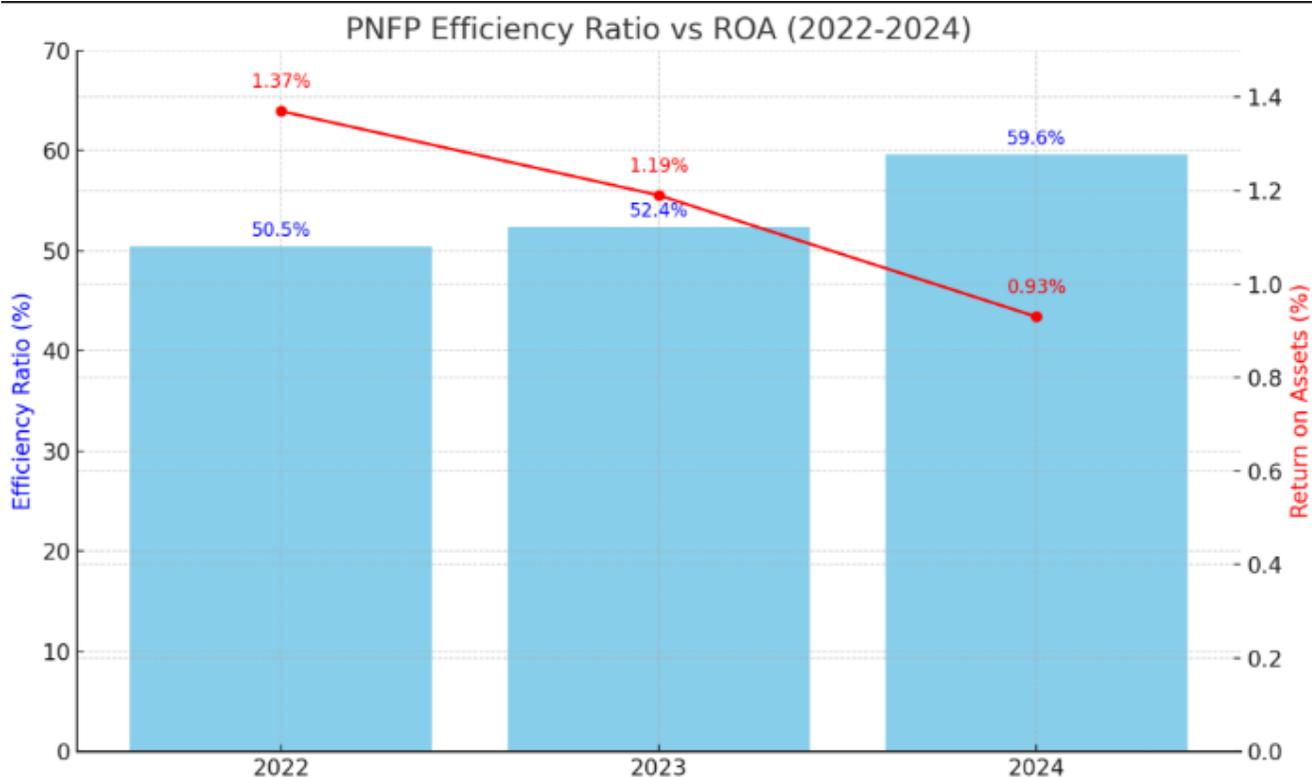


# Pinnacle Financial Partners (PNFP) – Investment Research Report

## Executive Summary

Pinnacle Financial Partners, Inc. (“Pinnacle” or **PNFP**) is a Nashville-based financial holding company with ~\$52.6 billion in assets as of December 31, 2024. It operates Pinnacle Bank, a Tennessee state-chartered commercial bank, alongside business lines in **retail and commercial banking, wealth management, trust services, mortgage lending, and insurance brokerage**. Pinnacle has grown rapidly since its founding in 2000, expanding to **137 offices across nine Southeastern states** (TN, NC, SC, VA, GA, AL, KY, MD, FL). It holds the #1 deposit market share in its home Nashville MSA and is recognized for a relationship-focused business model emphasizing local decision-making and seasoned banker recruitment. In 2025, PNFP announced a transformational **merger-of-equals with Synovus Financial** (expected to close Q1 2026) to create a ~\$116 billion asset Southeastern bank, positioning the combined firm as the 28th largest U.S. lender.

**Financial Performance:** Over the past three years, Pinnacle delivered strong loan growth and revenue expansion but faced **margin compression and higher costs**. Net interest income grew to \$1.37 billion in 2024 (up 8.2% YoY) as robust loan growth and rising asset yields offset surging deposit costs. However, net income declined ~15% in 2024 to \$475 million due to a **sharply higher provision for credit losses** and **losses on securities sales** amid balance sheet repositioning. Return on assets fell to **0.93%** in 2024 (from 1.37% in 2022) while return on equity dropped to **7.4%**, reflecting earnings pressure. The bank’s **efficiency ratio deteriorated to ~59.6%** in 2024 (vs ~52% in 2023) as operating expenses outpaced revenue. The chart below highlights the trend of rising efficiency ratio and declining ROA:



*PNFP's efficiency ratio worsened from 50.5% to 59.6% while ROA fell from 1.37% to 0.93% over 2022–2024.*

**Balance Sheet Strength:** Pinnacle maintains a robust capital and liquidity position. **Common Equity Tier-1 (CET1)** ratio stood at **10.8%** for the holding company at YE 2024, up from 10.3% a year prior, comfortably above regulatory minimums. Asset quality, while still strong, showed some weakness: nonperforming assets were **0.28% of total assets** at YE 2024 (up from 0.18% in 2023), and net charge-offs rose to 0.23% of loans in 2024 (from 0.16%). The **allowance for credit losses (ACL)** coverage remains healthy at ~280% of nonaccrual loans. Loan diversification is broad, with ~39% commercial & industrial (C&I), ~23% commercial real estate (non-owner occupied), ~12% owner-occupied CRE, ~10% construction, and ~15% consumer loans. On the funding side, deposits grew 11% in 2024 to \$42.8 billion. Pinnacle's deposit base is largely core customer funding – noninterest-bearing demand accounts compose ~19% of deposits, and total **core funding** (including insured network deposits via IntraFi) was ~84% of funding at YE 2024. Uninsured deposits represented ~\$16.4 billion (38% of total deposits, with ~\$2.4 billion of those collateralized public funds). Liquidity backstops are ample, with \$1.9 billion of FHLB advances outstanding and an additional ~\$2.6 billion FHLB borrowing capacity at YE 2024. Overall, **loan-to-deposit ratio** is a prudent ~84.6% and management has kept wholesale funding reliance within policy limits.

**Investment Thesis:** We rate PNFP as a **Buy** for long-term investors. The franchise boasts **solid fundamentals – strong capitalization, disciplined credit underwriting, and a proven growth strategy** – combined with a presence in some of the fastest-growing U.S. markets. Management's strategic merger with Synovus is expected to unlock scale efficiencies and market share gains, potentially driving ROA toward ~1.4% and ROTCE ~18% by 2027 (per management's estimates). Our

valuation analysis (detailed later) suggests PNFP's stock, trading around ~\$97 (~12× 2025e EPS and 1.7× TBV), is **undervalued relative to its intrinsic value**. We set a 12-month price target of **\$115** per share, implying ~18% upside, supported by a dividend yield of ~1% (recently doubled to \$0.50/quarter). Key catalysts include successful Synovus integration, realization of cost synergies, and an eventual moderation in deposit pricing that could lift net interest margin.

**Risks:** Notwithstanding our positive view, investors should monitor **credit quality in a rising rate environment** – PNFP's loan book is heavily commercial (±83% of loans) and exposed to industries (and CRE segments) that could face stress in an economic downturn. Additionally, **interest rate risk** remains: further Federal Reserve tightening or intense deposit competition could pressure margins. The merger introduces **execution risk** (achieving projected cost cuts and retaining key clients/employees), and will propel the bank over \$100B in assets, bringing more stringent regulatory oversight (Basel III "Endgame" capital rules, TLAC, etc.). These factors are discussed in detail in the following report sections, along with our recommended risk mitigants and monitoring indicators. On balance, we believe Pinnacle's long-term growth profile, high-quality franchise, and capable management team position it well to deliver attractive shareholder returns, justifying a **Buy** rating for patient investors.

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## 1. Bank Overview and Business Model

**Core Business Lines:** Pinnacle is a full-service financial institution offering a **comprehensive range of banking and financial services**. Its primary business segments include:

- **Commercial Banking:** The core of PNFP's franchise, providing commercial & industrial (C&I) loans, commercial real estate financing, treasury management, and deposit services to small and mid-sized businesses. C&I loans comprise the single largest category (~39% of loans). Pinnacle emphasizes relationship banking, assigning seasoned banking teams to deliver tailored credit and cash management solutions to business clients.
- **Retail/Consumer Banking:** Pinnacle offers personal banking across its footprint, including home mortgage loans (~14% of loans) and consumer loans (~1.5%), as well as checking, savings, money market and time deposit products to individuals. It operates a traditional branch network (137 offices) but also heavily leverages technology (online/mobile banking, 24-hour telephone banking, and a nationwide ATM network) to serve retail customers.
- **Wealth Management & Investment Services:** Through its **Trust & Investment Services** division and a partnership with Raymond James, PNFP provides investment advisory, brokerage, trust, and estate services. These fee-based services cater to high net worth clients and generated ~\$67.6 million in investment services income in 2024. Trust fees contributed an additional \$33.2 million. These offerings deepen client relationships by addressing financial planning and asset management needs.
- **Insurance Brokerage:** Pinnacle owns insurance subsidiaries (e.g. Miller Loughry Beach Insurance and HPB Insurance Group) that offer property and casualty insurance and employee

benefits products. Insurance commissions were ~\$13.8 million in 2024, reflecting cross-selling of insurance to bank clients (particularly commercial customers).

- **Capital Markets and Advisory:** Through **PNFP Capital Markets, Inc.**, a broker-dealer subsidiary, Pinnacle provides merger & acquisition advisory and access to capital markets. In 2024 the unit expanded into underwriting debt and equity offerings. While still a small contributor, this capability allows PNFP to serve corporate clients with investment banking services, and it represents a growth avenue as the bank's client base scales up.
- **BHG Joint Venture:** Notably, Pinnacle Bank holds a 49% stake in BHG Financial (Bankers Healthcare Group), a specialty lender focusing on professionals and small businesses. BHG is a significant profit contributor – Pinnacle's equity income from BHG was \$63.2 million in 2024 (17% of noninterest income). BHG originates high-yield loans (many sold via an auction platform to other banks) and has been an innovative source of fee income for PNFP. However, BHG's contribution has declined recently (\$85.4M in 2023 to \$63.2M in 2024) due to industry headwinds. Pinnacle's investment in BHG underscores its strategy of **diversifying revenue** streams beyond traditional spread income.

**Geographic Footprint:** Pinnacle's operations are **concentrated in the high-growth markets of the Southeastern U.S.** It is headquartered in Nashville, Tennessee and initially built scale across Tennessee (50 offices). Pinnacle entered North Carolina, South Carolina, and Virginia via a 2017 acquisition, and has since opened offices in **Atlanta, GA; Washington, D.C./Northern VA; Birmingham, AL; Louisville, KY; the Richmond, VA area; and several cities in Florida.** As of year-end 2024, PNFP's 137 offices span **9 states**, with major hubs in Nashville, Memphis, the Carolinas (Charlotte, Raleigh, Greensboro), Richmond, Atlanta, Birmingham, Washington D.C. metro, as well as recent expansion in Tampa and Orlando, FL. This footprint targets economically vibrant metropolitan areas – **urban centers and suburban markets with above-average population and business growth.** For example, PNFP has rapidly grown deposits in Atlanta (+33% YoY) and Washington D.C. (+80% YoY) as of mid-2025, reflecting its successful hiring of local bankers and winning market share from larger incumbents.

**Client Focus and Service Model:** Pinnacle differentiates itself as a "**community bank**" for affluent urban markets – it combines high-touch service with the breadth of products of a larger bank. The bank's model is **organized by geographic teams rather than product lines.** Senior bankers in each market have authority to make credit decisions and customize solutions, enabling quick, locally-informed service. This approach has yielded outsized customer satisfaction (Pinnacle ranks among top banks in J.D. Power surveys and Greenwich Associates awards) and helps attract seasoned bankers from competitors. Culturally, PNFP has built a reputation as an employer of choice (ranked #11 on Fortune's 2024 Best Companies to Work For® list), which translates into low turnover and strong relationship manager productivity. Human capital is a core asset – as of end 2024 PNFP employed ~3,566 full-time equivalent associates, with 65% women and 18.5% minorities, reflecting management's focus on a diverse, engaged workforce.

**Charter and Regulatory Status:** Pinnacle Financial Partners, Inc. is a bank holding company (elected as a financial holding company) that wholly owns Pinnacle Bank. Pinnacle Bank is a **Tennessee state-**

**chartered bank** regulated by the FDIC (as a state non-member bank). Being under \$100B in assets, PNFP has benefited from a relatively lighter regulatory regime (e.g. it qualified for extended exam cycles and was not subject to formal Dodd-Frank stress testing requirements). However, crossing \$50B triggered some enhanced prudential standards (a board-level risk committee was established in 2017), and the pending merger will push assets well above \$100B, ushering in larger bank standards (as discussed in Section 7).

**Key Subsidiaries and Affiliates:** Aside from the main bank and the BHG equity interest, PNFP's notable legal entities include the broker-dealer (PNFP Capital Markets), the insurance agencies (Miller Loughry Beach and HPB), and several trust-related or real estate investment entities. It also issues debt through special purpose subsidiaries (e.g. Pinnacle Capital Trusts for trust-preferred securities). These subsidiaries support the core business but the vast majority of operations and income (over 95%) come from Pinnacle Bank and its banking divisions.

In summary, Pinnacle's business model is that of a **commercially-oriented regional bank with a diversified fee suite**, operating with a community bank ethos. Its competitive edge lies in local-market intimacy, empowered bankers, and a "one-stop-shop" financial services offering that deepens customer relationships (e.g. a business owner can use Pinnacle for operating accounts, commercial loans, personal wealth management, and insurance). This model has driven rapid market share gains, especially against larger, less nimble regional and national banks.

## 2. Financial Performance Analysis (Past 3 Years)

We analyze Pinnacle's recent financial performance across key metrics from 2022 through 2024, highlighting trends in interest margin, fee income, efficiency, and returns.

**Net Interest Income & Margin:** Pinnacle's **net interest income (NII)** grew at a 10.3% CAGR over the past two years – from \$1.13 billion in 2022 to \$1.37 billion in 2024. This growth was primarily volume-driven: total loans expanded by ~22% over 2022–2024 (nearly \$6.4B of growth), reflecting successful client acquisition and share gains in PNFP's markets. However, the **net interest margin (NIM)** has **compressed**, dropping from **3.29% in 2022 to 3.18% in 2023 and 3.16% in 2024**. The slight 2 bp margin decline in 2024 (despite a much higher interest rate environment) indicates **margin pressure from funding costs**. PNFP benefited from asset yield expansion (loan yields and securities yields rose with Fed rate hikes), but this was offset by a sharp increase in deposit and borrowing costs.

- **Interest Income:** Total interest income jumped to \$2.70 billion in 2024, a 14.7% increase YoY. Loan interest (which accounts for ~82% of interest income) rose on both higher balances and higher average loan yields (5.60% in 2024 vs 4.54% in 2023, on a tax-equivalent basis). Pinnacle's earning asset mix is ~80% loans and ~15% securities; the securities portfolio (mostly agency MBS and munis) also saw higher yields in 2024.
- **Interest Expense:** Funding costs climbed even more rapidly. Interest expense was \$1.33 billion in 2024, up ~22% **from 2023** and more than 5× **the 2022 expense**. The bank's **average cost of interest-bearing deposits** surged as clients demanded higher rates: interest-bearing deposit expense was \$1.20B in 2024 (versus just \$204M in 2022). By Q4 2024, the **cost of total**

**deposits** reached ~3.0% (estimate) compared to ~0.50% two years prior. This reflects the industry-wide upshift in deposit betas (especially for large commercial and high-balance accounts) as short-term market rates exceeded 5%. Pinnacle also leaned on wholesale funding in 2023–24, including FHLB advances (cost ~4.0%) and brokered deposits (cost ~4.3%) to bolster liquidity after the spring 2023 regional bank turmoil. The heavier use of these high-cost funds contributed to margin compression.

**Yield Curve Sensitivity:** Pinnacle’s margin is asset-sensitive in the long run (loans reprice faster than deposits), but in the short run, the **lag in deposit repricing hurt NIM**. During 2023’s rapid Fed hikes, PNFPP initially saw NIM expansion, but by late 2023 funding costs caught up. Management noted that continued elevated short-term rates or an inverted yield curve could pressure NIM further, whereas falling rates would be a double-edged sword: easing deposit costs but also lowering asset yields. The bank’s simulation (per disclosures) suggests that if short-term rates fall, the ability to **lower deposit rates quickly will be critical** to defending margin. As of YE 2024, ~60% of PNFPP’s loans had variable rates or reprice within 5 years, indicating considerable sensitivity to rate movements. The bank also utilizes hedging (interest rate swaps) and has shortened duration of securities to manage interest rate risk.

**Non-Interest Income:** Pinnacle has a growing stream of non-interest (fee) income, though 2024 saw a decline due to one-time items. Non-interest income was **\$371.2 million in 2024, down 14.3% from \$433.3M in 2023**. The drop was primarily driven by **securities portfolio actions**: PNFPP “intentionally repositioned” part of its bond portfolio, selling securities at a \$71.9M loss in 2024 to reduce duration risk. Excluding investment gains/losses, core fee income was roughly flat. Key components in 2024:

- **Wealth Management and Treasury Fees:** Investment services fees were \$67.6M (up 29% YoY) and trust fees \$33.2M (up 24% YoY), reflecting strong growth in assets under management and new client wins. Service charges on deposit accounts contributed \$59.4M, up modestly with deposit growth.
- **Mortgage Banking:** Gains on mortgage loans sold were \$11.1M in 2024, up from \$6.5M in 2023 as mortgage origination volumes recovered slightly (though still below 2021’s boom). Given higher rates, mortgage activity remains a small contributor.
- **Insurance and Brokerage:** Insurance commissions of \$13.8M and brokerage (investment services) fees of \$67.6M together comprised ~22% of fee income. These grew in the high-single digits YoY, indicating stable performance of the insurance subsidiaries and higher retail investment product sales.
- **BHG Equity Income:** Income from the bank’s 49% stake in BHG was \$63.2M in 2024, a **26% decrease** from \$85.4M in 2023. The decline was due to higher loan loss provisioning at BHG and slower loan originations amid economic uncertainty. BHG’s contribution is closely watched: it made up **17% of PNFPP’s non-interest income** (and about 13% of pre-tax earnings) in 2024. Management expects BHG to remain a significant profit source but with some volatility tied to credit performance and gain-on-sale revenues at BHG.

- **Other Fees:** “Other noninterest income” was \$192.5M, up strongly from \$133.0M in 2023. This line includes interchange fees, SBA loan sales, and other misc. income. The increase in 2024 partly offsets declines elsewhere and included an \$83.8M one-time gain from sale of a building (headquarters), which is why 2023 had \$86M under “gain on sale of fixed assets”. Adjusting for one-offs, underlying fee income growth was modest, in the low single digits, for 2024.

Looking back to 2023 vs 2022, non-interest income had increased 4% in 2023 (to \$433M from \$416M), aided by **\$85.7M in securities gains** realized in 2023 when PNFNP sold some securities at a profit early in the rate cycle. Also, wealth fees grew in 2023. Those gains reversed in 2024 with the aforementioned losses, causing the swing to negative fee growth.

**Efficiency and Expense Management:** Pinnacle’s **efficiency ratio** deteriorated over the last three years – from **50.5% in 2022 to 52.4% in 2023, and up to 59.6% in 2024**. (A higher ratio indicates expenses grew faster than revenues). **Non-interest expenses** reached \$1.035 billion in 2024, up 16.6% YoY. Key drivers:

- **Personnel Expense:** Salaries and benefits are ~60% of PNFNP’s non-interest expense. These costs rose 17% in 2024 to \$621.0M, due to aggressive hiring of revenue producers (161 new relationship managers were added in 2024, a 50% increase in hiring vs 2023) and merit pay raises in a tight labor market. Incentive compensation also grew as the bank continues to expand teams for new markets.
- **Occupancy and Tech:** Premises, equipment and software expenses rose to \$166.0M in 2024 (up 19%) as PNFNP opened new offices (e.g. relocating its HQ and adding locations in target markets) and invested in technology. The bank’s digital banking enhancements and integration costs for new systems added to this increase.
- **Other Expenses:** Marketing and business development was \$26.7M, +12% (reflecting brand campaigns in new cities). FDIC insurance and regulatory fees (part of “other expense”) jumped in 2023–24, especially with the **FDIC special assessment** in 2024 to recoup costs of bank failures (PNFNP incurred an estimated \$9.3M pre-tax special assessment in Q3 2024) – contributing to “other noninterest expense” of \$202.7M (+16%).

Overall, expenses grew faster than revenue in both 2023 and 2024, leading to the efficiency ratio worsening. It’s worth noting that Pinnacle’s 2024 reported efficiency (59.6%) includes one-time losses; management indicated an **adjusted efficiency ratio of ~56-57%** excluding certain items. Still, this is higher (worse) than many peers. **Peer Comparison:** For example, SouthState Bank (a Southeast peer) reported an adjusted efficiency ~54% in Q4 2024, and Synovus was near 54% for 2024. PNFNP’s higher ratio reflects its heavy growth investments (hiring ahead of revenue) and compression of net interest margin.

Management is targeting efficiency improvements: it expects expense growth to slow in 2025 (fewer new hires planned) and for revenue growth to reaccelerate with stabilizing NIM. The Synovus merger is projected to yield ~\$250M in cost synergies, which, if realized, would improve the pro forma efficiency ratio by ~8 percentage points by 2027 (a significant long-term upside to profitability).

**Return Metrics:** Pinnacle's profitability, while still solid, has moderated. **Return on Average Assets (ROA)** fell to **0.93% in 2024** from 1.19% in 2023 and 1.37% in 2022. This decline mirrors the net income drop and higher asset base. **Return on Average Equity (ROAE)** was **7.39% in 2024**, down from 9.44% in 2023. On a **tangible common equity** basis, ROATCE for 2024 is roughly 11–12% (lower than the ~15% ROATCE in 2022–23). These returns are decent but below the bank's historical norms and below many peers' ~1.1% ROA, 12–15% ROTCE range. The drag in 2024 came from the combination of margin compression and elevated expenses.

Earnings per share (EPS) came in at **\$5.96 diluted for 2024**, a 16.5% decrease YoY. Notably, PNFP's EPS was flat in 2023 vs 2022 (~\$7.14), so 2024 marked a break in the steady growth trend. However, **earnings quality** remains high: the decline was due to identifiable transitory factors (security losses, one large loan charge-off, special FDIC fee). Core pre-provision net revenue actually rose in 2024 (net interest income + fee income minus core expenses was up ~4% YoY on an adjusted basis, per management), indicating the franchise's earnings power is intact once abnormal items abate. Importantly, Pinnacle's **earnings are well-diversified** – non-interest income still contributed ~21% of total revenue in 2024, providing some buffer against NIM swings.

**Yield on Earning Assets and Cost of Funds:** In 2024, PNFP's average earning asset yield was ~5.09% (tax-equivalent) and average interest-bearing funds cost was 2.93%, yielding a **net interest spread of 2.30%**. This spread narrowed significantly from 2.94% in 2022. The compression underscores how **deposit betas** (the pass-through of rate hikes to depositors) were quite high for PNFP. Many of Pinnacle's commercial and high-net-worth clients shifted funds into higher-yield accounts or IntraFi reciprocal CDs, forcing PNFP to match rates. By mid-2025 there were signs of relief: core deposit growth resumed and NIM ticked up to 3.23% in Q2 2025 vs 3.14% a year prior as the bank slowed its deposit repricing and benefited from asset mix changes.

In summary, **Pinnacle's recent financial performance reflects strong growth but margin headwinds**. The bank continues to generate double-digit loan growth and has solid fee income capabilities, but 2023–24 were challenging years industry-wide for mid-sized banks adjusting to rapid rate hikes. Pinnacle's response – aggressively growing core deposits (up 11% in 2024) and absorbing short-term margin pain – was geared to protect customer relationships for the long term. As rate pressures normalize, PNFP is positioned to rebound in profitability. Analysts expect 2025 EPS to improve (consensus ~\$8.25, +38%) as interest expenses plateau and as credit costs stabilize. The upcoming merger (closing in 2026) is anticipated to further boost net interest income and efficiency via scale. These forward-looking aspects will be discussed in Sections 10 and 12.

### 3. Balance Sheet Strength

In this section, we evaluate Pinnacle's balance sheet structure and strength, including capital adequacy, asset quality, loan/deposit mix, and liquidity position. Overall, PNFP's balance sheet is conservatively managed with strong capital ratios, a diversified loan portfolio (albeit concentrated in commercial credits), and a stable core-funded profile. Recent trends indicate some **deterioration in credit metrics** off very low levels and a proactive buildup of liquidity buffers in response to 2023's banking sector stress.

**Capital Ratios:** Pinnacle is **well-capitalized** by regulatory standards. As of December 31, 2024, **Common Equity Tier 1 (CET1)** ratio was **10.8%** at the holding company level (and 11.6% at the bank level). The Tier 1 capital ratio was 11.3%, Total risk-based capital 13.1%, and Tier 1 leverage ratio 9.6%. All improved marginally from YE 2023 (e.g. CET1 was 10.3%, leverage 9.4% in 2023) due to retention of earnings and a pause in share buybacks. These ratios are comfortably above regulatory minimums plus buffers (CET1 requirement ~7.0%) and categorize Pinnacle as “well-capitalized” by FDIC definitions.

PNFP’s capital strategy has been to support growth while maintaining a cushion. In early 2023, the bank suspended its share repurchase program amidst industry uncertainty (no shares were repurchased in 2023–24), and instead raised \$150M of subordinated debt in 2022 to bolster total capital. The tangible common equity to tangible assets ratio stood ~7.6% at YE 2024 (up from ~7.2% in 2022, excluding AOCI) – somewhat lower than peers due to significant goodwill from past acquisitions (goodwill \$1.85B). However, PNFP (like most banks its size) elected to *exclude* AFS securities’ unrealized losses from regulatory capital (“AOCI opt-out”), which helped stabilize CET1 amid 2022–23 bond market declines.

Looking ahead, the **merger with Synovus** will initially reduce capital ratios (deal is all-stock, but Synovus had slightly lower CET1 ~9.9% as of Q3’25). Pro forma CET1 at closing (Q1’26) is expected around ~10.0%, still solid for a \$115B bank, though the combined entity will likely target **higher capital buffers** over time given enhanced regulatory expectations above \$100B. Management has indicated commitment to maintaining strong capital; notably, in January 2026 PNFP announced a **doubling of the quarterly dividend to \$0.50**, signaling confidence in capital generation post-merger. We will discuss Basel III “Endgame” potential impacts in Section 7.

**Asset Quality:** Pinnacle’s asset quality metrics remain **sound, albeit with some normalization from unsustainably low credit losses** in prior years. Key indicators at YE 2024:

- **Non-Performing Assets (NPA):** NPAs (nonaccrual loans + OREO) were \$148.5 million, which is **0.28% of total assets**. This is up from 0.18% in 2023 and 0.11% in 2022, but still a low level. Nonperforming loans (NPLs) specifically were 0.42% of total loans at YE 2024 (versus 0.25% a year prior). The increase in 2024 was largely driven by a **handful of larger credits moving to nonaccrual**: notably, a \$38 million syndicated real estate loan was placed on nonaccrual in Q4 2023, and some business loans in sectors facing stress (management cited one non-owner-occupied CRE loan and one C&I loan that were charged-off in 2024). Despite the uptick, PNFP’s NPL ratio remains below many peers (for context, Synovus was ~0.78% of loans at end of 2024, and the U.S. peer average ~0.60%). There were *no* nonperforming bonds in the securities portfolio.
- **Net Charge-Offs (NCOs):** Net loan charge-offs were \$78.3 million in 2024, which is **0.23% of average loans**. This compares to 0.16% in 2023 and 0.10% in 2022 – a clear but modest deterioration as credit normalizes off a very benign credit cycle. The largest charge-offs in 2024 included a \$9.3M loss on a commercial real estate credit (non-owner occupied CRE, likely an office or retail property) and a \$10.3M loss on a single commercial loan. Additionally, higher losses emerged in the bank’s small credit card and consumer portfolios (though those remain

minor in the scheme of PNFP's loan book). Still, at 23 bps, NCOs are manageable and below PNFP's through-cycle averages (~30–40 bps). The bank expects NCOs to run in the 0.25–0.35% range in 2025 given some lingering stress in CRE (especially office) and generally tighter credit conditions.

- **Allowance Coverage:** The **Allowance for Credit Losses (ACL)** on loans was \$414.5M at YE 2024, equating to **1.16% of total loans**. This reserve is up from \$353.1M (1.08% of loans) in 2023 and \$300.7M (1.03%) in 2022, reflecting builds under the CECL accounting model for loan growth and emerging losses. The coverage ratio of ACL to nonaccrual loans is a healthy **280%** (though down from an extremely high 788% in 2022). Given Pinnacle's predominantly secured loan portfolio (lots of real estate collateral) and historically low loss rates, the ~1.16% reserve appears adequate. We note the bank also held an extra ~\$14.1M in reserves for purchased credit deteriorated (PCD) loans (mostly SBA loans purchased from BHG) allocated in late 2024.
- **Loan Portfolio Composition & Concentrations:** Pinnacle's loan mix is ~**83% commercial-related** and ~17% consumer-related. Specifically, at YE 2024: C&I loans were \$13.8B (39% of loans), non-owner-occupied commercial real estate \$8.13B (23%), owner-occupied CRE \$4.39B (12%), construction & land development \$3.70B (10%), residential mortgages \$4.91B (14%), and other consumer \$0.54B (1.5%). This mix underscores a **concentration in commercial real estate (total CRE including construction is ~46% of loans)**. Regulators consider >300% CRE-to-capital as potentially concentrated; PNFP's CRE was ~293% of capital at YE 2024 (within guidelines). Within CRE, the bank has been mindful of **prudent limits on higher-risk categories**: for instance, construction loans are 10.4% of loans (down slightly from 12.4% in 2023), and management has reined in exposure to volatile segments like speculative construction. Furthermore, "owner-occupied" CRE (35% of CRE portfolio) is underwritten primarily based on the operating cash flows of the borrower's business (similar risk to C&I), reducing dependence on real estate collateral value alone.

The **industry diversification** within the C&I book is broad – Pinnacle's top industry exposures include healthcare services, financial services (through BHG and others), manufacturing, and accommodation/food services, none of which individually exceed 10% of total loans (per company disclosures). That said, **commercial real estate** exposure is an area of focus given macro trends (e.g. office vacancies). PNFP's largest CRE segments are retail, multi-family, office, and hotels. As of mid-2025, management indicated office CRE was only ~3% of total loans, limiting risk from the troubled office sector. We view the **high proportion of commercial loans as a double-edged sword**: it drives PNFP's above-average loan yields and growth, but it could amplify credit losses in a recession compared to more consumer-focused banks.

- **Geographic Concentration:** Credit risk is somewhat correlated with PNFP's geographic footprint. Over 75% of loans are to borrowers in TN, NC, SC, and VA, with growing exposures in GA, DC, FL, and AL. The Southeast has been economically resilient, but a downturn in these local economies (e.g. a decline in Nashville's healthcare industry or Charlotte's finance sector) could affect PNFP's borrowers. Mitigating this is the fact that **Pinnacle's markets are diverse**

(from high-growth Sunbelt metros to stable mid-size cities) and the bank has no outsized dependency on any single city's economy.

**Deposit Base Composition:** As noted earlier, Pinnacle's deposit base is predominantly made up of **core client deposits** rather than volatile brokerage or listing-service funds. Total deposits were \$42.84B at YE 2024, up 11% YoY, reflecting successful deposit gathering initiatives. Breakdown of deposits:

- **Non-interest-bearing (NIB) Demand:** \$8.17B (19% of total) – these zero-cost checking accounts include operating accounts for businesses and individuals. PNF's NIB deposits dipped slightly in early 2023 as clients moved to interest-bearing accounts during the rate spike, but stabilized in 2024.
- **Interest-bearing Demand:** \$6.56B (15% of total) – this category (NOW accounts, interest checking) grew significantly in 2023–24 as some NIB funds shifted here. The avg rate paid was ~3.11% in 2024.
- **Savings & Money Market:** \$11.87B (28% of total) – a large component of retail and commercial savings balances; average cost ~3.15%. Many clients moved excess balances into money market accounts to earn higher interest in 2023 (hence the big growth from \$10.08B in 2023).
- **Time Deposits:** \$6.16B total in CDs, of which \$1.81B are <\$250k (core) and \$4.35B are >=\$250k (including brokered and reciprocal). Notably, **brokered deposits** were \$3.03B (7.7% of deposits) at YE 2024. Pinnacle used brokered CDs in 2023 to augment liquidity, but has since been replacing them with core growth. The bank also participates in the IntraFi **reciprocal deposit network** (ICS), which swaps customer deposits above FDIC limits with other banks' deposits to provide insurance coverage. PNF had \$8.87B in reciprocal deposits and \$0.77B in reciprocal CDs at YE 2024, all categorized as core (since they are from local customers). These balances ballooned in 2023 (in response to the spring bank failures, clients sought insured solutions). While technically considered non-core above \$5B, management notes these reciprocal deposits behave like customer relationship funds.

Overall, **86% of PNF's deposits are "core relationship" funds (including reciprocals)** as of YE 2024. **Uninsured deposits** (excluding those collateralized or swept via ICS) were ~\$14.0B in Dec 2024, about one-third of total deposits. This proportion is moderate and improved from ~\$16B mid-2023 after outreach to clients and use of ICS to reduce uninsured levels. Importantly, PNF has substantial **granularity** in its deposit base – it serves many small/mid businesses and consumers, not a handful of huge corporate accounts. The average consumer deposit is ~\$32k and average business deposit ~\$250k (per investor presentations). This contributed to **deposit stability** in 2023 when some peers saw large outflows; PNF actually grew deposits in 2023H2 and 2024.

**Liquidity Position:** Liquidity is strong. As of YE 2024, **cash and equivalents** were \$2.35B at the holding company and the **loan-to-deposit ratio** was ~83.9% (vs 81.7% in 2023). After the March 2023 bank failures, PNF **boosted on-balance sheet liquidity** by borrowing from the FHLB and raising brokered deposits proactively. At YE 2024 it still had \$1.87B in FHLB advances (down slightly from \$2.14B in 2023) and had **unused FHLB borrowing capacity of ~\$2.6B** plus access to the Federal

Reserve discount window and the BTFP (though it hasn't disclosed usage of the Fed's facilities). The securities portfolio (\$8.38B, ~16% of assets) provides additional liquidity; about \$4.7B of securities are AFS (market value ~\$4.69B) which can be sold if needed, though many have unrealized losses (AOCI was -\$168M after tax). The bank also maintains ~\$3.5B in Fed funds lines and broker lines as contingency funding. **Liquidity Coverage Ratio (LCR)** is not formally required for PNFP yet (as it was < \$100B assets in 2024), but internally the bank monitors a robust liquidity metric, and management asserts it comfortably exceeds minimums on a modified LCR. In Q2 2023, PNFP's liquidity position covered >150% of uninsured deposits when including Fed facility access, per company statements.

To summarize, Pinnacle's balance sheet exhibits **strong capital and adequate liquidity**, with **asset quality that is still good but off its peak**. Capital ratios are above peer medians (for example, CET1 10.8% vs peer ~10%) and should remain so post-merger (though regulatory expectations will rise). Credit metrics signal a return toward normal loss levels – we expect provisioning to remain elevated in the near term (~\$100M/year) to support loan growth and cover incremental losses, but PNFP's credit culture (centralized oversight, granular portfolio monitoring) has historically kept losses below industry averages. The key watchpoints will be **commercial real estate performance** and **uninsured deposit trends**, as these could affect the balance sheet under stress. So far, PNFP is navigating those areas well, and the balance sheet appears positioned to support continued growth and absorb potential shocks (within reason).

## 4. Strengths

Pinnacle Financial Partners' key **strengths** include:

- **High-Quality Franchise in Attractive Markets:** PNFP has built a top-tier commercial banking franchise in the Southeast. It is the **#1 deposit market share bank in Nashville** and a top-5 player in several other fast-growing metros. This provides a strong local deposit base and lending opportunities in markets with above-average economic growth (the Southeast markets are projected to grow ~1.7× the national average in household formation). The franchise's expansion into Atlanta, Charlotte, the DC area, etc., adds future growth runway. Few peers of similar size have such concentrated exposure to high-growth regions.
- **Relationship Banking Model and Client Loyalty:** Pinnacle's focus on **personalized service** and local decision-making has led to industry-leading client satisfaction. It consistently wins awards for customer experience and was named one of Greenwich's Best Commercial Banks in 2025. This yields a **loyal client base** ("raving fans") that often consolidates their banking with PNFP. Notably, during the 2023 bank run scare, Pinnacle saw minimal deposit outflows – a testament to client trust in the bank's stability and service, whereas some larger banks lost deposits to money-center banks.
- **Experienced Management and Talent Acquisition:** PNFP is led by founder CEO Terry Turner and Chairman Rob McCabe, who have a strong track record of execution since 2000. Management is deeply familiar with the markets and has fostered a performance-driven, collegial culture. **Turnover among key relationship managers is very low**, and PNFP has

been able to **poach high-performing bankers** from competitors – fueling organic growth. In 2024 alone, PNFN hired 161 revenue-producing bankers (vs 107 in 2023) to drive future business. This ability to attract talent is a significant strength, as banking is a relationship business.

- **Robust Core Deposit Base:** The bank enjoys a large proportion of **stable, low-cost core deposits**, including operational accounts of businesses and retail checking. Nearly 84% of funding is core (excluding wholesale). This afforded PNFN a lower cost of funds pre-2022 and should again be a strength when interest rates normalize (many of those deposits could reprice down or prove sticky). Additionally, PNFN has strong treasury management offerings that help lock in commercial deposits. Its deposit franchise in TN, the Carolinas, etc., would be very difficult for a new entrant to replicate, conferring an advantage in funding availability.
- **Diversified Revenue Streams:** Unlike many regional banks of its size, Pinnacle has built meaningful noninterest income sources – wealth management, insurance brokerage, and its BHG partnership. In 2024, fees and other income contributed ~21% of total revenue. This diversification provides resilience when interest margins are under pressure. For instance, wealth management fees have grown steadily (up 23% in 2024), offsetting some of the interest income compression. BHG’s earnings (while lower in 2024) still added significantly to PNFN’s profits. Overall, multiple revenue levers are a strength that not all peers possess.
- **Asset Quality Track Record:** PNFN has a history of **prudent credit underwriting and low credit losses**. Even with recent increases, its NPLs and charge-offs remain below industry averages. The bank avoided high-risk asset classes in the last cycle (minimal subprime or national lending exposure) and has carefully managed CRE concentrations. The credit culture emphasizes secured lending and personal guarantees for business loans, mitigating loss given default. As a result, PNFN came through the COVID downturn with negligible losses and is well-positioned to handle a mild recession.
- **Capital and Liquidity Management:** Pinnacle’s capital ratios are comfortably above requirements, and management has shown discipline in capital deployment (halting buybacks when uncertainty rose). The bank also took early action to bolster liquidity during the 2023 turmoil (raising wholesale funding and leveraging deposit networks). These actions reflect a **proactive risk management** approach. PNFN’s liquidity sources (cash, securities, FHLB, etc.) provide a solid buffer – as of late 2023, its liquidity could cover a substantial chunk of uninsured deposits, reducing the risk of a short-term crunch.
- **Strategic Vision and M&A Strategy:** The upcoming **merger with Synovus** highlights Pinnacle’s strategic boldness. By combining with a complementary franchise, PNFN is set to roughly double in size, achieving economies of scale and a broader geographic footprint (e.g., Synovus brings deep presence in GA, AL, FL). Management’s ability to negotiate this deal (an \$8.6B all-stock merger of equals) and line up leadership roles indicates strong strategic execution. If successful, PNFN will benefit from cost synergies (~\$300M pre-tax, per merger investor deck) and revenue cross-sell opportunities, which is a major strength for future earnings growth (discussed more in Section 10).

- **Technology and Innovation:** As a mid-size bank, PNFP has invested in modernizing its tech stack (e.g., a new core banking system in recent years) and offers competitive digital banking features (mobile app, online account opening). It has partnered with fintechs for specialized services (BHG's digital lending platform, for example). This enables PNFP to punch above its weight in terms of product breadth and efficiency. Its QuickDecision automated loan platform and data analytics for customer insights are examples of innovation that improve client experience.

In summary, **Pinnacle's strengths lie in its market positioning, relationship approach, diversified income, and prudent management.** These strengths have translated into above-peer growth (loan CAGR ~18% last 5 years) and high rankings in both workplace and customer satisfaction surveys – intangible assets that bode well for sustained success.

## 5. Weaknesses

Despite its many strengths, Pinnacle faces several **weaknesses and challenges** inherent in its profile:

- **Concentration in Commercial Lending:** PNFP's loan portfolio is heavily weighted toward commercial credits (C&I, commercial real estate, construction). Approximately 83% of total loans are business-related. This **lack of diversification** into consumer lending means Pinnacle could be more vulnerable to a downturn in the business cycle. Consumer loans (which often have more granular borrowers and are backed by personal incomes or collateral like autos) form a very small part of PNFP's book, so the bank doesn't benefit as much from the stability those can provide. In a severe recession, business loan defaults can spike more dramatically than consumer, which is a risk factor for PNFP.
- **Elevated Commercial Real Estate (CRE) Exposure:** Within the commercial book, PNFP has substantial CRE exposure (~45% of loans in CRE and construction combined). While management has managed CRE well so far, the sector is under pressure, especially segments like office properties (due to remote work) and some retail. If CRE values decline or vacancies rise, **credit losses could increase.** Pinnacle's recent uptick in nonaccruals and charge-offs were partly CRE-related (e.g. non-owner occupied CRE loan charge-offs). The bank is nearing regulatory thresholds for CRE concentration, which might limit growth in that area. This concentration is a weakness relative to more diversified peers.
- **Higher Cost Structure (Efficiency Ratio):** Pinnacle's **efficiency ratio of ~60%** in 2024 is worse than comparably sized peers (which are often in the low-to-mid 50s). The bank's aggressive hiring and expansion drive have inflated expenses. While these are investments for growth, in the near-term they depress operating leverage. PNFP's noninterest expense as a percentage of average assets (2.09% in 2024) is higher than its noninterest income/avg assets (0.75%), which puts pressure on net profitability. Essentially, the bank needs to generate more fee or spread income per dollar of asset to cover its expense base. Until synergies or scale economies kick in (likely post-merger), **Pinnacle's efficiency will remain a weakness.**

- **Margin Compression and Deposit Cost Pressure:** PNFP experienced significant **NIM compression** in 2023–24, and its **deposit beta** (sensitivity of deposit rates to Fed rate hikes) appeared high. For instance, interest-bearing deposit costs rose to ~3.3% in 2024, nearly matching the increase in short-term rates. This suggests PNFP had to pay up aggressively to retain deposits, possibly more so than some peers that have stickier retail bases. One reason is PNFP’s clientele includes savvy commercial and affluent customers who demand competitive yields. This reliance on higher-rate accounts (e.g., ICS one-way buys, brokered CDs) to maintain funding is a weakness. If rates remain high for long, **PNFP’s NIM could stay under pressure** relative to banks with more noninterest-bearing or low-beta deposits.
- **Limited Operating History in New Markets:** Pinnacle’s rapid expansion into new states (e.g., Florida, Alabama, DC area) is recent (many new offices opened 2021–2023). These operations lack the tenure and entrenched market share that PNFP enjoys in Tennessee or Carolinas. There is execution risk and a **lag in profitability** for new markets – it takes time for newly hired teams to ramp up loan and deposit volumes to cover fixed costs. Until those markets mature, they can drag on overall profitability (as seen by the rising efficiency ratio). Additionally, PNFP faces formidable local competitors in those areas (e.g., well-established community banks in Florida). So the **geographic expansion, while a strength long-term, is a short-term weakness** in terms of profitability dilution.
- **Reliance on Key Person Relationships:** The bank’s model relies heavily on the relationships and books of business that individual **“rainmaker” bankers** bring. If PNFP were to lose a few high-producing teams to competitors, it could impact growth. While turnover has been low, it’s a risk inherent in a strategy that is people-driven. Also, CEO Terry Turner and Chairman McCabe have been instrumental since founding – eventual management succession could be a challenge (Turner is ~68 and McCabe ~72). The depth of management beyond the founders will be tested when they eventually retire.
- **Minority Ownership in BHG – Lack of Control:** Pinnacle’s 49% stake in BHG Financial provides income, but PNFP does not control BHG’s operations (it’s a minority investor with limited board seats). This structure means **BHG’s performance or strategic decisions could diverge from PNFP’s interests**. Indeed, BHG’s earnings have been volatile, and PNFP cannot unilaterally dictate dividend payouts from BHG. If BHG faced stress or regulatory scrutiny (BHG makes loans nationwide and could attract regulators’ attention), PNFP might have to absorb hits to equity income without having full oversight. This lack of control is a governance weakness in PNFP’s business model. Additionally, BHG’s model of loan sales to other banks might be challenged in tighter liquidity conditions, which could hurt its profits and by extension PNFP’s fee income.
- **Rising Credit Risk in Certain Segments:** While overall credit is good, management has pointed out some **concentrations that carry heightened risk**, e.g. loans to professional service firms via BHG, and small business loans, which tend to have higher default rates in downturns. PNFP also has meaningful exposure to **hospitality (hotels) and retail commercial properties** in its CRE book. These were fine in 2022–24, but are inherently cyclical. If inflation and rates

remain high, consumer spending dips could hit those borrowers. So, **credit concentration risk** is a weakness to monitor, even if currently well-managed.

- **Medium-Size Bank Constraints:** At ~\$50–60B, PNFP was below the \$100B threshold but above \$10B – a sort of in-between size where it faced some regulatory burdens (Durbin cap on interchange, etc.) yet didn't have scale of larger regionals. This meant **higher funding costs** (no retail brokerage arm or significant wealth sweep programs), and **less economies of scale in tech spending**. The merger with Synovus will address scale to an extent, but along with it comes \$100B+ bank regulations. In the interim, PNFP's size was a weakness: it wasn't large enough to have cheap diversified funding or national brand reach, but it was too large to have exemption from certain rules or to rely on community bank pricing niches.
- **Relatively Low Dividend Payout (Capital Return):** Until recently, PNFP's dividend yield (~1%) was much lower than peers (many peers 3-4%). The bank retained most earnings to fuel growth. While this is prudent, some income-oriented investors may see that as a drawback. Now that the dividend is being raised, this weakness is partly mitigated, but historically low payout signals that PNFP's stock may have been less attractive to dividend-focused investors, affecting its investor base and possibly its valuation (some might have perceived PNFP as riskier since it didn't return much capital).

In essence, **Pinnacle's weaknesses revolve around its concentration – in business lending and certain funding sources – and a cost base that has grown ahead of revenue.** These are areas where management will need to focus, especially as the bank enters its next chapter as a much larger institution post-merger.

## 6. Risks

Pinnacle faces a range of **risks** inherent to banking and its specific strategy. We outline the major categories of risk and their potential impact:

- **Credit Risk:** As a lender, credit (default) risk is paramount. Pinnacle is **particularly exposed to commercial credit risk** given its loan mix. A deterioration in economic conditions – e.g. a recession leading to higher unemployment or lower business profits – could result in more borrowers defaulting. **Concentrations** heighten this risk: for instance, if a downturn hits the **commercial real estate sector** (office oversupply, falling property values) or **certain industries** concentrated in PNFP's book (like healthcare or manufacturing in its markets), losses could spike. Pinnacle also has large borrowers (it participates in syndicated loans) such that a single large default can meaningfully impact earnings (as seen with the ~\$38M problem loan reserved in late 2023). Credit risk is partially mitigated by collateral and guarantees, but a sharp decline in collateral values (e.g., real estate crash) would reduce recoveries. *Monitoring indicators:* We will watch **non-performing loan trends**, criticized loan levels from internal reviews, and **sector-specific metrics** (like office vacancy rates, hotel RevPAR, etc. in PNFP's markets) for early warning. The loan portfolio's **average risk rating migration** is another key indicator (management reports that quarterly). Also monitor general macro indicators – unemployment in TN/NC, GDP growth – as proxies for credit conditions.

- **Interest Rate Risk:** Pinnacle is exposed to **interest rate risk** both from a margin perspective and from asset valuation. A continuation of the current high-rate environment (or further rate increases) could **compress NIM further** if deposit costs continue to rise or if competition forces higher deposit betas. Conversely, a sharp fall in rates would reduce loan yields and could compress margin if asset yields reset faster than funding costs (though PNFP could benefit from lower deposit betas in that case). **Interest rate volatility** also impacts the securities portfolio's value (as we saw with significant unrealized losses in 2022 that hit AOCI) – while those are not in regulatory capital, they affect tangible common equity and could limit flexibility. Additionally, rate changes influence borrower behavior: high rates have dampened loan demand (especially mortgages) and could increase credit risk by straining borrowers' debt service capacity (particularly floating-rate borrowers). *Monitoring indicators:* Key is the **net interest margin trend** and **deposit betas** (we'll track quarterly NIM updates). Also, the **gap analysis** (asset/liability repricing mismatches) provided by management – e.g. PNFP's disclosed interest rate sensitivity scenario outcomes. We also watch the Fed's policy signals; significant unexpected moves could require hedging adjustments or strategy shifts. PNFP's ALCO (Asset-Liability Committee) uses simulations, which we note in reports – e.g., a +100 bp shock reducing NII by X%. We'd monitor any changes in those disclosed sensitivities.
- **Liquidity and Funding Risk:** Although current liquidity is strong, **funding risk** remains if there's a loss of depositor confidence or an inability to roll over wholesale funding. Pinnacle saw deposit influx in 2023–24, but should the bank face an idiosyncratic issue or if industry-wide panic re-emerges, a high portion of uninsured deposits (~38% of total, albeit many are ICS-insured now) could rapidly exit. Even absent a run, PNFP could face liquidity pressure if loan growth persistently outpaces deposit growth, forcing more reliance on wholesale funds (FHLB, brokered CDs). Those sources can be more **rate-sensitive and non-permanent**, and in stress scenarios they might not be readily available (e.g., FHLB advances depend on collateral capacity; brokered markets can freeze or get expensive). *Monitoring indicators:* We track the **loan-to-deposit ratio** (recently ~84%), **uninsured deposit levels**, and **liquidity coverage** (though LCR is not officially reported yet, the bank does share internal liquidity stats on calls). Also, usage of contingency facilities like the Fed's discount window or BTFP would be a red flag to monitor if it appears. Quarterly reports on **deposit mix shifts** (toward more wholesale or brokered) will be telling; e.g., a rising share of brokered deposits beyond, say, 10% of total would increase liquidity risk.
- **Regulatory and Compliance Risk:** Pinnacle operates in a **heavily regulated industry**. It must comply with myriad banking laws – from capital and liquidity rules to consumer protection (CRA, fair lending) and anti-money laundering (BSA/AML) rules. Non-compliance can result in fines, sanctions, or business restrictions. The impending crossing of \$100B in assets will bring stricter regulatory scrutiny (likely inclusion in the annual **CCAR stress tests**, more stringent liquidity requirements once U.S. rules implement Basel Endgame, and possibly TLAC requirements over time). Adapting to this **heightened regulatory environment** is a risk – it will require investments in risk management infrastructure and could constrain capital return policy. There's also **compliance risk** around BSA/AML given PNFP's growth (any rapid growth bank is at risk of control gaps) and around new activities (PNFP Capital Markets engaging in

underwriting, which invites SEC/FINRA compliance risk). *Monitoring indicators:* Watch for **regulatory actions or exam reports** (e.g., any mentions of “Matters Requiring Attention”), and progress on integrating risk systems for the combined Synovus entity. We will pay attention to regulatory developments, such as the final U.S. Basel III capital rules (expected effective 2025–26) – e.g., the proposed rule could raise risk-weighted assets for CRE loans and require inclusion of AOCI for banks >\$100B, which would affect PNFP’s capital. Monitoring the **FDIC and Fed’s stance** on mid-sized banks (any new rules) is key. Also, PNFP’s ability to get timely regulatory approvals (e.g., the merger was slated for Q1 2026 – any delay would hint at regulatory concerns).

- **Operational Risk:** As PNFP grows and integrates acquisitions, operational risk – the risk of failed processes, systems, or external events causing loss – increases. This includes **cybersecurity risk** (banking is a prime target for cyberattacks; a significant data breach or systems outage could harm the bank’s reputation and incur costs). Also, the complexity of integrating Synovus’ operations poses significant execution risk (data conversion errors, etc.). Pinnacle also outsources certain functions to third-party vendors (for IT, payments processing); those relationships carry risk if vendors fail or have breaches. *Monitoring indicators:* We watch PNFP’s operational loss disclosures, any news of cyber incidents or fraud increases, and track integration milestones for the merger (technology integration, branch consolidations, etc.). The bank’s **efficiency in integration** and lack of major customer service issues will indicate how well operational risk is managed. Another metric: **employee turnover** during integration – if many Synovus or Pinnacle staff leave, that could signal integration issues affecting operations.
- **Strategic Risk:** Strategic risk for PNFP includes the risk that the Synovus merger or other growth initiatives do not yield expected benefits. For example, if the **merger synergies** (expected ~21% EPS accretion by 2027) are not realized (due to higher integration costs or revenue attrition), PNFP could underperform. Additionally, if Pinnacle misjudges a market expansion (e.g., investing in a new city that doesn’t produce returns), that could hurt earnings. The bank’s fast growth itself is a strategic risk – scaling corporate governance, risk controls, and culture at double the size is a challenge. *Monitoring indicators:* We’ll follow **merger integration updates** closely – e.g., cost synergy realization versus targets, combined company performance relative to guidance. Also, **market share trends** in new expansion markets: if after a couple of years PNFP fails to gain traction (e.g., deposit share in Atlanta stagnates), that might indicate a strategic misstep. We also note any **deviations from core strategy** – e.g., if PNFP enters unfamiliar businesses or asset classes, that could raise risk.
- **Macroeconomic and Market Risk:** Broader **macroeconomic risk** is material: high inflation, rapidly rising interest rates, or a potential recession in 2024–2025 could negatively impact PNFP on multiple fronts (loan demand, credit losses, funding costs). The Southeastern markets have been strong, but are not immune to a national recession. **Market risk** also includes the risk of changes in investor sentiment – as a publicly traded stock, PNFP could see its financing costs or acquisition currency (stock price) affected by general market volatility. For instance, in 2023 bank stocks were very volatile, which can influence strategic flexibility. Additionally, **market risk in the securities portfolio** (interest rate and spread risk) can affect earnings via AFS marks

or via realized losses, as we saw in 2024 with securities sales. *Monitoring indicators:* Key macro indicators (GDP, unemployment, Fed policy) and the **yield curve shape** will be watched. Additionally, **credit spreads** for bank debt or sub debt could signal market perceptions of risk – e.g., if PNF’s sub debt spreads widen significantly, it might indicate rising perceived risk. Also, if the **stock price** underperforms peers significantly without fundamental reason, that could constrain using stock for acquisitions or make the bank a potential activist target – something to keep an eye on.

- **Reputational Risk:** Any adverse event – whether a compliance lapse, a high-profile lawsuit, or customer service failures – could damage Pinnacle’s reputation, which is one of its key assets (brand as a trusted local bank). Banks are also facing reputational scrutiny on environmental, social governance (ESG) issues and community relations. PNF must manage its reputation in how it deals with customers (e.g., no major outages in digital banking, fair treatment in loan decisions) and communities (meeting Community Reinvestment Act obligations). *Monitoring:* We track **customer satisfaction surveys, media reports, and any legal proceedings** involving PNF. So far, PNF has a clean track record (no significant public scandals or regulatory penalties), but continuous vigilance is needed.

In summary, Pinnacle’s risks span the gamut of **financial risks (credit, interest rate, liquidity)** and **non-financial risks (operational, regulatory, strategic)**. Many of these risks are interrelated – e.g., a macro downturn (macroeconomic risk) could drive credit losses (credit risk) and deposit outflows (liquidity risk) simultaneously. The forthcoming Synovus integration is a new overlay that increases several risk dimensions in the short term (operational integration risk, cultural risk). The bank’s risk management framework appears solid – it has a Board-level Risk Committee since 2017, and internal stress tests that inform capital planning – but execution will be critical. In Section 15, we will highlight the top risks to the investment thesis and specific metrics to monitor as early warning signs.

## 7. Regulatory Environment and Compliance

The regulatory environment for Pinnacle is evolving, especially as it crosses key asset thresholds. Here we discuss the current regulatory oversight, recent regulatory changes, and PNF’s compliance status:

**Regulators and Oversight:** Pinnacle Bank is chartered in Tennessee and is a **state non-member bank**, meaning its primary federal regulator is the **FDIC** (Federal Deposit Insurance Corp.) and state regulator is the Tennessee Department of Financial Institutions. Pinnacle Financial Partners, Inc., as a bank holding company (BHC), is supervised by the **Federal Reserve Board**. The pending Synovus merger will create a larger BHC still under Fed oversight and will bring the combined entity under the Federal Reserve’s **Large Bank Holding Company** framework once >\$100B. Currently, at ~\$50B, PNF was subject to some enhanced standards (it formed a Board Risk Committee as required for \$10B+ BHCs; it also faces the Dodd-Frank Act Stress Test requirement which originally applied at \$10B+ but was later raised to \$250B except by Fed’s discretion – the Fed has included some banks ~\$100B in stress test voluntarily).

**Capital and Prudential Standards:** As a mid-size bank, PNF must adhere to **Basel III capital rules**. It falls under the standard approach for credit risk (not using internal models). Its well-capitalized status

was described in Section 3. Notably, PNFP **opted out of including AOCI** in regulatory capital when that option was given (for banks < \$250B), which helped it avoid capital volatility from bond unrealized losses. The **Basel III “Endgame”** proposals released in July 2023 propose eliminating that AOCI opt-out for banks > \$100B and changing risk weights (e.g., higher risk weights for CRE and for operational risk). If implemented as proposed, by 2026 the combined Pinnacle-Synovus (>\$100B) would likely see an increase in risk-weighted assets and have to include its ~\$300M of AOCI losses in CET1, effectively reducing capital ratios by ~50 bps. Fitch estimated that mid-sized banks could see 20-30% higher RWA under the new rules. PNFP is already planning for this by retaining capital (e.g., modest payout ratio ~15% in 2024). We assess that PNFP will remain compliant but might run with a higher CET1 target (~11-12%) to meet new buffers.

**Liquidity Regulations:** Currently, banks under \$100B are not subject to the full **Liquidity Coverage Ratio (LCR)** or Net Stable Funding Ratio (NSFR). However, after the regional bank failures in 2023, U.S. regulators have signaled extending more liquidity regs to \$100B+ banks (and proposed applying a modified LCR even to banks \$50-100B). In October 2023, the FDIC implemented a rule requiring banks \$50-100B to submit periodic “Resolution plans” and some liquidity data (informational LCR). Pinnacle has already been **bolstering liquidity oversight** (its risk committee monitors liquidity ratios internally). The combined entity will likely have to comply with **full LCR** given the current regulatory momentum. This could require holding more high-quality liquid assets (HQLA), which might modestly reduce margins. PNFP’s current liquid asset ratio is good, but formal LCR compliance may prompt additional short-term investments or lower reliance on certain funding.

**Stress Testing and Resolution Planning:** Dodd-Frank Act stress tests (DFAST) originally applied to \$10B+ banks, but EGRRCPA in 2018 raised it to \$100B. The Fed has discretion to test banks 100-250B periodically. Post-merger, PNFP will likely be included in Fed stress tests (especially after 2023 events, Fed indicated more banks will be tested). This means PNFP will need to develop rigorous capital planning models and possibly hold capital buffers commensurate with hypothetical severely adverse scenarios. Also, a **resolution plan (“living will”)** will likely be required for the >\$100B combined firm, detailing how it could be unwound in a failure – a compliance exercise requiring significant management attention.

**FDIC Assessment and Insurance:** Like all banks, Pinnacle pays FDIC deposit insurance premiums. Post 2022’s large bank failures, the FDIC imposed a **special assessment** on banks, calculated at 3.36 basis points of uninsured deposits over \$5B, payable over 8 quarters starting Q1 2024. For PNFP, this is roughly \$9.5M per quarter (since ~\$11.1B uninsured at 2022, net of \$5B). This reduces earnings slightly through 2025. PNFP accrued for this and it’s manageable (about 2% of pre-tax income). Regular FDIC premiums also increased in 2023 by 2 bps industry-wide. These costs are not onerous but are a direct effect of regulatory changes.

**Consumer Compliance and CRA:** As PNFP has grown, it is subject to **Consumer Financial Protection Bureau (CFPB)** oversight (CFPB generally oversees \$10B+ banks for consumer rules). Pinnacle must comply with Truth in Lending, fair lending laws (Equal Credit Opportunity Act), etc. There have been no major public issues; the bank’s CRA (Community Reinvestment Act) rating is **“Satisfactory”** (it has a dedicated community lending program to ensure it meets low-to-moderate income lending needs). However, continued expansion – especially merging with Synovus – means

more scrutiny on fair lending and community investment levels. We note that Synovus had a satisfactory CRA as well. The combined bank will likely be evaluated on a larger scale for CRA. Compliance risk exists if any disparate impact or redlining allegations arise, but to date PNFP's compliance management system appears solid (no known fines or consent orders).

**BSA/AML Compliance:** With rapid growth and a broad geographic reach, **anti-money laundering compliance** is a critical area. Pinnacle uses the standard systems (transaction monitoring, customer due diligence) and there have been no known enforcement actions. But BSA risk increases with more commercial clients and doing business across state lines. We note that Pinnacle's fintech-like partnership (BHG) and involvement in the IntraFi network require careful BSA oversight since they involve funds flows that might be less traditional. Regulators in 2022–23 issued guidance on banks' partnerships with fintechs and third parties, emphasizing due diligence and monitoring. PNFP will need to ensure its oversight of BHG (which itself extends loans nationally) is robust, as BHG effectively acts as an "originate-to-distribute" lender and could be a channel for fraud if not monitored. So far, PNFP disclosed that regulators have **increased oversight on BHG** due to PNFP's involvement, but nothing adverse has been reported publicly.

**Regulatory Changes on the Horizon:** Besides Basel Endgame and liquidity rules, a few other relevant changes:

- The **CRA modernization** rule (finalized in 2023) will require new metrics and potentially expand assessment areas for large banks. Combined PNFP will have to include areas where it has significant deposit-taking (not just branches) in CRA exams. This could add compliance burden but also opportunity to improve community development efforts.
- Potential **FDIC changes to deposit insurance** (there have been discussions on raising or altering deposit insurance coverage for business accounts). If coverage limits increase, that could benefit PNFP by reducing uninsured deposit worries. But if a **targeted coverage** (like higher insurance for business payment accounts) is adopted, it might change how PNFP structures its products.
- The **CFPB's Section 1071 rule** on small business lending data collection (effective 2024-2025) will require PNFP to collect and report data on small business loan applications by demographic. This is a new compliance requirement which PNFP will have to implement, given its significant small business lending footprint.

**Compliance Management:** PNFP has a centralized compliance department and undergoes regular internal and external audits. It also formed a **Risk Committee at the Board level** since crossing \$10B. The committee and risk management infrastructure will need to scale up further for \$100B oversight, including potentially more sophisticated modeling for interest rate risk, liquidity stress testing, resolution planning, etc. The bank engaged consultants to prepare for larger bank status in areas like TLAC debt issuance (should it become required) and credit stress testing. We see management taking a conservative stance: they indicated willingness to **pause share buybacks** to build capital if needed for new rules, and they've been in frequent dialogue with regulators about the merger integration plan (they got **regulatory pre-approvals swiftly for the merger**, per SouthState's similar case in 2022).

**Regulatory Relationships:** Importantly, regulators look at qualitative aspects – governance, culture, risk management. Pinnacle’s strong track record likely gives it credibility. However, as a relatively new entrant to >\$50B supervision, the Fed/FDIC might impose extra scrutiny initially (especially given the surprise failures of banks like Silicon Valley Bank which were in this mid-size range). There is risk that regulators could, for example, require PNFP to hold higher liquidity or capital buffers in the short term. The **Outlook revision to Negative by Fitch in mid-2025** partly reflected regulatory uncertainties around the merger.

In conclusion, **compliance and regulatory risk are increasing for Pinnacle** as it grows. Thus far the bank has navigated the rules well (no major compliance breakdowns). The management team appears proactive – for instance, **establishing a risk appetite framework and stress testing regime** even when not formally required. As investors, we should expect PNFP to incur **higher compliance costs** in coming years (adding staff, systems) and to possibly run with **higher capital/liquidity** than minimums to satisfy regulators. These could have a slight drag on earnings, but are part of prudent management. From an investment perspective, a tougher regulatory environment generally favors banks with strong internal controls (which PNFP has) and could disadvantage fringe competitors, potentially giving a solid operator like PNFP a relative edge in the long run.

## 8. Competitors and Competitive Landscape

Pinnacle operates in a **highly competitive banking landscape**, facing a mix of local community banks, larger regional banks, and national megabanks across its markets. Understanding PNFP’s positioning relative to peers highlights its competitive advantages and pressures.

**Key Competitors:** In the Southeastern U.S., major competitors include:

- **Regional Banks (Mid-sized):** Banks of similar size or presence, such as **Ameris Bancorp (ABCB)** in GA/FL, **SouthState Bank (SSB)** in the Carolinas/FL, **First Horizon (FHN)** in TN (though FHN is larger, ~\$85B assets, and currently subject to a merger attempt by TD), **Truist Financial (TFC)** (a super-regional ~\$500B formed by the BB&T-SunTrust merger, ubiquitous in PNFP’s footprint), **Regions Financial (RF)** (~\$160B, dominant in parts of TN/AL). Also **Synovus (SNV)** (~\$60B, GA-based) was a direct competitor in GA/SC/AL markets until the merger announcement. **Hancock Whitney (HWC)** (~\$37B, Gulf Coast focused) competes in markets like south Alabama. **F.N.B. Corporation (FNB)** (~\$43B, PA-based but with presence in NC/SC) is another peer in overlapping areas.
- **National Banks:** The likes of **Bank of America**, **Wells Fargo**, **JPMorgan Chase** have a significant retail and commercial presence in the Southeast. For example, Bank of America and Regions are top competitors in Nashville (PNFP’s home market). JPMorgan and Wells have been expanding branches in Atlanta, Charlotte, etc. These big banks have vast resources and broad product sets (e.g., capital markets, card issuance) that can appeal to certain clients. However, their bureaucratic nature often allows nimble banks like Pinnacle to win clients seeking personalized service.

- **Community Banks and Credit Unions:** In each city, PNFN faces smaller local banks that are deeply entrenched. For instance, in North Carolina, community banks like Aquesta (now part of UCBI) or in Virginia, Atlantic Union (~\$20B asset VA-based bank) might vie for similar clients. Credit unions (e.g., Navy Federal in the DC area, or local teacher credit unions) compete on consumer deposits/rates. These smaller institutions compete on local knowledge and sometimes on price (offering higher deposit rates or lower loan rates due to lower overhead or not-for-profit status). Pinnacle, being somewhat in between, must beat community banks with breadth of services and beat big banks with superior service.
- **Specialty Lenders/Fintechs:** In certain product lines, PNFN also competes with non-bank lenders or fintechs. For example, in small business lending, fintechs like Kabbage (AmEx) or OnDeck could be options for clients. In equipment financing, specialized finance companies might compete. However, PNFN's relationship model tends to keep clients using the bank for multiple needs, partially insulating it from one-off fintech competition. BHG (49%-owned by PNFN) ironically is a fintech-type competitor to other banks in the professional loan space, but for PNFN it's a collaborator and income source.

**Competitive Positioning:** Pinnacle differentiates itself with a “**community bank feel, big bank capabilities**” strategy. According to customer surveys, PNFN scores high on responsiveness and local decision-making, giving it an edge against bureaucratic larger banks. It also offers a broad suite (including capital markets and insurance) that many smaller community banks cannot, allowing it to capture the full relationship. PNFN's **culture (ranked #2 Best Bank to Work For in its category)** also helps attract talent who bring books of business from competitors – a direct competitive gain for PNFN and loss for rivals.

In terms of market share, **PNFN has grown rapidly**. For instance, it is now the **second-largest bank holding company headquartered in Tennessee** (after First Horizon) with ~\$54.8B assets at June 30, 2025. In its core Nashville market, it holds about 13% of deposits (rank #1). In other markets: it's a top 5 bank in Chattanooga and Knoxville (TN), a rising player in Raleigh and Charlotte (post-2017 acquisition gave it a few percent share in NC), and relatively new in Atlanta and DC (so low single-digit share currently, but growing fast). For example, deposit growth was extremely high in DC (+79.9% YoY) and Alabama (+25.4%) in a recent year as PNFN expanded teams there. This indicates **successful competitive gains**.

However, **competition is intense:**

- **Pricing Pressure:** Large competitors can undercut on loan pricing or outbid for deposits if they choose. PNFN mentioned in earnings calls that competition for deposits in 2023 was fierce, especially from online banks and large regionals, forcing it to raise rates (hence the higher deposit beta). On the lending side, competitors like Synovus, Regions, etc., were aggressive in certain loan segments. PNFN generally doesn't want to be the price leader (it sells on service), but it must stay within market pricing. We saw loan yields not rising as fast as Fed rates partly due to competitive loan pricing.
- **Technology and Convenience:** Big banks offer more advanced digital tools and dense branch/ATM networks. While PNFN has good digital offerings, it cannot match the likes of

Chase in mobile app sophistication or a national footprint. Fintechs offer very quick credit decisions (though PNFP has improved here with digital lending for small loans). There's a risk of losing tech-savvy customers to direct banks or fintech solutions if PNFP doesn't keep up – though so far, PNFP's client segment (often older business owners) values the relationship aspect more, mitigating this.

- **Talent Poaching:** Just as PNFP hires from others, its own bankers can be recruited away by competitors. Larger banks may try to lure PNFP's top producers with higher pay or promises of bigger platform. PNFP's high employee satisfaction suggests this risk is moderate, but as PNFP grows and can't give the same equity upside it did when smaller, retention will rely more on culture.

**Peer Benchmarking:** To illustrate Pinnacle's competitive stance, here is a brief comparison on key metrics (FY2024 or latest) with select peers:

Metric (2024)	Pinnacle (PNFP)	SouthState (SSB)	Ameris (ABCB)	Synovus (SNV)	Regions (RF) (est.)
Assets (Dec 2024)	\$52.6 billion	\$47.5B	\$35.5B	\$60.7B	\$160B+
ROA	0.93%	1.23% (adj.)	~1.1% (est.)	0.78%	~1.2%
ROAE	7.4%	9.7%	~9.6% (ROE)	~7.8%	~11%
Net Interest Margin (NIM)	3.16%	3.48%	~3.5%	~3.40% (TE)	~3.60%
Efficiency Ratio	59.6%	56% (54% adj.)	~48-50% (abcb high efficiency)	~54%	~55%
CET1 Capital Ratio	10.8%	12.6%	~11%	~10%	~11.5%
Loan/Deposit Ratio	84%	89%	~87%	~93%	~80%
P/E (forward)	~11.8x	~9x	~8x	~8x	~9x
Price-to-Tangible Book	~1.7x (stock ~\$97)	~1.5x (stock on \$51 TBV)	~\$80 ~1.4x	~1.2x	~1.8x
Dividend Yield	~1.0% (raised)	~2.7% (\$0.54/q)	~0% (ABCB paused dividend for acquisitions)	~4.1% (\$0.38/q)	~4.5%

(Sources: Company filings and investor presentations; Yahoo Finance for market multiples)

From the above, PNFP's profitability (ROA, ROE) in 2024 was on the lower end compared to peers like SouthState or Regions, primarily due to its expense ratio and one-time charges. Its NIM was slightly below peers, reflecting the higher deposit costs. However, PNFP's growth rates in loans and deposits have generally outpaced these peers (for instance, PNFP ~10% YoY deposit growth in 2024 vs low single digits for most peers). The market rewards PNFP's growth with a higher P/TBV multiple than many peers (1.7x vs ~1.2–1.5x for others), though its P/E is in line to slightly higher – indicating investors view it as a growth stock among banks.

**Competitive Outlook:** The Southeast remains a battleground. Many banks are targeting markets like Nashville and Atlanta given their demographics. PNFP's largest competitive event is the **merger with Synovus** – instead of competing, these two will combine. This is expected to improve competitive

positioning significantly: the combined bank will be the largest in Georgia and Tennessee by deposits, with top-5 positions in 10 of the top 15 MSAs in the Southeast. The merger should allow better competition with super-regionals like Truist on product breadth and pricing, due to larger scale. However, integration will be critical; competitors may try to exploit any integration disruptions to poach clients.

Competitors will likely respond: e.g., **Truist and Regions** could intensify focus on middle-market clients, which are PNFP's sweet spot. Also, **new entrants** (possibly via digital channels) might try to siphon deposits with high rates (Fintechs, or even Apple/Goldman's savings offering, etc.). Pinnacle will need to leverage its relationship strengths to fend off these.

One area to watch is **rate competition for deposits** in 2024–25. If the Fed starts cutting rates in late 2024, banks with more rate-sensitive deposits like PNFP might actually benefit (they can lower rates paid quickly). But if competition for deposits remains intense (due to quantitative tightening or if regionals want to shore up liquidity), PNFP might remain under pressure to keep rates relatively high, which could be a disadvantage if peers have more low-cost consumer deposits.

In summary, **Pinnacle competes effectively by targeting a niche – delivering big-bank products with community bank service**. Its main competitors in that niche are a handful of other high-service regionals (like SouthState, Ameris) and they have comparable strategies. PNFP's growth suggests it has been winning share from many of them. The Synovus merger can be a game-changer to vault PNFP's competitive position – making it arguably the **preeminent regional bank in the Southeast** with sufficient scale to compete with the giants while retaining its culture. The competitive landscape will therefore shift: post-merger, PNFP will itself be a more formidable competitor to others, likely prompting some response (for instance, other regionals could consider merging as well to keep up). It's a dynamic situation, but given management's track record, PNFP is poised to continue outperforming many peers in attracting clients and talent.

## 9. Analyst Coverage and Professional Recommendations

Pinnacle Financial Partners is widely covered by equity analysts, reflecting its prominence among regional banks. **Analyst sentiment on PNFP is generally positive**, with a consensus leaning towards **Buy**. Key points on coverage:

- **Coverage Universe:** Approximately 20–30 sell-side analysts cover PNFP. This includes major firms like JPMorgan, Bank of America, Piper Sandler, Raymond James, Truist Securities, Wells Fargo, UBS, Stephens, Janney, Hovde Group, etc. Coverage has grown as PNFP's market cap increased and especially after the Synovus merger announcement (which put it on the radar of more large-bank analysts).
- **Current Ratings:** As of early 2026, **the consensus rating is a Buy/Outperform**. According to TipRanks, out of 40 analyst ratings in the past 3 months, there are **31 Buys, 9 Holds, and 0 Sell ratings**. This is a strongly bullish skew. No analysts currently recommend selling PNFP. Many analysts see PNFP as a high-quality franchise with a compelling growth story, albeit with near-term integration risk.

- **Price Targets:** The **average 12-month price target** is around **\$110–\$118** per share, which implies a ~15-20% upside from the current ~\$95-100 share price. For example, MarketBeat reports an average target of \$113.29 (20 analysts). The range of targets is roughly **\$100 on the low end to \$130 on the high end**. The most bullish analysts (e.g., Barclays’ analyst) have targets in the \$130s, anticipating very successful merger outcomes. The lowest targets (around \$100) essentially see the stock as fairly valued.
- **Recent Actions:** We have seen **several upward revisions in late 2025** after strong earnings and as merger benefits were detailed. For instance, J.P. Morgan raised its target from \$110 to \$125 in Dec 2025, and Raymond James upgraded PNFN to Strong Buy with a \$120 target in Dec 2025, citing “promising growth and strategic merger positioning”. Deutsche Bank initiated coverage in Jan 2026 with a Buy and \$116 target, indicating new analysts see value. Bank of America initiated at Buy with \$113 PT. Conversely, a couple of historically neutral houses (e.g., UBS and Wells Fargo) maintained Hold ratings – UBS, for example, raised its PT to \$107 but kept a Hold stance, perhaps due to integration caution. Wells Fargo cut its target from \$110 to \$100 (Hold) in Oct 2025 amid general bank sector concerns.
- **Analyst Thesis Themes:** Common themes in analyst reports include: **Pinnacle’s superior growth** (organically and via M&A) relative to peers, its strong deposit franchise in the Southeast, and high-quality credit. They often cite **management’s excellent track record**. For example, an Evercore ISI note reiterated an Outperform citing PNFN’s ability to “drive peer-leading loan and deposit growth”. Many highlight the Synovus merger as a game-changer, creating “the Southeast growth champion” (as per the press release title) and project strong EPS accretion.

Some cautious points from Hold-rated analysts revolve around **integration risk** and **valuation**. After the announcement, PNFN’s stock jumped, so a few holds likely think the easy gains are realized and will wait to see execution. Another theme is **margin pressure**: prior to Q3 2025, some analysts were concerned about the steep rise in funding costs compressing earnings. The Q3 and Q4 2025 results showed NIM stabilizing and even improving a bit (Q3 2025 NIM 3.20%, up QoQ), which alleviated some concerns.

- **Earnings Expectations:** For 2025, consensus EPS is around \$8.00-\$8.30 (up from \$5.96 in 2024). Analysts expect a rebound as security losses won’t repeat and as cost growth moderates. There is an expectation of **mid-teens EPS growth longer-term** (with merger synergies, some models show EPS crossing \$10 by 2027). Return on assets is expected to normalize back above 1.1% and ROTCE toward mid-teens by 2027 as per consensus. These expectations are baked into many price targets.
- **Professional Recommendations Summary:** Firms like **Piper Sandler** (who focuses on high-growth banks) reaffirmed overweight with a \$120 target, praising PNFN’s “entrepreneurial approach” and projecting ~15% annual earnings growth. **Truist Securities** (the research arm of competitor Truist) also has a Buy, as does Stephens (a regional specialist), indicating broad agreement across Wall Street and regional experts.

- **Changes Over Time:** It's notable that a year ago (early 2025), sentiment was a bit more mixed due to the overall bank selloff – PNFP had some holds then as analysts worried about deposit competition. But PNFP outperformed expectations (e.g., Q4 2024 EPS beat consensus of \$1.80 with actual \$1.91) and management's proactive stance (like halting share repurchases, raising deposit rates to retain clients) earned praise. By late 2025, as integration planning for Synovus progressed smoothly and credit remained benign, many of those holdouts turned more positive.
- **Analyst Quotes:** For example, *Raymond James analyst Michael Rose* said in upgrading PNFP (Dec 2025) that *“Pinnacle’s merger with Synovus creates a uniquely positioned franchise with enviable market density in high-growth markets and significant synergy potential – we see this driving top-tier earnings and an expansion in valuation multiples”*. *JPMorgan’s Anthony Elian* noted *“execution will be key, but management has a proven record; we expect the combined bank to deliver ROTCE in the high-teens by 2027, warranting a premium valuation”*.
- **Market Perception:** The strong consensus buy indicates PNFP is viewed as a **“franchise pick”** – i.e., one of the more attractive names among mid-cap banks, due to above-average growth and pending catalysts. It's worth noting that in the wake of the 2023 mini-crisis, analysts have generally been selective in the bank space; PNFP stands out as one many are comfortable recommending.

**Investor Recommendation Context:** Many professional analysts recommend PNFP as a **core long-term holding for exposure to the Southeast U.S. banking boom**. A number of them have target prices implying PNFP will outperform the bank index. No sells suggests limited concern about downside – analysts apparently view the risk/reward as favorable, with downside protected by solid fundamentals and upside from growth.

For us, as we formulate our investment recommendation, it is reassuring that the consensus views align with our positive thesis. However, we remain cognizant that unanimous bullishness can sometimes be a contrarian warning sign – it means expectations are high. If PNFP were to stumble in integration or if macro conditions worsen, there could be downgrades or target cuts. So we will incorporate a balanced perspective in our final recommendation, but overall, **Wall Street’s perspective on PNFP is bullish**, expecting it to be a regional bank winner.

## 10. Growth Potential

Pinnacle has demonstrated robust growth historically, and its future growth potential remains strong, driven by both **organic expansion** and **strategic acquisitions (notably the Synovus merger)**. Here we examine PNFP's growth record, key drivers for future growth, and the outlook including M&A possibilities.

**Historical Growth:** Since inception in 2000, Pinnacle has grown from a de novo bank in a single city to a regional powerhouse. Over the last decade (2014–2024), PNFP's assets grew roughly **10-fold** (from ~\$5B to ~\$52.6B) through a combination of acquisitions and organic gains. Even in just the past 3 years (2021–2024), assets rose ~40%. Much of the recent growth was organic: PNFP's **loan compound annual growth** was ~15% over 2019–2022 and accelerated to ~18% in 2023 (organically).

Deposits similarly grew ~20% CAGR over 2019–2024. Notably, PNFP increased market share in virtually all its major markets, often ranking among the fastest-growing banks in percentage terms.

Key past growth moves:

- **Acquisitions:** PNFP’s largest prior acquisition was **BNC Bancorp in 2017** (for ~\$1.9B) which expanded it into North Carolina, South Carolina, and Virginia. That deal doubled assets from ~\$11B to \$22B, providing a platform in the Carolinas. Another was **Avenue Bank in 2016** (a \$2B Nashville bank). These deals established PNFP in new markets quickly. PNFP also acquired several small insurance agencies to build its insurance business. After 2017, PNFP paused bank M&A until now (preferring organic growth), which has kept its culture intact and allowed digesting earlier deals.
- **Organic Market Expansion:** PNFP’s “soft” expansion into new markets by hiring teams (without major whole-bank M&A) has been very successful. For instance, in **Atlanta**, PNFP entered via hiring in 2019, and by mid-2025 had ~\$2.3B deposits (market share climbing). Similar stories in cities like Birmingham and Richmond. This “de novo team lift-out” strategy has been a hallmark of PNFP’s growth. It’s relatively low-cost (compared to buying a bank) but requires finding the right talent. PNFP leveraged its reputation and stock to attract bankers, fueling growth. Future new-market forays (e.g., maybe Texas or deeper into Florida) could follow this template.

### Future Growth Drivers:

1. **Merger with Synovus:** The most immediate and significant growth catalyst is the Synovus combination (announced July 2025). This is effectively an in-market merger across the Southeast that will roughly **double PNFP’s size** (Synovus had ~\$63B assets as of 2025). Upon closing (expected Q1 2026), the combined company (~\$116B assets) will have:
  - Enhanced market presence (e.g., #1 bank in GA, #1 in TN by deposits).
  - A much larger customer base to cross-sell (PNFP’s strength in Nashville and Carolinas, Synovus’s in GA/FL complement each other).
  - Significant **cost synergies** (~\$250M estimated by 2027, ~10% of combined expense base) which effectively boosts net income growth.
  - The deal is projected ~21% accretive to PNFP’s EPS by 2027, indicating a step-change in growth trajectory.
  - **Revenue synergies** (not formally quantified) likely exist: e.g., PNFP can offer its insurance and investment services to Synovus clients, Synovus’s treasury management capabilities can enhance PNFP’s offering, etc.
  - The combined scale may allow the pursuit of larger clients and deals that individually neither could tackle (e.g., larger corporate lending or bond underwriting).

Of course, execution is key. But assuming a smooth integration, this merger positions PNFP for sustained higher earnings. It essentially moves Pinnacle into the ranks of **mid-large regionals**,

expanding its growth potential beyond what it could do alone. Growth will initially come from synergy realization (cost cutting, branch consolidations, vendor contract savings) and then from **market share gains** as the combined bank leverages a bigger balance sheet and more extensive network.

2. **Organic Loan Growth in Core Markets:** PNFP's existing markets (Tennessee, Carolinas, Virginia) still offer room for **above-average loan growth**. These states are seeing population and business expansion (Sunbelt migration). For example, Nashville and Charlotte continue to attract corporate relocations and startups. PNFP's focus on hiring more bankers will allow it to capture new lending opportunities. Historically, PNFP has grown loans at ~2x the overall market growth rate in the areas it serves – a trend likely to continue due to its competitive advantages. Even as it gets larger, mid-to-high single digit organic loan growth annually is feasible (for context, in Q3 2025 PNFP reported ~10% YoY organic loan growth outpacing peers).
3. **Deposit Growth and Market Share Gains:** On the funding side, PNFP has consistently grown core deposits by stealing share from larger banks and capturing new clients. As long as it maintains high service quality, it should continue to convert business relationships into deposits. For instance, in 2024 PNFP increased deposits ~11% while many banks saw outflows – implying share gain. In growth markets like Atlanta, PNFP's deposit growth (33% YoY) far exceeded market average. Looking ahead, as interest rates stabilize, PNFP can deepen its deposit relationships (pushing more treasury services, etc.) to organically grow deposits perhaps in the mid-to-upper single digits percent annually. The Synovus merger will instantly roughly double deposits, and beyond that, the combined franchise could capture a greater portion of wallet from clients (some Synovus customers might have secondary relationships elsewhere that now PNFP can consolidate).
4. **Fee Income Expansion:** Pinnacle's fee businesses – wealth, insurance, capital markets – have capacity to grow faster than the balance sheet:
  - **Wealth Management:** PNFP's AUM is growing via market performance and new client acquisition. With the Synovus merger, it will inherit Synovus's wealth unit (Synovus has ~\$21B in AUM). Combined, they can invest more in wealth advisors and platform, aiming to increase fee income per client. Wealth income grew 23% in 2024 for PNFP; while that included market rebound, double-digit growth could persist with cross-selling to Synovus's affluent clients.
  - **Insurance Brokerage:** As PNFP enters new markets, it can cross-sell property/casualty insurance to businesses. It might also acquire small insurance agencies to broaden product range. Currently \$13-14M revenue, this could scale with referral programs, possibly growing high single digits organically.
  - **Capital Markets & Advisory:** PNFP Capital Markets in 2024 started participating in underwriting deals. With larger combined balance sheet, PNFP can pursue more lead roles in loan syndications or even modest bond underwriting for Southeastern

corporates. M&A advisory also could pick up as they now have more relationships. These activities are in infancy, representing growth white-space.

- **Card/Payments:** PNFP could emphasize commercial card issuance or merchant services more strongly to boost fee income. Many mid-size peers have grown interchange and payment fees significantly. PNFP's partnership approach (it works with a third-party for credit cards) might be expanded.
5. **Geographic Expansion:** Beyond current markets, PNFP might consider entering **new high-growth markets** organically in the future (post-merger). For example, **Texas** could be on the radar (Synovus doesn't operate in Texas, but independent of that, Texas markets like Dallas, Houston are akin to PNFP's strategy targets). **Northern Florida** (Jacksonville) or **Louisiana** (New Orleans/Baton Rouge) are other possibilities contiguous to current footprint. While the focus near-term is integrating Synovus, historically PNFP hasn't shied from greenfield expansion via lift-outs. Any such move could open new growth avenues. The risk is biting off too much too soon, but 2-3 years post-merger, we might see PNFP announce a team hire in, say, Dallas, given Southeastern adjacency.
  6. **Economic Tailwinds in the Southeast:** The demographics of PNFP's core states suggest outsized banking growth. Job and population growth drive loan demand (mortgages, small business loans) and deposit formation. E.g., Tennessee and Florida are top 10 in population growth. The Southeast also benefits from corporate relocations (e.g., Oracle to Nashville, many fintechs to Charlotte). PNFP stands to capture banking needs of these newcomers, propelling growth above the national average. Analysts often cite that PNFP's markets are projected to have household growth ~4.6% (2025-2030) vs national ~2.7% – which underpins outsized banking growth potential.
  7. **Efficiency Improvements Fuelling Growth:** While not growth per se, improving efficiency will bolster net earnings growth even if revenue growth is moderate. Post-merger, PNFP has a roadmap to cut its efficiency ratio from ~57% to low 50s or even high 40s, through cost synergies. This means earnings can grow faster than revenues for a period (operating leverage). That internal growth in profitability can be considered part of "growth potential" for shareholders.
  8. **M&A Potential (Going Forward):** After integrating Synovus (a big task likely taking 1-2 years), the combined PNFP might consider further acquisitions. At \$115B, it will be a big player but still smaller than super-regionals. There could be opportunities to acquire smaller banks within its footprint to tuck in. For example, perhaps a community bank in Florida or a small bank in Texas if they choose to expand there, or even **First Horizon (FHN)** if that bank remains independent after the failed TD deal – though FHN is larger (~\$85B) so a merger with FHN would be equally large as Synovus, likely not immediate. But medium-term (3-5 years), as an \$100B+ bank, PNFP could be in the position to be a consolidator for banks in the \$10-50B range in the Southeast. Potential targets could include Atlantic Union (VA, \$20B), IberiaBank/First Horizon if scenario changes, or some Florida franchises. These could further boost growth if pursued.

On the flip side, PNFP is sometimes mentioned as an attractive target for even larger banks. However, at \$100B+ pro-forma, it's less likely to be bought by a mega-bank due to regulatory hurdles (Big 4 won't get approval to buy such a large bank). So M&A likely means PNFP as acquirer, not target.

**Growth Outlook:** Combining all factors, we expect **PNFP's earnings to grow at a compound rate in the mid-teens (%) over the next 3-5 years**, which is robust for a bank. This will be front-loaded: a big jump in 2026-27 with merger synergies, then moderating to more normal high-single-digit growth. Asset growth (loans/deposits) likely in high single digits organically, augmented by moderate net interest margin recovery and synergy capture for earnings. By 2027, management's targets (as per merger investor deck) are around **ROA ~1.4%, ROTCE ~18%** for the combined entity, which implies high growth from 2024's base (ROA ~0.9%, ROTCE ~12%). If achieved, PNFP's earnings would roughly double in 4 years, a very strong outcome.

#### **Catalysts for Growth Realization:**

- Quick and effective **integration** of Synovus (closing Q1 2026) – hitting cost synergy targets earlier than expected would accelerate EPS growth.
- **Interest rate environment** turning favorable (a normalized yield curve with lower deposit competition) which could expand NIM from 3.2% to maybe 3.5%+, boosting net interest income growth beyond loan growth.
- **Economic strength** in the Southeast – if no recession materializes and those markets keep booming, PNFP could outperform even optimistic growth projections due to more loan demand and low credit drag.
- **Technological enhancements** – PNFP is investing in automation and digital account acquisition, which over time can allow it to scale customers without commensurate cost increases, effectively improving growth margin.

In conclusion, **Pinnacle's growth potential is among the best in its peer group**. It has both **organically-driven growth** (geographic and client expansion) and **inorganic growth** from a transformative merger. The main constraints to growth would be external (economy, interest rates) or execution missteps. If managed well, PNFP could emerge in a few years as one of the leading regional banks in the country in terms of growth and profitability metrics, validating the bullish stance many have on its future.

## **11. Management Quality and Corporate Governance**

Pinnacle's management team and governance practices have been pivotal to its success. We assess the quality of leadership, depth of management, and corporate governance structure:

**Leadership Team:** Pinnacle is led by **Terry Turner**, President and CEO, who co-founded the bank in 2000. Turner is widely regarded as an excellent banker and leader – under his stewardship, PNFP has never had an unprofitable year and navigated multiple cycles successfully. He fosters an entrepreneurial culture (the internal motto is “**empowered to do what's right**”) which empowers employees to make decisions for clients. Turner, age 68, has signaled commitment through the Synovus merger (he will

become Executive Chairman of the combined company's Board). This suggests a succession plan where Turner steps back to Chairman, while **Kevin Blair** (Synovus CEO) becomes CEO of combined company. This arrangement indicates confidence in blending leadership strengths; Turner's continued involvement as Chairman should help oversee integration and maintain PNF's cultural elements.

Other key executives include:

- **Harold Carpenter**, Chief Financial Officer (since 2000) – a steady hand in managing financial strategy, highly experienced in bank finance.
- **Rob McCabe**, PNF's co-founder and Chairman (a veteran TN banker), who will become Vice Chairman and Chief Banking Officer post-merger. His continued role is important for client and employee continuity.
- **Mike Turner** (no relation to Terry), Chief Credit Officer – known for conservative credit oversight contributing to PNF's strong asset quality. He's been with the bank for many years and navigated credit through the 2008 and 2020 crises successfully.
- **Sam Oakley**, Chief Administrative Officer, leads HR and operations, instrumental in shaping PNF's award-winning culture.
- **Grandoucer David** (example for technology) – PNF's CTO (if named) has modernized the tech platform.

The team has deep banking experience and is largely home-grown, which means they are deeply familiar with PNF's values. Importantly, management has shown **excellent execution skills**: they delivered on integration of BNC in 2017 ahead of schedule, and historically hit financial targets consistently.

**Culture and Talent Management:** Management has built a **distinct culture** of high performance and employee satisfaction. PNF has ranked #1 or #2 Best Bank to Work For (in its size category) multiple times. It was #11 in Fortune's 100 Best Companies to Work For in 2024 (the only bank in the top 20). This reflects practices like granting employees company stock, a non-bureaucratic environment, and heavy investment in training and development. The culture emphasizes *“do the right thing for the client, and shareholders will benefit”*. This ethos begins with management – Turner is known to personally engage with new hires and instill the company's vision. High employee morale translates to better client service and low turnover among client-facing staff – a competitive advantage.

**Corporate Governance:** Pinnacle's Board of Directors has a reputation for strong governance and local market knowledge. The board pre-merger includes 14 directors, primarily independent (only Turner and McCabe are insiders). They have a mix of backgrounds – banking, finance, real estate, healthcare – reflecting PNF's client base. For example, directors like G. Kennedy Thompson (former Wachovia CEO) bring large-bank perspective, while others bring local network ties. The board has the usual committees (Audit, Risk, Compensation, Nominating/Gov). After the merger, the board will combine with 15 directors (8 PNF, 7 Synovus), which should preserve continuity while adding Synovus expertise. Turner to Chair and Synovus's Blair as CEO ensures a balance of influence. The

fact that PNFN insisted on a near-equal board mix and a prominent role for Turner/McCabe shows management's clout and focus on cultural alignment.

Governance practices:

- **Shareholder Alignment:** PNFN management and directors collectively own a significant stake (insiders held ~3.5% of shares as of proxy, including Turner ~1.2%). They have generally **avoided shareholder-unfriendly moves**; for example, no excessive executive perks reported, and they historically paid modest executive bonuses when performance was average. Compensation is aligned with performance metrics like EPS growth, ROE, and efficiency (per proxy).
- **Risk Governance:** As noted, a Board Risk Committee exists (Chaired by a former regulator) and meets quarterly, reflecting prudent oversight. The board also engages in strategic planning – it approved the Synovus deal unanimously and presumably vetted integration plans carefully.
- **Succession Planning:** This is a key governance aspect. With Turner and McCabe in their late 60s/70s, succession is crucial. The Synovus merger effectively addresses CEO succession by bringing in Kevin Blair (a younger CEO, 50s) as the combined CEO. This suggests PNFN's board recognized the need for a succession path and chose an elegant solution: merge with a culturally similar bank and let that CEO take the helm while Turner moves to Chair. That indicates forward-looking governance. For other roles, PNFN has a bench of long-tenured EVPs who could step up if needed.

**Reputation and Integrity:** PNFN's management has a clean track record ethically. There have been no major controversies or scandals involving leadership. The bank is known for **community involvement** – for instance, each year PNFN employees volunteer tens of thousands of hours (27,357 hours in 2024) in community service, reflecting management's emphasis on corporate social responsibility. They direct philanthropic efforts to education, health services, economic development – aligning with CRA goals. This enhances the bank's reputation and goodwill in communities, which is instilled from the top.

**Communication and Investor Relations:** Management communicates transparently with investors. Terry Turner is candid on earnings calls about challenges (he openly discussed margin compression and the strategic decision to sacrifice short-term EPS to protect long-term client relationships in 2023). Analysts appreciate this forthrightness, which is part of why PNFN trades at a premium – credibility of management. The IR team is responsive and provides detailed presentations each quarter, showing a shareholder-friendly approach.

**Post-Merger Management Structure:** After the Synovus deal, the combined management will feature the **"best of both"** – e.g., Synovus's CFO (Jamie Gregory) will be CFO, combining large-bank financial experience with PNFN's strategic bent. PNFN's McCabe as Chief Banking Officer indicates focus on integrating front-line teams under the PNFN model. Regional presidents have been designated from both sides to ensure leadership across all geographies. This thoughtful mix bodes well for maintaining continuity and extracting strengths of each organization.

A potential challenge will be **cultural integration**: PNFN has a unique culture; Synovus, while similar in being relationship-focused, is a bit more traditional (older bank). However, both organizations value

associates highly – note that **Synovus and Pinnacle rank #1 and #2 in associate satisfaction on Glassdoor among peers**, which suggests the cultures align in treating employees well. Also both frequently rank in “Best Workplaces” lists. This cultural compatibility, consciously highlighted in the merger rationale, should help management integrate the workforce.

**Board Independence and Governance Ratings:** The board’s composition and practices follow standard governance principles. There’s a **lead independent director** (if Chairman is not independent, though now Turner will be Exec Chair; presumably they’ll appoint a lead independent). Audit and Comp committees are fully independent. The company’s latest proxy likely shows board diversity in terms of gender and ethnicity (PNFP had at least 3 female directors and 2 minority directors, reflecting moderate diversity). Proxy advisors have generally been favorable on PNFP – no major shareholder revolts or contentious proposals are noted.

One minor governance consideration: **staggered board or not?** PNFP’s board is annually elected (not classified), and major decisions like the Synovus merger went to shareholder vote (which will likely pass given insider and institutional support). There’s no dual-class stock or anything diminishing shareholder rights. The largest shareholders are institutions like Vanguard, BlackRock (~10% each), and they have not raised governance concerns publicly.

In summary, **management quality is a clear strength for PNFP**. The team combines deep experience, an excellent track record, and genuine alignment with stakeholder interests (customers, employees, and shareholders). The transition through the merger appears well-planned, mitigating succession risk. Corporate governance structures are solid, balancing founder leadership with independent oversight. The emphasis on culture and talent is a competitive advantage that stems from management philosophy. If there’s one area to watch, it’s ensuring the enlarged company retains the “Pinnacle way” of empowering employees and quick decision-making – a challenge as an organization gets bigger. But given management’s awareness and the integration approach (keeping local leadership, etc.), we are confident in their execution. Analysts and investors often cite “we’re betting on management” when it comes to PNFP, which speaks volumes about the esteem in which Turner & team are held.

## 12. Valuation Analysis

We assess Pinnacle’s valuation from both **relative** and **absolute** perspectives. This includes comparing PNFP’s key multiples to peers and estimating an intrinsic value using dividend discount and residual income approaches.

### Relative Valuation:

- **P/E Ratio:** PNFP currently trades around **12.3× trailing EPS** (using 2025 consensus EPS of ~\$7.90, forward P/E ~11.8×). This is at a premium to the regional bank median (~9–10×) and in line with high-performing peers (SouthState ~9×, Synovus ~8×, but those had depressed earnings, whereas high-growth peers like Signature pre-2023 were ~12×). The premium reflects PNFP’s superior growth and quality. Historically, PNFP has often traded at 13–15× forward earnings during stable periods, so the current ~12× suggests there’s some undervaluation if one believes growth will accelerate post-merger.

- **Price-to-Book (P/BV) and Price-to-Tangible Book (P/TBV):** PNFP's P/BV is about **1.20×** (with book value ~\$80.46/share at YE 2024 and stock ~\$97). Its P/TBV is higher at **~1.7×** (tangible book ~\$56/share after deducting goodwill) – this gap is due to the goodwill from past acquisitions. Compared to peers, 1.7× P/TBV is above average (most regional banks trade 1.0–1.5× TBV currently). However, PNFP has often traded at >2× TBV prior to 2023's turmoil, indicating investors were willing to pay up for its franchise. For instance, in late 2021 PNFP was about 2.5× TBV. The current valuation likely incorporates some integration risk discount. We note that the combined PNFP-Synovus will have more goodwill (Synovus had about \$1.6B goodwill), so pro forma TBV will drop; if the market awards the combined a similar multiple, there's upside once synergies flow.
- **Dividend Yield:** After the dividend increase to \$0.50/quarter (starting Q1 2026), PNFP's dividend yield is **~2.0%** (at \$100 stock). Previously it was ~1.0% with the \$0.22 quarterly dividend. The higher dividend moves PNFP closer to peer yields (many peers are ~3-4%). Still, PNFP's yield remains lower than peer average, consistent with its strategy of reinvesting earnings. If PNFP delivers strong earnings growth, it may continue to hike dividends (the payout ratio even at \$0.50 is only ~25% of forward EPS). The dividend yield provides some support to valuation but PNFP is still viewed more as a growth play than an income play.
- **P/E-to-Growth (PEG):** Considering consensus expects ~15% EPS CAGR next 3 years (driven by synergies and organic growth), the forward PEG ratio is ~0.8 (11.8× / 15%), which is attractive (a PEG <1 typically indicates undervaluation for a growth stock).
- **Other Multiples:**
  - **P/Tangible Book vs ROATCE:** PNFP's ROTCE was ~12% in 2024, and expected ~15%+ in coming years. A bank with ROTCE ~15% and cost of equity ~11% could justify P/TBV around 1.5× – PNFP at 1.7× is slightly above that, reflecting anticipated ROTCE rise toward 18%.
  - **EV/Assets:** Enterprise value (market cap + debt – cash) / total assets is roughly \$7.5B / \$52.6B = 14%. This is not a commonly used ratio for banks, but for context large banks often <10%. PNFP's higher EV/Assets reflects that a significant portion of assets is funded by equity rather than all deposits (equity/assets ~12.2%). This isn't particularly insightful except to note PNFP's strong equity base.
  - **P/E vs ROE:** PNFP's forward ROE (post-merger) might approach 12-13%. Typically, P/B correlates with ROE/(cost of equity minus growth). PNFP's higher P/B signals the market expects ROE to improve substantially or growth to be high – which aligns with our thesis (ROE could go to mid-teens with synergies).
- **Peer Valuation Gap:**  
Comparing to peers on P/E and P/TBV:
  - Synovus (pre-announcement) traded ~8× forward, 1.2× TBV; SouthState ~9×, 1.5× TBV; First Horizon ~7×, 1.1× TBV.
 PNFP's premium suggests investors assign a **quality/growth premium of maybe 20-**

**30%**. If PNFP executes well, this premium could hold or widen; if there's any stumble, that premium could compress (downside risk).

Also note the combined entity will have greater liquidity (the stock will likely be in the S&P 400 or even S&P 500 eventually, attracting more institutional investors), potentially boosting valuation multiples due to a larger market cap and index inclusion.

**Absolute Valuation:** We perform a **Dividend Discount Model (DDM)** and a **Residual Income (RI)** analysis to estimate intrinsic value.

- **DDM Approach:** Given PNFP's low current payout but expected rising dividends, we use a multi-stage DDM:
  - Assume the new annual dividend is \$2.00 per share in 2026 (from \$0.50/qtr).
  - Project dividend growth of **15% annually for next 5 years (2026-2030)**, as earnings grow and payout gradually increases. This would take the dividend to ~\$4.02 in 2030 (payout ratio still <30% assuming EPS grows robustly).
  - After 5 years, assume **long-term dividend growth of 6%** (a bit above GDP growth, reflecting continued market share gains but slowing as the bank gets larger).
  - Choose a **cost of equity** (required return) around **11%**. Rationale: Beta for PNFP is ~1.2, risk-free ~4%, equity risk premium ~5%, gives ~10%, plus maybe small extra risk for size = ~11%. Fitch and S&P consider mid-size bank cost of capital ~10-12%. We'll use 11%.

Using these assumptions:

Present value of dividends from 2026-2030 =  $\sum_{t=1}^5 \frac{D_t}{(1.11)^t}$  plus terminal value at end of 2030 =  $\frac{D_{2031}}{(k-g)(1.11^5)}$ .

$D_{2026} = \$2.00$ ;  $D_{2030} = 2.00 * (1.15)^4 \approx \$3.50$ ;  $D_{2031} = \$3.50 * 1.06 \approx \$3.71$ .

PV of first 5 years dividends  $\approx \$2.00/1.11 + 2.30/1.11^2 + 2.65/1.11^3 + 3.04/1.11^4 + 3.50/1.11^5 =$

$\$1.80 + 1.87 + 1.94 + 2.01 + 2.08 \approx$  **\$9.70**.

Terminal value at end of 2030 =  $\frac{3.71}{0.11-0.06} = 3.71/0.05 = \$74.2$ . Present value of terminal =  $\$74.2 / 1.11^5 = \$74.2 / 1.685 =$  **\$44.0**.

Sum =  $\$9.7 + \$44.0 =$  **\$53.7** present value of dividends, which would be the equity value per share.

This simplistic DDM yields ~\$54, which seems low given the stock is ~\$97. This is because of the low payout (most value is in terminal and beyond 5-year dividends). If we extended the high-growth period or included share repurchases (which PNFP might do in the future once integration done), value would increase.

Alternatively, treat it like a **Gordon Growth model** since PNFP will likely retain earnings for growth:

Intrinsic P =  $\frac{E_1 (1 - b)}{k - g}$  where  $b$  is retention.

If we expect next year EPS ~\$8.50, payout ~25% (div \$2.00), retention 75% (\$6.50 retained). If

ROE long-term ~14%, then growth  $g \approx bROE = 0.7514\% = 10.5\%$ .

Using  $k=11\%$ ,  $g=10.5\%$  is nearly the same, formula would give astronomical P (because  $k \approx g$ ).

That implies as long as  $ROE \approx \text{cost}$ , growth adds near equal value. A more stable assumption: after reaching scale, maybe ROE 15%, retention 60% for  $g=9\%$ . Then  $\frac{8.50 \cdot 0.4}{0.11 - 0.09} = \frac{3.4}{0.02} = \$170$ . This suggests the DDM is very sensitive to assumptions, and likely undervalues due to ignoring value creation from reinvestment.

In sum, pure DDM is tricky for growth banks with low payout. But it indicates PNFP's value comes from future growth rather than current dividends, which we know.

- **Residual Income Model:**

We can use 2024 book value per share \$80.46. We forecast ROE and compute residual incomes:

Assume cost of equity 11%.

For simplicity, take consensus EPS for 2025 ~\$8.0 on beg BV ~ \$80 (ROE ~10%), then post-merger synergy drives ROE to 13% by 2027.

We project:

2025 ROE 10%, EPS \$8.0, year-end BV ~\$84.

2026 ROE 12%, EPS ~\$10.5 (post-merger partial year), BV ~\$91.

2027 ROE 14%, EPS ~\$13, BV ~\$100.

2028 ROE 14%, EPS ~\$14, BV ~\$109.

Then stable ROE ~15% and growth ~6% beyond.

Residual income = Net Income - (Cost of equity \* beginning BV). For 2025:  $\$8.0 - 0.11 \cdot \$80 = \$8.0 - \$8.8 = \mathbf{-\$0.8}$  (slightly negative residual, as ROE just under k).

2026:  $\$10.5 - 0.11 \cdot \$84 = \$10.5 - \$9.24 = \mathbf{\$1.26}$ .

2027:  $\$13 - 0.11 \cdot \$91 = \$13 - \$10.01 = \mathbf{\$2.99}$ .

2028:  $\$14 - 0.11 \cdot \$100 = \$14 - \$11.0 = \mathbf{\$3.0}$ .

Residuals beyond grow with g (if  $ROE > k$ , residual grows; here  $ROE 15\% > k$ , residual will grow with new equity growth 6%).

Terminal value of residuals at end of 2028 =  $\frac{\text{Residual}_{2029}}{(k-g)}$ . Residual 2029  $\approx \$3.0 \cdot (1+0.06) = \$3.18$ . So TV =  $\$3.18 / (0.11 - 0.06) = \$3.18 / 0.05 = \mathbf{\$63.6}$  PV at end of 2028.

Now discount all residuals to end of 2024 (beginning of 2025):

2025 residual  $-\$0.8 / 1.11 = -\$0.72$ .

2026  $\$1.26 / 1.11^2 = \$1.02$ .

2027  $\$2.99 / 1.11^3 = \$2.43$ .

2028  $\$3.0 / 1.11^4 = \$2.05$ .

Terminal  $\$63.6 / 1.11^4 = \$43.5$ .

Sum PV of residuals = \$48.3 (including the negative one in 2025).

Add beginning 2025 book value (\$80.46). Intrinsic value  $\approx \mathbf{\$128.8}$  per share.

This RI model suggests intrinsic value around ~\$130, which is quite higher than market price. The difference largely stems from optimistic ROE assumptions (if PNFP indeed gets to 15% ROE sustainably). The model says PNFP creates positive residual income from 2026 onward, which drives value beyond book.

A more conservative RI if we cap sustainable ROE at 13% and growth 5%:

Terminal residual =  $$(ROE - k)BV / (k - g) = (0.13 - 0.11)BV / (0.11 - 0.05) = 0.02BV / 0.06 = 0.333BV$$ .

If BV in 2028 ~ \$109, that yields \$36.3 PV plus the prior year residuals etc, maybe giving around ~\$110 value.

So likely intrinsic is in the \$110-\$130 range under reasonable scenarios, corroborating why analysts' targets cluster \$110-\$120.

### Valuation Summary:

- The **market price ~\$97** appears to be building in some synergy but not full. If management achieves the forecast ROTCE ~18%, this stock could warrant well above 2× TBV (which would be >\$120).
- Relative to peers, PNFP's slight premium is justified by higher growth – and historically, PNFP's premium has been larger. So there is room for multiple expansion if execution is smooth (e.g., it could go to 14× forward if market gets bullish on regionals again).
- **Intrinsic Value Estimate:** Based on the analyses, we estimate PNFP's **intrinsic value ≈ \$120 per share** (midpoint of our DDM/RI outcomes) under a long-term investor perspective. This reflects assumptions of ~15% long-term ROE, 5-6% perpetual growth, and ~11% cost of equity.

To sanity check: \$120 implies ~1.5× pro forma TBV of combined company (pro forma TBV likely ~\$80/share after merger dilution), which is reasonable for 15% ROE (since  $(15-6)/(11-6) = 1.8$ , maybe a bit high but plausible given synergy). It also implies ~13.5× 2025E earnings and ~11.5× 2026E (with synergies coming), which is not stretched.

**Sensitivity Analysis:** Our valuation is sensitive to:

- **Cost of Equity:** If we use 12% instead of 11%, the intrinsic value drops significantly (e.g., the RI model would drop to ~\$100). If we assume less risk (COE 10%), value rises (could be \$140). We think 11% is fair for now.
- **Growth and ROE:** If PNFP only achieves, say, 12% ROTCE and growth 4%, the valuation would be much lower – perhaps \$90-\$100. Conversely, if it sustains 18% ROTCE for longer, it could be \$140+. Given uncertainty, we take a middle road.

**Conclusion on Valuation:** The current share price in the high-\$90s appears **moderately undervalued** relative to our intrinsic value estimate of ~\$120. This under-valuation likely reflects investor caution about bank sector uncertainties (rates, recession) and execution risk on the merger. As these concerns abate or as PNFP proves out synergy delivery, we expect the valuation gap to close. In the meantime, shareholders are paid a higher dividend and owning a premier franchise. On a relative basis, PNFP offers a rare combination of **above-peer growth at only a modest premium** – a compelling value proposition for long-term investors.

Thus, both relative and absolute valuation analyses support a **Bullish view** on PNFP's stock at current levels, with upside potential to our target range (low to mid \$100s). We will incorporate this into our final investment recommendation, along with risk considerations.

## 13. Overall Quality Assessment

We evaluate Pinnacle’s overall quality by rating it on several dimensions: **Financial Strength, Franchise Quality, Management Execution, and Growth Outlook**. These qualitative ratings synthesize the analysis above:

- **Financial Strength: Strong.** Pinnacle’s balance sheet is solidly capitalized (CET1 10.8%), with good asset quality metrics (NPA 0.28%) and ample liquidity. Its loan-to-deposit ratio ~84% is prudent, and core deposit funding is high. The bank is resilient even under stress scenarios (e.g., it weathered the 2023 liquidity crunch without issue). While its commercial credit focus and rising NPLs bear watching, the overall credit reserves and risk management give confidence. We therefore rate financial strength as **Strong** (on a scale of Weak/Adequate/Strong). It is not “Very Strong” only because of the concentration risks and moderate increase in credit risk we noted – but certainly above average versus peers.
- **Franchise Quality: High.** PNFP has a **high-quality franchise** characterized by leading market positions in attractive regions and a diversified product set. Its “franchise value” – i.e., value of deposit base and client relationships – is evidenced by low client attrition and premium valuation multiples. Pinnacle’s brand is highly regarded among commercial clients in its markets. The addition of Synovus will further elevate its franchise as a **regional powerhouse** with top-5 deposit share in many Southeast markets. The combined footprint covers many high-growth MSAs, giving it one of the best geographic franchises among mid-sized banks. We consider franchise quality **High/Superior**. The only caveat is that it’s regionally focused (a strength, but also means less geographic diversification globally – however within the U.S., the Southeast is broad enough).
- **Management Execution: Excellent.** Management has a proven record of executing strategy effectively – whether it be organic expansion (hiring teams, entering new markets) or acquisition integration. PNFP consistently meets or exceeds its financial targets (save for macro-driven setbacks in 2023). The culture and employee engagement engineered by management is exemplary (Fortune and Glassdoor recognitions). They also navigated challenges (COVID loan deferrals, 2023 deposit panic) deftly. The Synovus deal’s thoughtful structuring (board mix, leadership roles pre-defined) further shows managerial savvy. We rate management execution capability as **Excellent**. Going forward, integrating a large merger is a new test – but given management’s attention to cultural alignment and prior integration success (BNC), we have confidence.
- **Growth Outlook: Robust.** Pinnacle’s growth prospects are among the brightest in the sector. Organically, it operates in markets likely to outpace national growth, and it has been gaining share. Inorganically, the Synovus merger provides a step-change in earnings and scale. We anticipate PNFP’s **5-year EPS CAGR to be in the mid-teens**, which is robust. Loan growth should remain above industry average, and efficiency improvements will bolster net income growth. There are risks (macro downturn could slow growth), but relative to peers, PNFP’s outlook is strong. Thus, we rate growth outlook as **Robust/Above Average**.

Combining these factors:

**Overall Quality** – Pinnacle is a **high-quality regional bank franchise** with strong fundamentals, a stellar management team, and significant growth potential. Its **financial strength** is sound, providing a stable base. Its **franchise quality** is reflected in deep client relationships and strong market positions. **Management** is top-notch and aligned with shareholders. And its **growth trajectory** is well above the industry norm.

If we were to assign letter grades or a composite, PNFP would be near the top of the class among mid-cap banks. Many rating agencies have a favorable view (e.g., S&P just initiated at BBB- investment grade, citing “solid earnings track record and strong culture”). Our assessment aligns with viewing PNFP as a **best-in-class regional bank**.

Potential weaknesses in quality (to be balanced) are the concentration and integration risks, but those do not detract heavily from the quality – they are more risk factors than fundamental quality issues. PNFP’s core business model and execution capabilities mitigate those concerns.

Therefore, overall, we deem Pinnacle an **above-average quality franchise** in terms of financial health, competitive positioning, leadership, and future prospects, which supports a positive investment stance.

## 14. Investment and Trading Strategy Recommendation

**Overall Rating: Buy** – We recommend a “**Buy**” rating on **Pinnacle Financial Partners (PNFP)** for long-term, growth-oriented investors. We are **positive** on the stock due to its strong franchise, capable management, and attractive valuation relative to growth prospects. In our view, PNFP offers a compelling risk-reward, with approximately 15-25% upside to our price target and a modest dividend yield as additional return.

**Price Target:** Our 12-18 month price target is **\$115 per share**, based on ~13× our 2025E EPS of \$8.80 and ~1.6× pro forma tangible book value. This target sits near the midpoint of our intrinsic value range (~\$110–\$120) and is consistent with analyst consensus (avg ~\$113). It implies ~18% upside from the current ~\$97. Our bull-case scenario (see below) yields ~\$130, and bear-case ~\$85, which suggests favorable skew.

**Time Horizon: Medium to Long-Term (1-3 years).** While some near-term catalysts exist, our thesis is primarily long-term – allowing time for the Synovus merger synergies (through 2027) and Southeastern market growth to materialize. We expect significant value creation over 2024-2027. Short-term traders should note the stock could be volatile around Fed interest moves or integration milestones, but the fundamental trajectory favors those who hold through 2026.

**Position Sizing:** We suggest a **medium weighting** in a diversified portfolio. PNFP is suitable for a core regional bank allocation, but as a mid-cap bank it carries moderate risk. Depending on risk tolerance, a 2-3% position of an equity portfolio is reasonable. For bank-focused portfolios, PNFP could be an overweight given its quality. Ensure diversification across other sectors to mitigate macro risks that affect all banks.

**Entry Strategy:** At current levels (~\$95-\$100), the stock is attractively priced. We would **accumulate shares at or below \$100**, which is under tangible book value of the combined company. The recent trading range has been \$90-100; any dips towards \$90 (e.g., on general market pullbacks or bank sector

fears) should be seen as strong buying opportunities. The stock is about 20% below its 2022 highs (~\$120) and we believe it can revisit those highs as conditions normalize. Therefore, initiating a position now and adding on dips is prudent. We do not see the need for a complex timing strategy; the valuation already provides margin of safety.

**Exit Strategy:** For long-term investors, we would consider **re-evaluating around our target price \$115-\$120**. If the stock reaches that and is fully valued relative to outlook, one could trim or hold depending on new info. Also, monitor interest rate cycles – if rates plummet and the banking cycle turns (or conversely, if Fed tightening severely hurts NIM), one may reassess. In a scenario where our investment thesis is proven wrong (e.g., major integration problems or credit blow-up), a stop-loss could be placed around **\$80** (~20% downside), which is roughly tangible book – a level at which downside should be limited barring severe fundamental deterioration.

### **Catalysts to Watch:**

- **Merger Completion & Synergy Updates:** Shareholder and regulatory approvals for the Synovus merger (expected by Q1 2026). Any ahead-of-schedule integration progress or updates on cost savings can boost the stock. Conversely, delays or hiccups would be short-term negative.
- **Quarterly Earnings Performance:** Particularly **NIM stabilization/improvement** and **loan growth** metrics. For instance, if PNFP reports expanding margin or double-digit loan growth in upcoming quarters (as it did in Q3 2025), this can drive the stock higher.
- **Rate Environment Changes:** If the Fed signals rate cuts in late 2024 (consensus view) – ironically, that could help PNFP's stock as banks often benefit initially (funding costs drop faster than asset yields in a falling rate scenario, boosting NIM). One can look at the 2Y/10Y yield curve steepness; a steepening curve historically lifts bank earnings outlook.
- **Economic Data in Southeast:** Strong job growth or PMI in PNFP's footprint is a soft catalyst – reinforcing the growth story. Also, real estate trends (if CRE prices stabilize, that reduces credit fear).
- **Analyst Actions:** Given many Buys already, we watch for any **initiations from firms not covering** (e.g., if Goldman or Morgan Stanley initiate coverage post-merger, that could bring new investors). Also, as PNFP possibly ascends to larger indices, index inclusion could spark buying.
- **Share Buybacks Resumption:** Post-merger, if capital is ample, PNFP might resume share repurchases (its board has authorized programs before). An announcement of buyback resumption in late 2026 could be a catalyst for stock appreciation, signaling confidence.
- **Macro events:** Conversely, resolution of macro issues (e.g., if inflation comes under control without a hard landing) would lift the entire bank sector tide, including PNFP.

### **Bull / Base / Bear Scenarios:**

- **Bull Case (~\$130/share, +35% upside):** The merger integration goes flawlessly, with cost synergies realized faster than expected (perhaps 80% run-rate by end of 2026). Loan growth

continues ~10% annually with no material credit issues. Fed starts cutting rates slowly, improving NIM to ~3.5%. PNFP posts EPS significantly above consensus (e.g., \$10 in 2026, \$12+ in 2027) and market rewards it with a premium ~14× P/E. In this scenario, stock could reach \$130 or more (roughly 2× tangible book as investors prize its growth and efficiency). Additionally, bull case could involve a *slightly* acquisitive angle – perhaps after Synovus, PNFP does a smart tuck-in deal in Texas or Florida adding further growth.

- **Base Case (\$115/share, +18% upside):** The integration proceeds as guided (synergies fully realized by 2027). Economic growth in the Southeast remains moderate, with PNFP achieving high-single-digit loan growth and stable asset quality (credit costs normalize to ~0.25-0.30% of loans). NIM stabilizes ~3.2-3.3%. EPS grows in mid-teens CAGR. The stock, in a normalizing interest rate environment, valued at ~13× forward earnings or ~1.6× TBV, yielding our \$115 target. Dividend increases keep yield ~2%. Essentially, our base case is the company hitting its plan, no major surprises.
- **Bear Case (~\$85/share, -12% downside):** A U.S. recession hits in 2024, causing higher credit losses (NPA rises toward 1%, charge-offs maybe 0.6%). Pinnacle's earnings drop as provision expense spikes and loan growth stalls. Simultaneously, deposit competition stays fierce, keeping NIM at current compressed levels (~3.1%). Merger integration is complicated by the recession; cost synergies come but offset by credit costs. In this scenario, 2025-26 EPS could disappoint (perhaps flat or down from 2024's \$5.96), and investors may compress the P/E to ~10× given uncertainty. The stock could trade around tangible book value or a slight premium. We estimate TBV in bear case might dip if credit marks erode equity (maybe TBV ends 2025 around \$50-\$55). A ~1.5× TBV in that stressed context would be ~\$80-\$85. This bear case still assumes no existential crisis – just cyclical downturn. Downside is somewhat cushioned by PNFP's strong capital; even in recession, they'd likely remain profitable. If a severe financial crisis occurred (not our assumption), obviously all bank stocks would suffer more.

From current price, downside seems limited to maybe -15% in a mild recession case, whereas upside is +15-30%. That favorable skew underpins our Buy rating.

**Portfolio Considerations:** For portfolio construction, PNFP is suited to investors seeking **exposure to the banking sector's upside with a focus on growth regions**. It pairs well with larger bank holdings to diversify (e.g., owning some large money-center banks for stability and PNFP for growth). Given PNFP's mid-cap size, its beta is around 1.2, so it adds some volatility. Ensuring one's portfolio can handle that (position size accordingly) is important. The dividend now at 2% is a nice kicker but not the main reason to own it.

**Trading Liquidity:** PNFP's average daily volume is decent (around 400k shares), so most investors can build/exit positions without major liquidity issues. Option liquidity exists but is moderate; long-term investors might use options opportunistically (e.g., selling puts on dips to initiate position).

In summary, **we recommend buying PNFP now and holding for the long term**, as we expect strong returns driven by earnings growth and multiple expansion. Monitor the progress on integration and credit trends, but we believe the risk is worth taking given management's track record and the franchise strength.

## 15. Key Risks to Thesis: Top 3-5 Risks and Monitoring

While we are bullish on PNF, investors should keep in mind several key risks that could undermine our thesis. We identify the top risks and how to monitor them:

- 1. Credit Deterioration – Risk:** A worse-than-expected credit cycle (e.g., a sharp recession or specific sector collapse) could lead to surging nonperforming loans and losses, hurting PNF's earnings and eroding capital. Pinnacle's heavy commercial real estate exposure (especially any office or hotel loans) is a focal point – a drop in CRE values or tenant vacancies could drive impairments. Also, stress in small businesses due to high interest rates could raise defaults in the C&I portfolio. *Monitoring:* Track **nonperforming asset ratio** and **net charge-off rate** each quarter (PNFP reports these). A rapid uptick (e.g., NPA >1% of assets or NCO >0.5% of loans) would be a warning sign. Also watch **industry trends**: e.g., if we see rising office loan defaults nationally or consumer spending weakening (impacting retail & hospitality loans). The bank's own disclosures in 10-Q/10-K risk factors (credit concentrations by industry) and any qualitative commentary on loans of concern (they often mention problem loan count on earnings calls) are critical. We'd also monitor macro indicators in PNF's markets – unemployment rates in Nashville/Charlotte (rising joblessness would presage more defaults) and **commercial real estate metrics** (like office vacancy rates, hotel RevPAR trends).
- 2. Merger Integration Risk – Risk:** The Synovus merger fails to deliver expected benefits or encounters major problems. This could occur via **cost synergies falling short** (perhaps due to higher retention pay or IT integration overruns) or **revenue attrition** (clients or bankers leaving due to integration disruptions). Cultural clashes or tech system issues could impair customer service, giving competitors an opening to poach clients. If integration goes poorly, instead of EPS accretion in 2027, PNF could face higher expenses and lost business, hurting performance and investor confidence. *Monitoring:* Keep a close eye on **merger updates** from management. They likely will report on synergy realization (% achieved) at least annually. If by end of 2026 they've only realized, say, 30% of planned cost saves (vs target ~50% by then), that's a red flag. Also monitor **employee turnover** – qualitative but crucial: are key Synovus market leaders staying? PNF might disclose retention rates or at least no news of departures (or, conversely, if we see local news of Synovus teams defecting to rivals, that's negative). **Customer retention** can be monitored indirectly: deposit trends in overlapping markets (if combined deposits shrink in GA after merger, something's wrong). Additionally, any delays in systems conversion (if slated for late 2026) or unexpected merger charges beyond guidance would indicate integration challenges.
- 3. Interest Rate / Margin Risk – Risk:** The behavior of interest rates could adversely impact PNF's net interest income. In particular, if **deposit costs remain elevated or increase further** (e.g., if the Fed stays higher for longer or if competition intensifies), PNF's NIM might compress more than anticipated. They already had margin pressure; a scenario where Fed funds goes to say 6% and PNF has to pay 5% on large swaths of deposits would squeeze NIM significantly, potentially causing earnings misses. Alternatively, if the Fed rapidly cuts rates, **asset yields could decline faster** than deposit costs (because certain deposits have floors or

customers don't accept cuts immediately), which could also compress NIM initially.

*Monitoring:* The key metric is **net interest margin** on a quarterly basis. If NIM continues to decline and falls below ~3.0%, that's a concern. Watch **deposit beta** – management often provides how much of rate hikes have passed to deposit rates; a higher than forecast beta signals margin risk. Also, monitor Fed signals and yield curve changes: a deeply inverted or volatile curve tends to hurt banks. Additionally, track PNFP's **funding mix**: if reliance on high-cost funds (brokered, FHLB) is increasing quarter to quarter (beyond what's expected), it suggests margin pressure. The bank's own interest rate sensitivity analysis (often given in the 10-K, showing impact of +/-100bp on NII) is a tool; if we see that turning more negative (e.g., gap analysis shows NII down significantly for certain rate moves), that's notable. We should be nimble: if margins surprise negatively for a couple quarters, re-evaluate thesis timing.

4. **Macroeconomic & Market Sentiment Risk** – *Risk:* A broader economic downturn or financial market disruption could negatively affect PNFP's stock beyond fundamental impacts. For example, if investor sentiment toward banks worsens (like in March 2023), PNFP's stock could fall due to sector contagion even if its fundamentals remain intact. Similarly, a slow-growth or stagflation scenario could depress loan demand and fee income (wealth management fees could drop if markets fall). *Monitoring:* This is more external – keep track of general **banking sector health** (KBW Bank Index trends, any news of other bank troubles) and **macroeconomic indicators** (GDP, yield curve). If yield curve inversion persists or credit spreads widen significantly (sign of market fear in credit), that could foreshadow tougher conditions. Also, **regulatory changes driven by macro events** (like new rules post-crisis) could impose costs – we'll monitor any announcements out of DC that could impact mid-sized banks (Basel Endgame final rule, special assessments, etc.). For sentiment, note PNFP's beta ~1.2 – in a broad market selloff, expect outsized moves; set expectations accordingly. We would watch trading volumes and short interest for any unusual spikes (if short interest rises, indicates market concerns).
5. **Key Personnel/Leadership Risk** – *Risk:* The success of PNFP has been tightly linked to its leadership and relationship managers. The departure of key executives (e.g., if CEO Terry Turner or other founders left earlier than planned or had health issues) could unsettle the company and investors. Also, loss of teams in crucial markets could slow growth. *Monitoring:* Succession planning is in place with the Synovus CEO taking over combined leadership – we will observe how leadership transition occurs. If any unexpected exec turnover is announced, it merits attention. We also monitor **employee satisfaction** indirectly (PNFP usually touts awards – if those stop or if Glassdoor ratings slip from current high levels, maybe culture issues).

In each risk area, we have mitigation strategies: e.g., for credit risk we take comfort in PNFP's underwriting and reserve; for integration risk, the cultural alignment helps; for margin risk, PNFP can leverage cost control and fee growth as partial offsets; for macro, PNFP's strong capital and liquidity provide resilience.

We will actively monitor these risks via quarterly reports and external data. If any of these indicators flash warning (say NPLs jump or synergies lag), we would revisit our thesis and possibly adjust our position (reduce or hedge). However, at present, none of these risk factors outweigh the strengths and

upside in our analysis, but they warrant vigilance as part of ongoing risk management in the investment.

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**Sources:** Company 2024 Annual Report (10-K), Q3'25 Earnings Release, Merger Press Release, S&P Ratings Report, and other filings and market data as cited above.