the risks of the initiative, and invest significant time and resources to build internal controls, policies and procedures to mitigate those risks, including hiring experienced management to oversee the implementation of the initiative. Initial timetables for the introduction and development of new lines of business and / or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business and / or a new product or service. Furthermore, any new line of business and / or new product or service could require the establishment of new key and other controls and have a significant impact on our existing system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business and / or new products or services could have a material adverse effect on our business and, in turn, our financial condition and results of operations. Inability to retain senior management and key employees or to attract new experienced financial services professionals could impair our relationship with our customers, reduce growth and adversely affect our business. We have assembled a senior management team which has substantial background and experience in banking and financial services in our markets. Moreover, much of our organic loan growth that we have experienced in recent years (and that we are seeking during ~~2023~~ **2024**) was the result not of strong loan demand but rather of our ability to attract experienced financial services professionals as new associates of ours who have been able to attract customers from other financial institutions. We are continuing to deploy a similar hiring strategy in all of our markets, though in ~~a rising~~ **an elevated** rate environment it may be more difficult for these associates to attract their customers to the bank, particularly those with existing loans that are priced below current market rates. Inability to retain these key personnel (including key personnel of the businesses we have acquired) or to continue to attract experienced lenders with established books of business (including, in either case, as a result of competitive compensation and other hiring and retention pressures), at all or at the pace we have anticipated, could negatively impact our growth because of the loss of these individuals' skills and customer relationships and / or the potential difficulty of promptly replacing them. Moreover, the higher costs we have to pay to hire and retain these experienced individuals (which has seen increased pressure in the ~~current~~ **recent** inflationary and competitive environment in which we ~~are~~ **have been** operating) could cause our noninterest expense levels to rise and negatively impact our results of operations. Many of our key associates, and those we seek to hire, are experienced bankers who have been engaged in the business of commercial banking for a significant period of time. While we believe this model of hiring has contributed to our success, we face risks associated with this older workforce. Our compensation expense, including our healthcare costs, may exceed those of our peers on account of our older, more experienced associate base. Additionally, as the number of our long- term employees reaching retirement age increases, our ability to successfully plan for the transition of those associates' clients **and responsibilities** to other associates **and successfully develop and implement effective succession plans** becomes more important to our future success. If we are unable to successfully manage such transitions, our relationships with our clients may be negatively impacted and our results of operations may be negatively affected. We are subject to regulatory oversight and certain litigation, and our expenses related to this regulatory oversight and litigation may adversely affect our results. We are from time to time subject to certain litigation in the ordinary course of our **business. BHG, like us, is also subject to certain litigation in the ordinary course of its** business. As we have aggressively hired new revenue producing associates over the last six years we, and the associates we have hired, have also periodically been the subject of litigation and threatened litigation with these associates' former employers. We may also be subject to claims related to our loan servicing programs, particularly those involving servicing of commercial real estate loans. These and other claims and legal actions, as well as supervisory and enforcement actions by our regulators, including the CFPB or other regulatory agencies with which we **or BHG** deal, including those with oversight of our loan servicing programs, could involve large monetary claims **against us or BHG** , **as well as** capital directives, agreements with federal regulators, cease and desist penalties and orders and significant defense costs. The outcome of any such cases or actions is uncertain. Substantial legal liability or significant regulatory action against us **or BHG** could have material adverse financial effects or cause significant reputational harm to us **or BHG** , which in turn could seriously harm our **or BHG' s** business prospects. In accordance with GAAP, for matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable we will incur a loss and the amount can be reasonably estimated, we establish an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings or threatened claims, however, may turn out to be substantially higher than the amount accrued. Further, our **or BHG' s** insurance **, as applicable,** may not cover all litigation, other proceedings or claims, or the costs of defense. Future developments could result in an unfavorable outcome for any existing or new lawsuits or investigations in which we **or BHG** are, or may become, involved, which may have a material adverse effect on our **or BHG' s** business and our **or BHG' s** results of operations. The financial services industry is undergoing rapid technological changes with frequent introductions of new technology- driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. We have made significant investments in data processing, management information systems and internet banking accessibility, but additional investments may be required or necessary. Our future success will depend in part upon our ability to create additional efficiencies in our operations through the use of technology. Many of our competitors have substantially greater resources to invest in technological improvements. We cannot make assurances that our technological improvements will increase our operational efficiency or that we will be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. Our ability to engage in routine funding transactions could be adversely affected by the actions and financial stability of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to various counterparties, including brokers and dealers, commercial and correspondent banks, and others including those with whom we have implemented our hedging strategies. As a result, defaults by, or rumors or questions about, one or more financial services institutions, or the financial services industry generally, may result in market- wide liquidity problems and could lead to losses or defaults by such other institutions. Such occurrences could expose us to credit risk in the event of default of one or more counterparties and could have a material adverse effect on our financial ~~position~~ **condition** , results of operations and liquidity. From time to time as part of our normal course of business, customers may make claims and take legal action against us based on actions or inactions related to the fiduciary responsibilities of Pinnacle Bank' s trust and wealth management associates. If such claims and legal actions are not resolved in a manner favorable to us, they may result in financial liability and / or adversely affect our market reputation or our products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. Our operations and customer base are located in markets where natural disasters, including tornadoes, severe storms, fires, wildfires, floods, and hurricanes often occur. Such natural disasters could significantly impact the local population and economies and our business, and could pose physical risks to our properties. Although our banking offices are geographically dispersed throughout portions of the southeastern United States and we maintain insurance coverages for such events, a significant natural disaster in or near one or more of our markets could have a material adverse effect on our financial condition, results of operations ~~or~~ **and** liquidity. In addition to natural disasters, the impact of climate change, such as rising average global temperatures and rising sea levels, and the increasing frequency and severity of extreme weather events and natural disasters such as droughts, floods, wildfires and hurricanes could negatively impact our operations including our ability to provide financial products and services to our customers. Climate change also has the potential to negatively affect the collateral we take to secure loans that we make, the valuations of home prices or commercial real estate or our customers' (particularly those that are engaged in industries that could be negatively affected by a shift to a low- carbon economy) ability and / or willingness to pay fees, repay outstanding loans or afford new products. Climate change could also cause insurability risk and / or increased insurance costs for us or our customers. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential holders of our securities could lose confidence in our financial reporting, which would harm our business and the trading price of our securities. Maintaining and adapting our internal controls over financial reporting, as required by Section 404 of the Sarbanes- Oxley Act, is expensive and requires significant management attention. Moreover, as we continue to grow, our internal controls may become more complex and require additional resources to ensure they remain effective amid dynamic regulatory and other guidance. Failure to implement effective controls or difficulties encountered in the process may harm our results of operations and financial condition or cause us to fail to meet our reporting obligations. If we or our independent registered accounting firm identify material weaknesses in our internal control over financial reporting or are otherwise required to restate our financial statements, we could be required to implement expensive and time- consuming remedial measures and could lose investor confidence in the accuracy and completeness of our financial reports. We may also face regulatory enforcement or other actions, including the potential delisting of our securities from the Nasdaq Global Select

Market. This could have an adverse effect on our business, financial condition or results of operations, as well as the trading price of our securities, and could potentially subject us to litigation. ~~From 2015 through 2017, we completed the acquisitions of CapitalMark, Magna, Avenue and BNC and made a significant investment in BHG. In 2019, we acquired Advocate Capital, and in 2022 we acquired the remaining 80 % outstanding membership interest of JB & B.~~ We expect ~~to continue~~ to consider and explore opportunities to expand in our current markets and in select primarily high- growth markets in the southern portion of the United States through additional offices and also may consider expansion within these markets through additional acquisitions of all or part of other financial institutions or other financial services companies, including our ~~recent~~ de novo expansions into the Atlanta, Georgia, Huntsville and Birmingham, Alabama, Louisville, Kentucky and Washington, D. C. metro markets **over the last few years and our recently announced de novo expansion into the Jacksonville, Florida market** . These types of expansions, including ~~the~~ **those** ~~recent~~ de novo expansions, involve various risks, including: Management of Growth. We may be unable to successfully: – maintain loan quality in the context of significant loan growth; – identify and expand into suitable markets; – obtain regulatory and other approvals; – identify and acquire suitable sites for new banking offices; – attract sufficient deposits and capital to fund anticipated loan growth; – recruit seasoned professionals with significant experience and established books of business **that are able to move their customer relationships to Pinnacle Bank in the time periods and amounts that we believed were possible when we hired those persons** ; – maintain adequate common equity and regulatory capital; – scale our technology platform and operational infrastructure; – avoid diversion or disruption of our existing operations or management as well as those of the acquired institution; – maintain adequate management personnel and systems to oversee and support such growth; – maintain adequate internal audit, loan review **, risk management** and compliance functions; and – implement additional policies, internal controls, procedures and operating systems required to support **and monitor the risk associated with** such growth. Results of Operations. There is no assurance that existing offices or future offices will maintain or achieve deposit levels, loan balances or other operating results necessary to avoid losses or produce profits. If we are unable to grow our revenues in amounts necessary to support this higher expense base, our results of operations will be negatively impacted. Our growth strategy necessarily entails growth in overhead expenses as we add new offices and staff. Our historical results may not be indicative of future results or results that may be achieved as we continue to evaluate opportunities to increase the number and concentration of our offices in our newer markets. Development of Offices. There are considerable costs involved in opening offices (particularly those in new markets), and new offices generally do not generate sufficient revenues to offset their costs until they have been in operation for at least a year or more. Accordingly, any new offices we establish, including those we plan to establish in the markets to which we have ~~recently~~ expanded **or announced plans to expand** , can be expected to negatively impact our earnings for some period of time until they reach certain economies of scale. The same is true for our efforts to expand in these markets with the hiring of additional seasoned professionals with significant experience in that market. Our expenses could be further increased if we encounter delays in opening any of our new offices, including as a result of supply chain disruptions and labor challenges ~~currently~~ **like those** affecting the construction industry **over the last few years, or regulatory actions or delays** . We may be unable to accomplish future office expansion plans due to a lack of available satisfactory sites, difficulties in acquiring such sites, failure or inability to receive any required regulatory approvals, increased expenses or loss of potential sites due to complexities associated with zoning and permitting processes, higher than anticipated construction or merger and acquisition costs or other factors. Finally, we have no assurance any office will be successful even after it has been established or acquired, as the case may be. Regulatory and Economic Factors. Our growth and expansion plans may be adversely affected by a number of regulatory and economic developments or other events. Failure or inability to obtain required regulatory approvals, changes in laws and regulations or other regulatory developments and changes in prevailing economic conditions or other unanticipated events may prevent or adversely affect our continued growth and expansion. Such factors may cause us to alter our growth and expansion plans or slow or halt the growth and expansion process, which may prevent us from entering into or expanding in our other markets or allow competitors to gain or retain market share in our existing markets. Infrastructure and Controls. We may not successfully implement improvements to, or integrate, our information and control systems, procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our systems, controls and procedures must be able to accommodate an increase in transaction volume and the infrastructure that comes with new products, offices, markets or any combination thereof. Thus, our growth strategy may divert management from our existing ~~operation~~ **operations** and may require us to incur additional expenditures to expand our administrative and operational infrastructure, which may adversely affect earnings, shareholder returns, and our efficiency ratio. Failure to successfully address these and other issues related to our recent expansions or in any other future market could have a material adverse effect on our financial condition and results of operations, and could adversely affect our ability to successfully implement our business strategy. Also, if our growth occurs more slowly than anticipated or declines, our results of operations and financial condition could be materially adversely affected. When we attempt to expand our business through mergers and acquisitions, we seek targets that are culturally similar to us, have experienced management and possess either significant market presence or have potential for improved profitability through economies of scale or expanded products or services. In addition to the general risks associated with our growth plans which are highlighted above, in general **,** acquiring or merging with other banks, businesses or branches, particularly those in markets with which we are less familiar, involves various risks commonly associated with acquisitions, including, among other things: – the time and costs associated with identifying and evaluating potential acquisition and merger targets; – inaccuracies in the estimates and judgments used to evaluate credit, operations, culture, management and market risks with respect to an institution we acquire or with which we merge; – the time and costs of evaluating new markets, hiring experienced local management, including as a result of de novo expansion into a market such as our expansions into the Atlanta, Georgia, Huntsville and Birmingham, Alabama, Louisville, Kentucky and Washington, D. C. metro markets **and announced expansion into the Jacksonville, Florida market** , and opening new bank locations, and the time lags between these activities and the generation of sufficient assets and deposits to support the significant costs of the expansion that we may incur, particularly in the first 12 to 24 months of operations; – our ability to finance (or increase capital levels in connection with) an acquisition and possible dilution to our existing shareholders; – the diversion of our management' s attention to the negotiation of a transaction and integration of an acquired company' s operations with ours; – the incurrence of an impairment of goodwill associated with an acquisition and adverse effects on our results of operations; – entry into new markets where we have limited or no direct prior experience; – closing delays and increased expenses related to the resolution of lawsuits filed by our shareholders or shareholders of companies we may seek to acquire; – the inability to receive regulatory approvals timely or at all, including as a result of community objections, or such approvals being restrictively conditional; and – risks associated with integrating the operations, technologies and personnel of the acquired business. Though we expect to remain principally focused on organically growing our business in our existing markets (including our new markets) during ~~2023~~ **2024** , we nonetheless may have opportunities to evaluate merger and acquisition opportunities that are presented to us in our current markets as well as other select markets throughout the southern portion of the United States and conduct due diligence activities related to possible transactions with other financial institutions. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities and related capital raising transactions may occur at any time. Generally, acquisitions of financial institutions involve the payment of a premium over book and market values, and, therefore, some dilution of our book value and fully diluted earnings per share may occur in connection with any future transaction. Failure to realize the expected revenue increases, cost savings, increases in product presence and / or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations. In addition, we may face significant competition from numerous other financial services institutions, many of which may have greater financial resources than we do, when considering acquisition opportunities, particularly in our targeted high- growth markets located outside of Tennessee. Accordingly, attractive acquisition opportunities may not be available to us. There can be no assurance that we will be successful in identifying or completing any potential future acquisitions. **The Financial Accounting Standards Board and the SEC may change the financial accounting and reporting standards, or the interpretation of those standards, that govern the preparation of our external financial statements from time to time. The impact of these changes or the application thereof on our financial condition and operations can be difficult to predict.** Bank regulators are increasing regulatory scrutiny, and additional restrictions on financial institutions (or new interpretations of existing regulations) have been proposed or adopted by regulators and by Congress. Changes in tax law, federal legislation, regulation or policies, such as bankruptcy laws, deposit insurance, consumer protection laws **, laws and regulations regarding fair lending and investments in communities (including the recently adopted changes to the CRA rules)** , and capital requirements, among others, can result in significant increases in our expenses and / or charge- offs, which may adversely affect our results of operations and financial condition. Changes in state or federal tax laws or regulations can have a similar impact. State and municipal governments, including the State of Tennessee, could seek to increase their tax revenues through increased tax levies which could have a meaningful impact on our results of operations. Furthermore, financial institution regulatory agencies are expected to continue to be aggressive in responding to concerns and trends identified in examinations, including in the case of service charges banks impose on customers related to overdrafts and instances in which customers' accounts do not have sufficient funds to cover items that are presented. **Regulatory scrutiny is also expected to remain high following the high- profile bank failures in the first half of 2023.** These actions **and elevated scrutiny** could include the issuance of additional formal or informal enforcement or supervisory actions and the imposition of monetary penalties, and whether formal or informal, could result in our agreeing to limitations or to take actions that limit our operational flexibility, restrict our growth, increase our operating expenses, lower our non- interest income or increase our capital or liquidity levels. Failure to comply with any formal or informal regulatory restrictions, including informal supervisory actions, could lead to further regulatory enforcement actions. Negative developments in the financial services industry **, like the turmoil in the banking industry that was experienced in the first half of 2023,** and the impact of recently enacted or ~~new~~ **proposed** legislation (or interpretation of existing legislation) in response to those developments could negatively impact our operations by **increasing the time and operating costs associated with compliance and** restricting our business operations, including our ability to originate or sell loans **or by requiring us to hold more elevated levels of capital or deduct from our regulatory capital unrealized losses in our securities portfolio** , and adversely impact our financial performance. In addition, industry, legislative or regulatory developments may cause us to materially change our existing strategic direction, business policies, capital strategies, compensation or operating plans. We operate in a highly regulated industry and are subject to examination, supervision, and comprehensive regulation by various regulatory agencies. Our compliance with these regulations is costly and restricts certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged on loans, interest rates paid on deposits and locations of offices. We are also subject to capital requirements established by our regulators, which require us to maintain specified levels of capital. It is possible that our FDIC assessments may increase in the future **or other special assessments, like the special assessment levied by the FDIC in 2023 in connection with the high- profile bank failures in the first half of 2023, may be levied in the future** . Any future assessment increases **or additional special assessments** could negatively impact our results of operations. Significant changes in laws and regulations applicable to the banking industry have been recently adopted and others are being considered by our regulators and in Congress. We expect that the current Presidential administration will continue to implement a regulatory reform agenda that is significantly different than that of the prior administration. This reform agenda ~~could~~ **has included, and is likely to continue to** include **,** an increased level of attention and focus on consumer protection, fair lending **and investments in communities (like the recently adopted changes to the CRA rules), deposit fees** , the regulation of loan portfolios and credit concentrations to borrowers impacted by climate change or that operate in industries that would not be favored in a low- carbon economy and heightened scrutiny of BSA and AML requirements among other areas. In addition mergers and acquisitions could be hampered by increased regulatory scrutiny. We cannot predict the effects of these changes **, including the recently adopted changes to the CRA rules,** on our business and profitability. Because government regulation greatly affects the business and financial results of commercial banks and bank holding companies, our cost of compliance could adversely affect our ability to operate profitably. Additionally, we are subject to laws regarding our handling, disclosure and processing of personal and confidential information of certain parties, such as our employees, customers, suppliers, counterparties and other third parties. The Gramm- Leach- Bliley Act requires us to periodically disclose our privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to share information with unaffiliated third parties, under certain circumstances. Other laws and regulations impact our ability to share certain information with affiliates and non- affiliates for marketing and / or non- marketing purposes, or to contact customers with marketing offers **. In addition to their obligations to safeguard customer information under GLB Act regulations, financial institutions, like Pinnacle Bank, are subject to regulations that require the institutions when they become aware of an incident of unauthorized access to sensitive customer information, to conduct a reasonable investigation to promptly determine the likelihood that the information has been or will be misused. If the institution determines that misuse of the sensitive customer information has occurred or is reasonably possible, it should notify the affected customers as soon as possible** . We are subject to laws that require us to implement a comprehensive information security program that includes administrative, technical and physical safeguards to protect the security and confidentiality of customer records and information. Additionally, other legislative and regulatory activity continue to lend uncertainty to privacy compliance requirements that impact our business. We also expect that there will continue to be new laws, regulations and industry standards concerning privacy, data protection and information security proposed and enacted in various jurisdictions. The potential effects of pending legislation are far- reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Under regulatory capital adequacy guidelines and other regulatory requirements, we must satisfy capital requirements based upon quantitative measures of assets, liabilities and certain off- balance sheet items. Our satisfaction of these requirements is subject to qualitative judgments by regulators that may differ materially from management' s and that are subject to being determined retroactively for prior periods. Additionally, regulators can make subjective assessments about the adequacy of capital levels, even if Pinnacle Bank' s reported capital exceeds the " well- capitalized " requirements. Pinnacle Financial' s ability to maintain its status as a financial holding company and to continue to operate Pinnacle Bank as it has in recent periods is dependent upon a number of factors, including Pinnacle Bank qualifying as " well capitalized " and " well managed " under applicable prompt corrective action regulations and upon Pinnacle Financial qualifying on an ongoing basis as " well capitalized " and " well managed " under applicable Federal Reserve regulations. Failure to meet regulatory capital standards could have a material adverse effect on our business, including damaging the confidence of customers in us, adversely impacting our reputation and competitive position and retention of key personnel. Any of these developments could limit our access to: – brokered deposits; – the Federal Reserve discount window; – advances from the FHLB; – capital markets transactions; and – development of new financial services. Failure to meet regulatory capital standards may also result in higher FDIC assessments. If we fall below guidelines for being deemed " adequately capitalized " the FDIC or Federal Reserve could impose restrictions on our activities and a broad range of regulatory requirements in order to effect " prompt corrective action. " The capital requirements applicable to us are in a process of continuous evaluation and revision in connection with actions of the Basel Committee and our regulators. In ~~September~~ **July** ~~2022~~ **2023** , ~~the Federal~~ **federal banking regulators issued a joint agency proposal that sought to implement the final components of the Basel III Endgame as well as make changes aimed at addressing the underlying causes of the turmoil in the banking industry that was experienced in the first half of 2023 with the failure of certain larger financial institutions. The proposal seeks to revise the capital framework for** ~~bank~~ **banks with total assets of $ 100 billion or more in four main areas of credit risk, market risk, operational risk and credit valuation adjustment risk. The proposal also would require banks with total assets of $ 100 billion or more to include unrealized gains and losses from certain securities in their capital ratios, to comply with supplementary leverage ratio requirements and to comply with countercyclical capital buffer requirements, if activated. The comment period for these proposed changes ended in January 2024, with the final rules expected to be published later in 2024, and though the proposal applies only to banks with total assets of $ 100 billion or more, certain of these more stringent requirements could be imposed on us through the ongoing** regulatory **oversight process** ~~agencies publicly confirmed their joint commitment to implementing Basel IV in the United States~~ , ~~but did not provide any details or expected timing of such rules. We cannot predict the final form, timing or the effects of these regulations on our business, but among the possible effects are requirements that we slow our rate of growth or obtain additional capital~~ which could **adversely impact** ~~reduce our earnings or~~ **our** ~~dilute~~ **profitability** ~~our~~ - **or** ~~existing shareholders~~ **, if we were to fail to satisfy any such requirements, our financial condition and results of operations** . Under federal law, Pinnacle Financial is required to act as a source of financial and managerial strength to Pinnacle Bank, and to commit resources to support Pinnacle Bank if necessary. Pinnacle Financial may be required to commit additional resources to Pinnacle Bank at times when Pinnacle Financial may not be in a financial position to provide such resources or when it may not be in Pinnacle Financial' s, or its shareholders' or its creditors' best interests to do so. Providing such support is more likely during times of financial stress for Pinnacle Financial and Pinnacle Bank, which may make any capital Pinnacle Financial is required to raise to provide such support more expensive or dilutive than it might otherwise be. In addition, any capital loans Pinnacle Financial makes to Pinnacle Bank are subordinate in right of payment to depositors and to certain other indebtedness of Pinnacle Bank. In the event of Pinnacle Financial' s bankruptcy, any commitment by it to a federal banking regulator to maintain the capital of Pinnacle Bank will be assumed by the bankruptcy trustee and entitled to priority of payment. The Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, requires financial institutions to design and implement programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury Department' s Office of Financial

Crimes Enforcement Network. These rules require financial institutions to establish procedures and maintain staffing levels that are sufficient for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these **and other** regulations **aimed at combating terrorism, money laundering and preventing transactions with " enemies " of the United States** could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new offices, as well as additional operating expenses to add staff and / or technological enhancements to our systems to better comply with our obligations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us, which could have a material adverse effect on our business, financial condition or results of operations. **Risks Relating to Our Securities** The trading price of our capital stock may fluctuate as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our capital stock. Among the factors that could affect the price of the shares of our common stock and the depositary shares representing fractional interests in our Series B Preferred Stock are: – actual or anticipated quarterly fluctuations in our results of operations and financial condition; – changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts; – failure to meet analysts' or our own published estimates regarding earnings and the various financial measures that make up our earnings; – speculation in the press or investment community; – strategic actions by us or our competitors; – actions by institutional shareholders; – fluctuations in the stock price and operating results of our competitors; – general market conditions and, in particular, developments related to market conditions ~~for~~ **affecting** the financial services industry; – market perceptions about the innovation economy, including levels of funding or" exit" activities of companies in the industries we serve; – proposed or adopted regulatory changes or developments; – changes in the political climate; – **fallout from rising geopolitical tensions around the world and escalating hostilities in the Middle East; –** market reactions to social media messages or posts; – anticipated or pending investigations, proceedings or litigation that **, directly or indirectly,** involve or affect us; and – domestic and international economic and social factors unrelated to our performance. The trading price of the shares of our common stock and the depositary shares representing fractional interests in our Series B Preferred Stock and the value of our other securities will further depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, and future sales of our equity or equity- related securities. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. A significant decline in our stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation, as well as the loss of key employees. While our board of directors has approved the payment of a quarterly cash dividend on our common stock since the fourth quarter of 2013 and approved the payment of the quarterly dividends on our Series B Preferred Stock (and underlying depositary shares) since issuance, there can be no assurance of whether or when we may pay dividends on our capital stock in the future. Future dividends, if any, will be declared and paid at the discretion of our board of directors and will depend on a number of factors, including our and Pinnacle Bank' s capital levels **, earnings performance and earnings potential** . Moreover, our ability to pay dividends on our common stock is limited by the terms of our Series B Preferred Stock which provides that if we have not paid dividends on the Series B Preferred Stock for the most recently completed dividend period, then no dividend or distribution shall be declared, paid, or set aside for payment on shares of our common stock. Our principal source of funds used to pay cash dividends on our common stock will be cash we may hold from time to time as well as dividends that we receive from Pinnacle Bank. Although Pinnacle Bank' s asset quality, earnings performance, liquidity and capital requirements will be taken into account before we declare or pay any future dividends on our capital stock, our board of directors will also consider our liquidity and capital requirements and our board of directors could determine to declare and pay dividends without relying on dividend payments from Pinnacle Bank. Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends we may declare and pay and that Pinnacle Bank may declare and pay to us. For example, Federal Reserve regulations implementing the capital rules required under Basel III do not permit dividends unless capital levels exceed certain higher levels applying capital conservation buffers. 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 capital, like the Series B Preferred Stock, 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. In addition, subject to certain exceptions, the terms of our subordinated debentures prohibit us from paying dividends on shares of our capital stock at times when we are deferring the payment of interest on such subordinated debentures. We may issue additional shares of common stock, or securities convertible into, exchangeable for or representing rights to acquire shares of common stock, including in connection with acquisitions. We may sell these shares at prices below the then current market price of **our** shares, and the sale of these shares may significantly dilute shareholder ownership. We could also issue additional shares in connection with acquisitions of other financial institutions (as we did in connection with our acquisition of BNC and certain of our other acquisitions) or investments in fee- related or other businesses (as we did with BHG), which could also dilute shareholder ownership. We have the ability under our current effective registration statement to issue shares of preferred stock. Further, our shareholders authorized our board of directors to issue up to 10, 000, 000 shares of preferred stock without any further action on the part of our shareholders, which is what we did when we issued the Series B Preferred Stock. We may determine that it is advisable, or we may encounter circumstances where we determine it is necessary, to issue additional shares of preferred stock, securities convertible into, exchangeable for, or that represent an interest in preferred stock, or preferred stock- equivalent securities to fund strategic initiatives or other business needs or to build additional capital. Our board of directors is authorized to cause us to issue one or more classes or series of preferred stock from time to time without any action on the part of our shareholders, including issuing additional shares of our Series B Preferred Stock or additional underlying depositary shares. Our board of directors also has the power, without shareholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over **our common stock or** the Series B Preferred Stock with respect to dividends or upon our dissolution, liquidation or winding- up and other terms. Although the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the Series B Preferred Stock, voting together as a single class with any parity stock having similar voting rights, is required to authorize or issue any shares of capital stock senior in rights and preferences to the Series B Preferred Stock, if we issue preferred stock or depositary shares in the future with voting rights that dilute the voting power of the Series B Preferred Stock or depositary shares, the rights of holders of the depositary shares or the market price of the depositary shares could be adversely affected. The market price of the depositary shares underlying the shares of Series B Preferred Stock could decline as a result of these other offerings, as well as other sales of a large block of depositary shares, Series B Preferred Stock, or similar securities in the market thereafter, or the perception that such sales could occur. Holders of the Series B Preferred Stock are not entitled to preemptive rights or other protections against dilution. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or the prices at which we may issue securities that we offer. Thus, holders of the depositary shares underlying the shares of Series B Preferred Stock bear the risk of our future offerings reducing the market price of the depositary shares and diluting their holdings in the depositary shares. The Series B Preferred Stock **, like our common stock,** constitutes an equity security and ranks junior to all of our indebtedness and will rank junior to our and our subsidiaries' future indebtedness. Shares of the Series B Preferred Stock are equity interests in Pinnacle Financial and do not constitute indebtedness. Accordingly, shares of the Series B Preferred Stock and the related depositary shares are and will be junior in right of payment to any existing and all future indebtedness and other non- equity claims of Pinnacle Financial with respect to assets available to satisfy claims on us, including in a liquidation of Pinnacle Financial **as is the case with our common stock** . In the event of our bankruptcy, liquidation, dissolution or winding- up, our assets will be available to pay obligations on the Series B Preferred Stock and any parity stock only after all of our liabilities have been paid and any obligations we owe on any securities that rank senior to the Series B Preferred Stock then outstanding, if any, have been satisfied. In case of such bankruptcy, liquidation, dissolution or winding- up, the Series B Preferred Stock will rank equally with any parity stock in the distribution of our assets. Holders of the depositary shares may be fully subordinated to interests held by the U. S. government in the event of a receivership, insolvency, liquidation or similar proceeding. In addition, our existing and future indebtedness may restrict payment of dividends on the Series B Preferred Stock. We are a financial holding company and conduct substantially all of our operations through our subsidiaries. Our right to participate in any distribution of the assets of our subsidiaries upon any liquidation, reorganization, receivership or conservatorship of any subsidiary (and thus the ability of the holder of the Series B Preferred Stock and the holders of the depositary shares **as well as our common shareholders** to benefit indirectly from such distribution) will rank junior to the prior claims of that subsidiary' s creditors. In the event of bankruptcy, liquidation or winding- up, there may not be sufficient assets remaining, after paying our and our subsidiaries' liabilities, to pay amounts due on any or all of the Series B Preferred Stock and the depositary shares representing the Series B Preferred Stock then outstanding **or on our common stock after any payments are made on the Series B Preferred Stock and the depositary shares representing the Series B Preferred Stock then outstanding** . Pinnacle Bank owns 49 % of the outstanding equity interests of BHG, and its right to participate in any distribution of the assets of BHG upon its liquidation, reorganization, receivership or conservatorship (and thus the ability of the holders of the Series B Preferred Stock and the holders of the depositary shares **as well as our common shareholders** to benefit indirectly from such distribution) will rank junior to the prior claims of BHG' s creditors. Moreover, Pinnacle Bank' s 49 % ownership interest in BHG and minority board representation on BHG' s board means that Pinnacle Bank cannot on its own cause BHG to make distributions to Pinnacle Bank that could be used to pay dividends to Pinnacle Financial and thereafter used to pay dividends on the Series B Preferred Stock **or our common stock** . In addition, BHG is a party to various agreements related to its indebtedness pursuant to which BHG' s ability to make distributions to Pinnacle Bank may be limited. The Series B Preferred Stock and the depositary shares representing the Series B Preferred Stock places no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the limited voting rights of the shares of Series B Preferred Stock. Dividends on the Series B Preferred Stock are non- cumulative and discretionary. If we do not declare dividends on the Series B Preferred Stock, holders of the depositary shares will not be entitled to receive related distributions on their depositary shares. Dividends on the Series B Preferred Stock are non- cumulative and discretionary, not mandatory. Consequently, if our board of directors does not authorize and declare a dividend for any dividend period, the holder of the Series B Preferred Stock, and therefore the holders of the depositary shares, will not be entitled to receive a dividend for such period, and such undeclared dividend will not accrue and be payable. We will have no obligation to pay dividends for such dividend period, whether or not dividends are authorized and declared for any subsequent dividend period with respect to the Series B Preferred Stock. Our board of directors may determine that it would be in our best interests to pay less than the full amount of the stated dividends on the Series B Preferred Stock or no dividend for any dividend period even if funds are available. Factors that would be considered by our board of directors in making this determination include our financial condition, liquidity and capital needs, the impact of current and pending legislation and regulations, economic conditions, our ability to service any equity or debt obligations senior to the Series B Preferred Stock, any credit agreements to which we may become a party, tax considerations and such other factors as our board of directors may deem relevant. Unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preferred stock like the Series B Preferred Stock dividends are payable only when, as and if authorized and declared by our board of directors or a duly authorized committee of the board and, as a Tennessee corporation and financial holding company, we are subject to restrictions on payments of dividends out of lawfully available funds as described elsewhere in this Annual Report on Form 10- K. The holders of the Series B Preferred Stock, and therefore the holders of the depositary shares representing the Series B Preferred Stock, have limited voting rights. Until and unless we are in arrears on our dividend payments on the Series B Preferred Stock for six quarterly dividend periods, whether consecutive or not, the holders of the Series B Preferred Stock, and therefore the holders of the depositary shares, have no voting rights with respect to matters that generally require the approval of voting shareholders, except with respect to certain fundamental changes in the terms of the Series B Preferred Stock, and except as may be required by the rules of any securities exchange or quotation system on which the Series B Preferred Stock is listed, traded or quoted or by Tennessee law. If dividends on the Series B Preferred Stock are not paid in full for six dividend periods, whether consecutive or not, the holders of Series B Preferred Stock, voting together as a class with any other equally ranked series of preferred stock that have similar voting rights then outstanding, if any, will have the right, at the first annual meeting or special meeting held thereafter and at subsequent annual meetings, to elect two directors to our board. The terms of the additional directors so elected will end upon the payment or setting aside for payment by us of continuous noncumulative dividends for at least four dividend periods on the Series B Preferred Stock and any other equally ranked series of preferred stock then outstanding, if any. Holders of the depositary shares must act through the depositary to exercise any voting rights of the Series B Preferred Stock. Although each depositary share is entitled to 1 / 40th of a vote, the depositary can only vote whole shares of Series B Preferred Stock. While the depositary will vote the maximum number of whole shares of Series B Preferred Stock in accordance with the instructions it receives, any remaining fractional votes of holders of the depositary shares underlying such shares of Series B Preferred Stock will not be voted. At December 31, ~~2022~~ **2023** , Pinnacle Financial had outstanding trust preferred securities and accompanying junior subordinated debentures totaling approximately $ 133. 0 million. Payments of the principal and interest on the trust preferred securities are conditionally guaranteed by Pinnacle Financial, and the accompanying subordinated debentures are senior to shares of Pinnacle Financial' s common stock and preferred stock. As a result, Pinnacle Financial must make payments on the subordinated debentures (and the related trust preferred securities) before any dividends can be paid on our common stock or preferred stock and, in the event of Pinnacle Financial' s bankruptcy, dissolution or liquidation, the holders of the subordinated debentures must be satisfied before any distributions can be made on Pinnacle Financial' s preferred stock, and thereafter its common stock. Pinnacle Financial has the right to defer distributions on its junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on its common stock or preferred stock. Pinnacle Financial and Pinnacle Bank have in the past issued subordinated indebtedness the holders of which have rights that are senior to those of Pinnacle Financial' s shareholders. From time to time, Pinnacle Financial and Pinnacle Bank have issued, and in connection with **certain** ~~the Avenue merger~~ **mergers** ~~and BNC merger~~ , assumed, subordinated notes. At December 31, ~~2022~~ **2023** , Pinnacle Financial had an aggregate of $ 300. 0 million of subordinated notes outstanding, not including the subordinated debentures issued in connection with our trust preferred securities; Pinnacle Bank did not have any subordinated notes outstanding at December 31, ~~2022~~ **2023** . Moreover, the notes we have issued rank senior to shares of Pinnacle Financial' s common and preferred stock **,** and Pinnacle Bank' s subordinated indebtedness, if any be outstanding from time to time, is structurally senior to the rights of the holders of Pinnacle Financial' s common and preferred stock. In the event of any bankruptcy, dissolution or liquidation of Pinnacle Financial, these notes, along with Pinnacle Financial' s other indebtedness, would have to be repaid before Pinnacle Financial' s shareholders **(starting with the holders of the Series B Preferred Stock)** would be entitled to receive any of the assets of Pinnacle Financial. Pinnacle Financial or Pinnacle Bank may from time to time issue, or assume in connection with an acquisition, additional subordinated indebtedness that would have to be repaid before Pinnacle Financial' s shareholders **(starting with the holders of the Series B Preferred Stock)** would be entitled to receive any of the assets of Pinnacle Financial or Pinnacle Bank. The ratings agencies regularly evaluate Pinnacle Financial and Pinnacle Bank, and their ratings of our company and certain of our debt and equity securities are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. There can be no assurance that we will not receive adverse changes in our published ratings in the future, which could adversely affect the cost and other terms upon which we are able to obtain funding, and the way in which we are perceived in the capital markets. Actual or anticipated changes, or downgrades in our published credit ratings, including any announcement that our ratings are under review for a downgrade, could affect the market value and liquidity of our securities, increase our borrowing costs and negatively impact our profitability. Additionally, a downgrade of published credit rating of any particular security issued by us or our subsidiaries could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold. Even though our common stock and the depositary shares underlying our Series B Preferred Stock are currently traded on the Nasdaq Stock Market' s Global Select Market, these shares, particularly the depositary shares, have less liquidity than many other stocks quoted on a national securities exchange. The trading volume in our common stock and depositary shares on the Nasdaq Global Select Market has been relatively low when compared with larger companies listed on the Nasdaq Global Select Market or other stock exchanges. Although we have experienced increased liquidity in our stock, we cannot say with any certainty that a more active and liquid trading market for our common stock or depositary shares will continue to develop. Because of this, it may be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares. We cannot predict the effect, if any, that future sales of our common stock or additional depositary shares in the market, or the availability of shares of common stock or depositary shares for sale in the market, will have on the market price of our common stock and depositary shares. We can give no assurance that sales of substantial amounts of common stock or depositary shares in the market, or the potential for large amounts of sales in the market, would not cause the price of our common stock or depositary shares to decline or impair our future ability to raise capital through sales of our common stock or additional depositary shares.

The market ~~price~~ **prices** of our common stock ~~has~~ **and the depositary shares representing the Series B Preferred Stock have** fluctuated significantly, and may fluctuate in the future. These fluctuations may be unrelated to our performance. General market or industry price declines or overall market volatility in the future could adversely affect the price of our common stock or depositary shares, and the current market price may not be indicative of future market prices. Our corporate organizational documents and the provisions of Tennessee law to which we are subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition of Pinnacle Financial that you may favor. Our amended and restated charter, as amended, and bylaws, as amended, contain various provisions that could have an anti- takeover effect and may delay, discourage or prevent an attempted acquisition or change of control of Pinnacle Financial. These provisions include: – a provision requiring our board of directors to take into account specific factors when considering an acquisition proposal; – a provision that all extraordinary corporate transactions to which we are a party must be approved by a majority of the directors and a majority of the shares entitled to vote; – a provision that any special meeting of our shareholders may be called only by our chairman, our chief executive officer, our president, our board of directors, or the holders of 25 % of the outstanding shares of our voting stock that have held those shares for at least one year; and – a provision establishing certain advance notice procedures for nomination of candidates for election as directors at an annual or special meeting of shareholders at which directors are elected. Additionally, our amended and restated charter, as amended, authorizes the board of directors to issue shares of our preferred stock without shareholder approval and upon such terms as the board of directors may determine. The issuance of our preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings, and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in us. In addition, certain provisions of Tennessee law, including a provision which restricts certain business combinations between a Tennessee corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of our company. An investment in our common stock or depositary shares is not a bank deposit and, therefore, is not insured against loss or guaranteed by the FDIC, any other deposit insurance fund or by any other public or private entity. An investment in our common stock or depositary shares is inherently risky for the reasons described herein and our shareholders will bear the risk of loss if the value or market price of our common stock or depositary shares is adversely affected.