

# Fourth Quarter 2009 Investor Call

*Terry Turner, President and CEO*

*Harold Carpenter, EVP and CFO*

*Harvey White, Chief Credit Officer*

*January 20, 2010*



# Safe Harbor Statements

## Forward-looking statements

Certain of the statements in this release may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "expect," "anticipate," "intend," "plan," "believe," "should," "seek," "estimate" and similar expressions are intended to identify such forward-looking statements, but other statements not based on historical information may also be considered forward-looking. All forward-looking statements are subject to risks, uncertainties and other facts that may cause the actual results, performance or achievements of Pinnacle to differ materially from any results expressed or implied by such forward-looking statements. Such factors include, without limitation, (i) deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses; (ii) continuation of the historically low short-term interest rate environment; (iii) the inability of Pinnacle Financial to continue to grow its loan portfolio in the Nashville-Davidson-Murfreesboro-Franklin MSA and the Knoxville MSA; (iv) changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments; (v) increased competition with other financial institutions; (vi) greater than anticipated deterioration or lack of sustained growth in the national or local economies including the Nashville-Davidson-Murfreesboro-Franklin MSA and the Knoxville MSA, particularly in commercial and residential real estate markets; (vii) rapid fluctuations or unanticipated changes in interest rates; (viii) the results of regulatory examinations; (ix) the development of any new market other than Nashville or Knoxville; (x) a merger or acquisition; (xi) any activity in the capital markets that would cause Pinnacle to conclude that there was impairment of any asset, including intangible assets; (xii) the impact of governmental restrictions on entities participating in the Capital Purchase Program, of the U.S. Department of the Treasury (the "Treasury"); and (xiii) changes in state and federal legislation, regulations or policies applicable to banks and other financial service providers, including regulatory or legislative developments arising out of current unsettled conditions in the economy. A more detailed description of these and other risks is contained in Pinnacle's most recent quarterly report on Form 10-Q filed with the Securities and Exchange Commission on October 28, 2009. Many of such factors are beyond Pinnacle's ability to control or predict, and readers are cautioned not to put undue reliance on such forward-looking statements. Pinnacle disclaims any obligation to update or revise any forward-looking statements contained in this release, whether as a result of new information, future events or otherwise.

# Opening Comments

## Two Important Themes

- Focus on aggressively dealing with credit issues
  - Continue to build the core earnings capacity of the firm
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# Opening Comments

## Two Important Themes

- Aggressively dealing with credit issues
  - Increased ALLL to total loans of 2.58%
  - 4<sup>th</sup> Qtr annualized NCO's of 0.75%
    - Annual NCO's of 1.71%, or 1.11% excluding Silverton
  - Increased NPAs to total loans + ORE of 4.29%
    - Approximately \$42 million in NPA resolutions during 4Q09
  - Construction book down \$120 mm since year end '08

# Opening Comments

## Two Important Themes

- Building the core earnings capacity of the firm
  - Year over year loan growth of 6%
    - 4Q09 loan decrease of \$45 million
  - Core funding growth of 25%
  - Net interest income growth of 24%

# Loan Categories

## Comparison of 4Q09 to year end 2008

\*Continued reduction in C&D exposure

	<b>Amts. 4Q09</b>	<b>%'s 4Q09</b>	<b>Amts. 3Q09</b>	<b>%'s 3Q09</b>	<b>Amts. 4Q08</b>	<b>%'s 4Q08</b>
<b>C&amp;D and Land</b>	<b>\$ 525.3</b>	<b>14.7%</b>	<b>\$ 583.9</b>	<b>16.2%</b>	<b>\$ 645.4</b>	<b>19.2%</b>
<b>Consumer RE</b>	<b>756.0</b>	<b>21.2%</b>	<b>754.4</b>	<b>20.9%</b>	<b>675.6</b>	<b>20.1%</b>
<b>CRE – Owner Occ.</b>	<b>535.1</b>	<b>15.0%</b>	<b>556.0</b>	<b>15.4%</b>	<b>371.6</b>	<b>11.1%</b>
<b>CRE – Investment</b>	<b>543.5</b>	<b>15.3%</b>	<b>535.0</b>	<b>14.8%</b>	<b>554.9</b>	<b>16.6%</b>
<b>Other RE loans</b>	<b>39.5</b>	<b>1.1%</b>	<b>45.2</b>	<b>1.3%</b>	<b>50.4</b>	<b>1.5%</b>
<b>Total real estate</b>	<b>2,399.4</b>	<b>67.3%</b>	<b>2,474.5</b>	<b>68.6%</b>	<b>2,297.9</b>	<b>68.5%</b>
<b>C&amp;I</b>	<b>1,071.4</b>	<b>30.1%</b>	<b>1,035.0</b>	<b>28.7%</b>	<b>965.1</b>	<b>28.8%</b>
<b>Other loans</b>	<b>92.6</b>	<b>2.6%</b>	<b>98.4</b>	<b>2.7%</b>	<b>91.9</b>	<b>2.7%</b>
<b>Total loans</b>	<b>\$3,563.4</b>	<b>100.0%</b>	<b>\$3,607.9</b>	<b>100.0%</b>	<b>\$3,354.9</b>	<b>100.0%</b>

# Construction and Land Categories

## Comparison of 4Q09 to year end 2008

\* PNFP continues to reduce exposure to residential construction and development

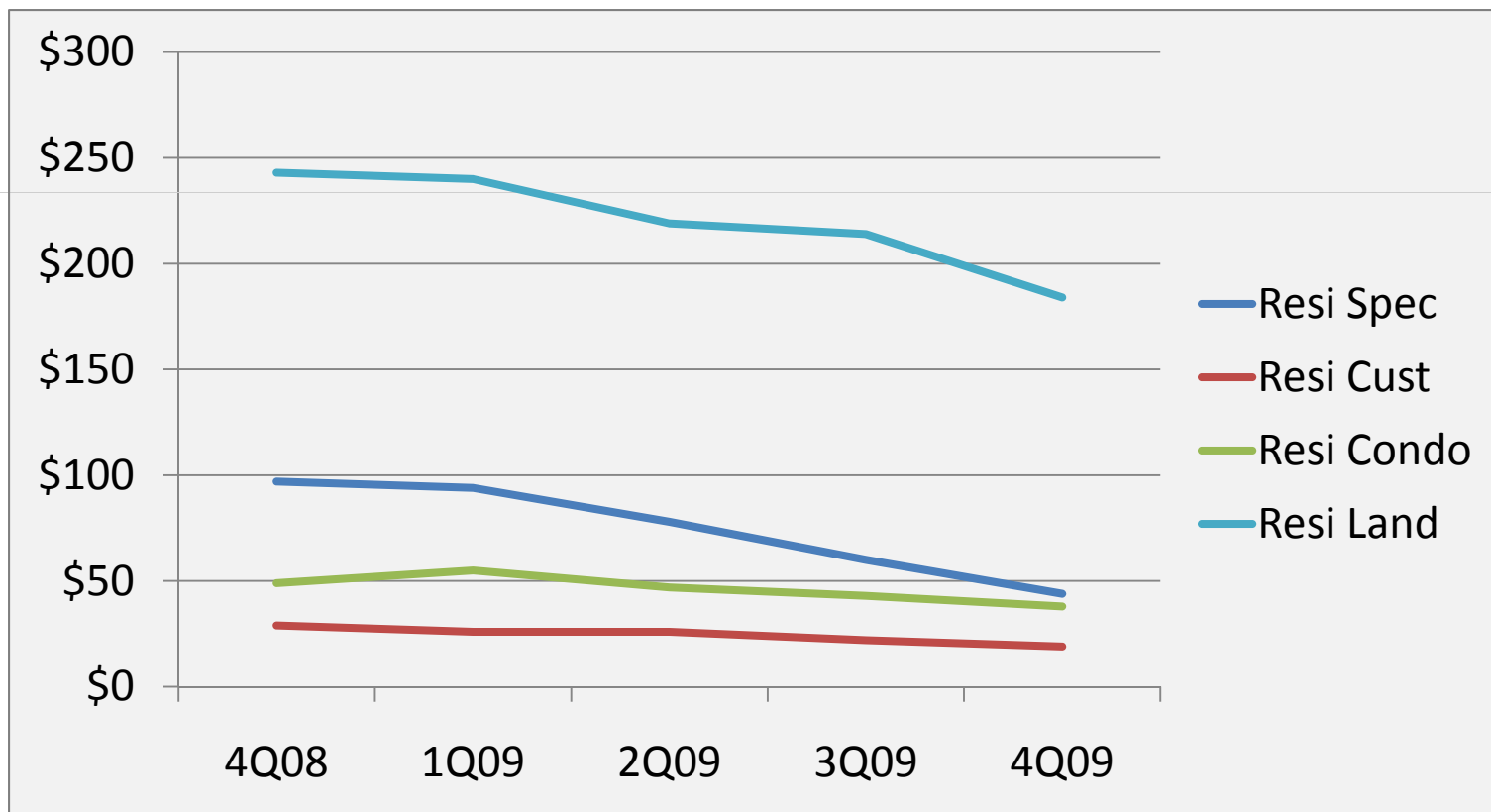
	<b>Amts. 4Q09</b>	<b>%'s(*) 4Q09</b>	<b>Amts. 3Q09</b>	<b>%'s(*) 3Q09</b>	<b>Amts. 4Q08</b>	<b>%'s (*) 4Q08</b>
<b>Resid – Spec</b>	<b>\$ 44.2</b>	<b>1.2%</b>	<b>\$ 59.6</b>	<b>1.7%</b>	<b>\$ 96.9</b>	<b>2.9%</b>
<b>Resid - Custom</b>	<b>18.6</b>	<b>0.5%</b>	<b>22.4</b>	<b>0.6%</b>	<b>29.0</b>	<b>0.9%</b>
<b>Resid - Condo</b>	<b>38.1</b>	<b>1.1%</b>	<b>42.4</b>	<b>1.2%</b>	<b>48.5</b>	<b>1.4%</b>
<b>Comm Construct.</b>	<b>84.5</b>	<b>2.4%</b>	<b>86.5</b>	<b>2.4%</b>	<b>77.1</b>	<b>2.3%</b>
<b>Land Devel – Resi</b>	<b>184.0</b>	<b>5.2%</b>	<b>214.2</b>	<b>5.9%</b>	<b>243.2</b>	<b>7.2%</b>
<b>Land Devel – Comm</b>	<b>117.2</b>	<b>3.3%</b>	<b>118.6</b>	<b>3.3%</b>	<b>114.2</b>	<b>3.4%</b>
<b>Land – Other</b>	<b>38.6</b>	<b>1.1%</b>	<b>40.2</b>	<b>1.1%</b>	<b>36.5</b>	<b>1.1%</b>
	<b>\$ 525.3</b>	<b>14.7%</b>	<b>\$ 583.9</b>	<b>16.2%</b>	<b>\$ 645.4</b>	<b>19.2%</b>

(\*) as a percentage of total loans

# Construction and Land Categories

## Comparison of 4Q09 to year end 2008

\* Continued reduction in C&D exposure





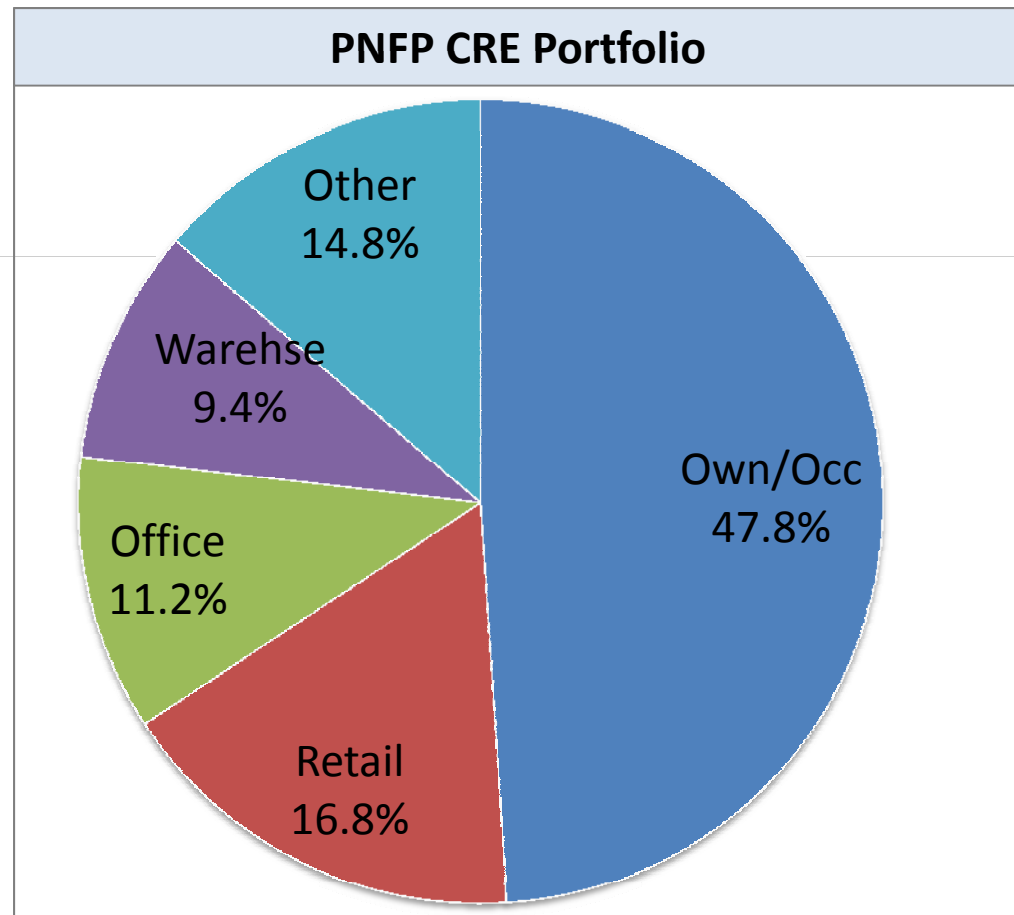
# Commercial Real Estate

## Commercial Real Estate Categories at Dec. 31, 2009

Nashville CRE Vacancy Rates (*)		
	3Q09	2Q09
Warehouse	9.0%	8.2%
Multifamily	9.3%	10.6%
Retail	7.0%	7.2%
Office	13.3%	14.3%

(\*) Colliers, Red Capital, NAI, CB Richard Ellis

**Avg. CRE investment loan is approximately \$925,000**



# Asset Quality Metrics

## Past Dues and NPLs Expressed as a % of Total Loans within Category

	PNFP 30-90 days past due 4Q09	PNFP 30-90 days past due 3Q09	PNFP 30-90 days past due 2Q09	Peer 30-90 days past due (*)	PNFP NPLs and > 90 days 4Q09	PNFP NPLs and > 90 days 3Q09	PNFP NPLs and > 90 days 2Q09	Peer NPLs and > 90 days (*)
Const. and land dev	0.56%	1.38%	1.61%	2.14%	13.82%	14.85%	12.84%	13.66%
CRE	0.34%	0.50%	0.17%	0.35%	1.99%	1.53%	0.42%	1.70%
Total real estate	0.51%	0.82%	0.67%	1.41%	4.48%	4.69%	3.93%	5.27%
C&I	0.34%	0.95%	0.14%	0.92%	1.52%	0.40%	0.34%	2.59%
Total loans	0.46%	0.86%	0.52%	1.34%	3.50%	3.37%	2.83%	4.16%

(\*) Uniform Bank Performance Report – 9/09

# Asset Quality Metrics

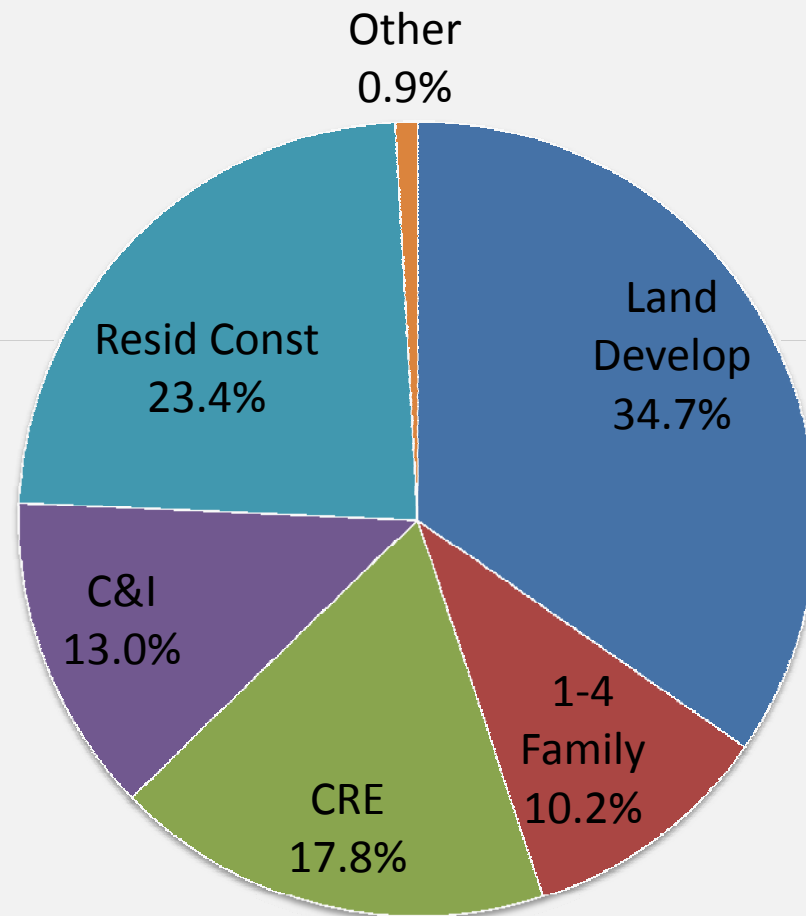
**\$124.7 MM nonaccruing loans**

**3.50% of loan balances**

Nonaccrual loans	\$124.7
ORE	<u>29.6</u>
Total NPA's	\$154.3

NPA's as a % of	
Total loans + ORE	4.29%

As of December 31, 2009



# Asset Quality Metrics

## Nonperforming loans

- Largest NPL's
  - #1 - \$11.7 mm retail shopping complex
  - #2 - \$11.3 mm condo developer
  - #3 - \$8.8 mm residential development
  - #4 - \$6.8 mm condo developer
- Approximately 285 accounts make up remaining NPLs
- All NPL's are in our primary markets

# Asset Quality Metrics

## ORE Classifications

	<b>Balances Dec. 31, 2009 (dollars in thousands)</b>	<b>Fair value as a % of book value</b>	<b>Average Appraisal Age in Months</b>
<b>ORE classifications:</b>			
<b>New home construct</b>	<b>\$ 2,829</b>	<b>124%</b>	<b>4.71</b>
<b>Developed lots</b>	<b>656</b>	<b>148%</b>	<b>5.55</b>
<b>Undeveloped land</b>	<b>22,317</b>	<b>118%</b>	<b>6.39</b>
<b>Other</b>	<b>3,801</b>	<b>121%</b>	<b>5.73</b>
<b>Total ORE</b>	<b>\$ 29,603</b>	<b>120%</b>	<b>5.72</b>

- 10 properties with values > \$1m
- Largest balance - \$4.6m
- All properties in Middle and East TN
- \$6.8 mm under contract

# Asset Quality Metrics

## Net Charge-off's

- Largest Charge-off's during 4Q09
  - #1 - \$838,000 builder/developer
  - #2 - \$794,000 builder/developer
  - #3 - \$635,000 builder/developer
  - #4 - \$587,000 land subdivider

# Balance Sheet Strength

## Strong capital base

	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	March 31, 2009	Dec. 31, 2008
<b>Tangible common equity</b>	<b>7.3%</b>	<b>7.5%</b>	<b>7.4%</b>	<b>6.0%</b>	<b>6.2%</b>
<b>Tangible common to risk weighted assets</b>	<b>8.9%</b>	<b>9.1%</b>	<b>9.0%</b>	<b>7.4%</b>	<b>7.5%</b>
<b>Tier 1 leverage</b>	<b>10.7%</b>	<b>10.9%</b>	<b>11.1%</b>	<b>9.7%</b>	<b>10.5%</b>
<b>Tier 1 risk based capital</b>	<b>13.1%</b>	<b>13.1%</b>	<b>13.3%</b>	<b>11.8%</b>	<b>12.1%</b>
<b>Total risk based capital</b>	<b>14.8%</b>	<b>14.7%</b>	<b>15.0%</b>	<b>13.3%</b>	<b>13.5%</b>
<b>Tangible Common Book Value per Common Share</b>	<b>\$10.71</b>	<b>\$10.99</b>	<b>\$10.80</b>	<b>\$11.75</b>	<b>\$11.70</b>

# Funding sources

## Positive trends in funding continue

	<i>Year over year % change</i>	<b>Balances at Dec. 31, 2009</b>	<b>% of Total</b>	<b>Balances at Dec. 31, 2008</b>	<b>% of Total</b>
<b><i>Core Funding:</i></b>					
Noninterest-bearing deposit accounts	17.3%	498,087	11.3%	424,757	10.4%
Interest-bearing demand accounts	28.5%	483,274	11.0%	375,993	9.2%
Savings and money market accounts	72.5%	1,198,012	27.2%	694,582	17.0%
Time deposit accounts less than \$100,000	-28.6%	407,312	9.2%	570,443	14.0%
<b>Total core funding</b>	<b>25.2%</b>	<b>2,586,685</b>	<b>58.7%</b>	<b>2,065,775</b>	<b>50.5%</b>
<b><i>Non-core funding:</i></b>					
<b><i>Relationship based non-core funding:</i></b>					
Time deposit accounts greater than \$100,000					
Reciprocating time deposits	520.0%	228,941	5.2%	36,924	0.9%
Other time deposits	6.1%	636,521	14.4%	599,947	14.7%
Securities sold under agreements to repurchase	49.5%	275,465	6.3%	184,298	4.5%
<b>Total relationship based non-core funding</b>	<b>38.9%</b>	<b>1,140,927</b>	<b>25.9%</b>	<b>821,169</b>	<b>20.1%</b>
<b><i>Wholesale funding:</i></b>					
Time deposit accounts greater than \$100,000					
Public funds	-83.7%	40,005	0.9%	245,000	6.0%
Brokered deposits	-43.4%	331,447	7.5%	585,599	14.3%
Federal Home Loan Bank advances, Federal funds purchased and other borrowings	-22.3%	212,655	4.8%	273,609	6.7%
Subordinated debt	0.0%	97,476	2.2%	97,476	2.4%
<b>Total wholesale funding</b>	<b>-43.3%</b>	<b>681,583</b>	<b>15.4%</b>	<b>1,201,684</b>	<b>29.4%</b>
<b>Total non-core funding</b>	<b>-9.9%</b>	<b>1,822,510</b>	<b>41.3%</b>	<b>2,022,853</b>	<b>49.5%</b>
<b>Totals</b>	<b>7.8%</b>	<b>4,409,195</b>	<b>100.0%</b>	<b>4,088,628</b>	<b>100.0%</b>



# Net Interest Income

	4Q09	3Q09	2Q09	1Q09	4Q08
<i>Loan income</i>	\$42,453	\$41,666	\$39,627	\$38,526	\$43,433
Loan yields	4.71%	4.61%	4.52%	4.57%	5.27%
<i>Investment income</i>	\$10,766	\$10,302	\$9,967	\$10,563	\$9,366
Investment yields	4.55%	4.67%	4.60%	5.18%	5.40%
<i>Total IB deposit expense</i>	\$13,875	\$15,100	\$16,420	\$17,734	\$19,414
Total IB deposit rates	1.68%	1.82%	2.01%	2.23%	2.62%
<i>Other IB liabilities expense</i>	\$2,822	\$2,794	\$3,096	\$3,084	\$3,967
Other IB liabilities rates	1.70%	1.99%	2.08%	2.22%	2.77%
<i>Net interest income</i>	\$37,031	\$34,548	\$30,512	\$28,700	\$29,892
Net interest margin	3.19%	3.05%	2.75%	2.72%	2.96%

# Net Interest Income

- Margin expansion in 4Q09
  - Core funding continues to replace non-core funding sources - driving lower funding costs
- Impact of NPA's
  - NPA's impact margin in Q4 and will continue in 2010
- Improving margin trends for 2010
  - Variable rate loan pricing opportunities
  - CD repricing opportunities

# Net Interest Income

- Loan repricing opportunities - \$355 million of loans maturing and repricing in next six months. **Goal at renewal should be > 5.00% rate.**

	Loans - \$	Loans – Avg Yield (%)
January 2010	\$61.0	3.91%
February 2010	\$66.5	4.06%
March 2010	\$45.9	3.86%
April 2010	\$72.3	4.15%
May 2010	\$62.4	3.57%
June 2010	\$48.1	4.22%

# Net Interest Income

- CD repricing opportunities - \$828mm in CD's maturing in six months. Goal at renewal should be approx. 0.75% to 1.25% for brokered and 1.25% to 2.00% for customer CD's or transfer borrowers to money market accounts.

	Brokered CD's - \$	Brokered CD's – Avg Rate (%)	Client CD's - \$	Client CD's – Avg. Rate (%)
January 2010	\$35.0	2.26%	\$60.9	2.64%
February 2010	\$70.0	1.52%	\$68.5	2.56%
March 2010	\$85.0	1.20%	\$112.6	2.41%
April 2010	\$50.0	1.99%	\$97.5	2.48%
May 2010	\$20.0	0.82%	\$91.9	2.33%
June 2010	\$66.0	1.38%	\$70.5	2.38%

# Provision expense

	4Q09	3Q09	2Q09	1Q09	4Q08
<i>Components of provision:</i>					
Net loan growth	\$ (1,157)	\$ 1,465	\$ 1,321	\$ 1,548	\$1,642
Net charge offs	6,718	5,228	44,579	4,760	2,068
Other (*)	10,133	15,441	19,420	7,302	-
<b>Total provision expense</b>	<b>\$ 15,694</b>	<b>\$22,134</b>	<b>\$65,320</b>	<b>\$13,610</b>	<b>\$3,710</b>
<i>Allowance to total loans</i>	<i>2.58%</i>	<i>2.30%</i>	<i>1.86%</i>	<i>1.30%</i>	<i>1.09%</i>
<i>Allowance to NPL's</i>	<i>73.7%</i>	<i>68.2%</i>	<i>65.9%</i>	<i>133.9%</i>	<i>335.9%</i>
<i>Potential problem loans to total loans</i>	<i>7.18%</i>	<i>7.24%</i>	<i>4.03%</i>	<i>2.56%</i>	<i>0.80%</i>
<i>Accruing past dues &gt; 30 days to total loans</i>	<i>0.46%</i>	<i>0.86%</i>	<i>0.52%</i>	<i>1.13%</i>	<i>0.60%</i>

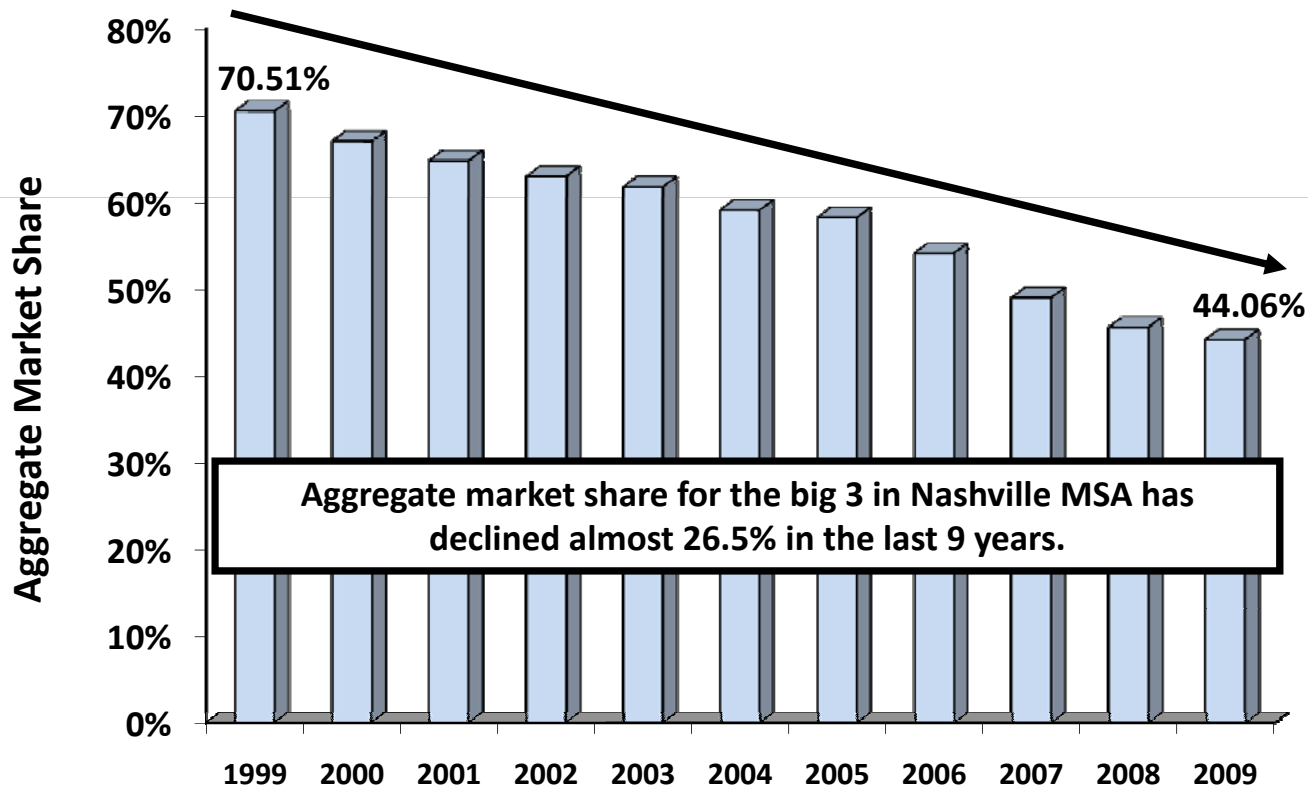
(\*) Primarily due to changes in absolute level of ALL in relation to total loans

# Building the core earnings capacity

	4Q09	3Q09	2Q09	1Q09	4Q08
<i>Net interest income</i>	\$37,031	\$34,548	\$30,512	\$28,700	\$29,892
<i>Total noninterest income</i>	8,176	7,737	10,602	13,136	8,040
<i>Total revenue</i>	45,207	42,285	41,114	41,836	37,932
<i>Total noninterest expense</i>	35,448	27,280	30,607	25,243	22,585
<i>Pre-tax, pre-provision income</i>	9,759	15,005	10,507	16,593	15,347
<b><u>Significant items impacting quarterly revenue and expense:</u></b>					
<i>Gains on sale of securities</i>	-	-	(2,116)	(4,346)	-
<i>Other real estate expenses</i>	8,393	1,250	3,913	701	1,118
<i>FDIC special assessment</i>	-	-	2,334	-	-
<i>Merger expenses</i>	-	-	-	-	1,496
<b>Core earnings</b>	<b>\$18,152</b>	<b>\$16,255</b>	<b>\$14,638</b>	<b>\$12,948</b>	<b>\$17,961</b>

# Extremely Attractive Competitive Landscapes

## Nashville

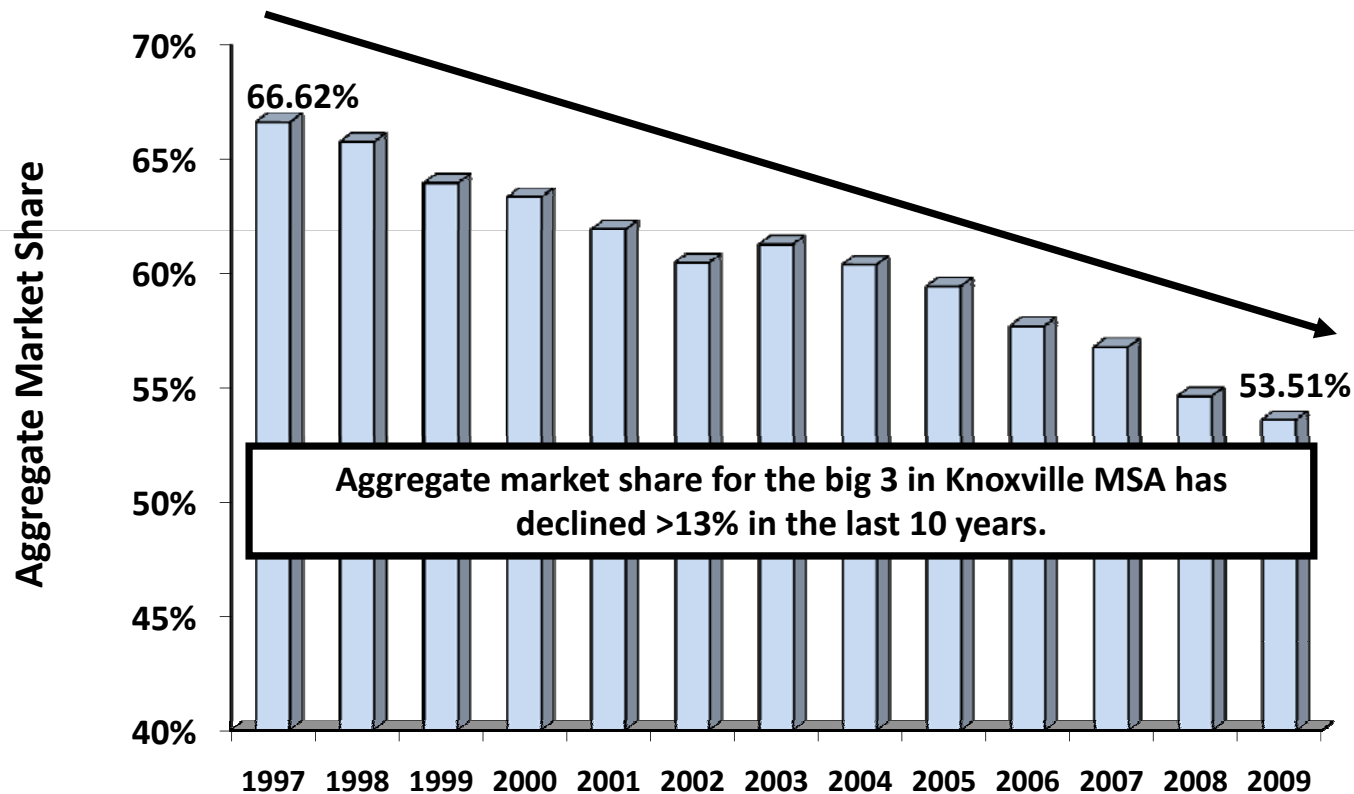


Top 3 banks in Nashville are Regions, Bank of America and SunTrust

Source: FDIC – June 2009

# Extremely Attractive Competitive Landscapes

## Knoxville



**Top 3 banks in Knoxville are First Horizon, Suntrust and Regions**

Source: FDIC – June 2009



# Final Thoughts

- Aggressively addressing problem credits
  - Modest reserve building may continue in 2010
  - Pursue meaningful NPA resolution
  - Continued reductions in exposure to C&D
- Responsibly growing core earnings capacity
  - Managed loan growth < 5%
  - Core funding growth
  - Net interest income growth

# Q&A

## Fourth Quarter 2009

### Investor Call

*Terry Turner, President and CEO*

*Harold Carpenter, EVP and CFO*

*Harvey White, Chief Credit Officer*

*January 20, 2010*



# Supplemental Information

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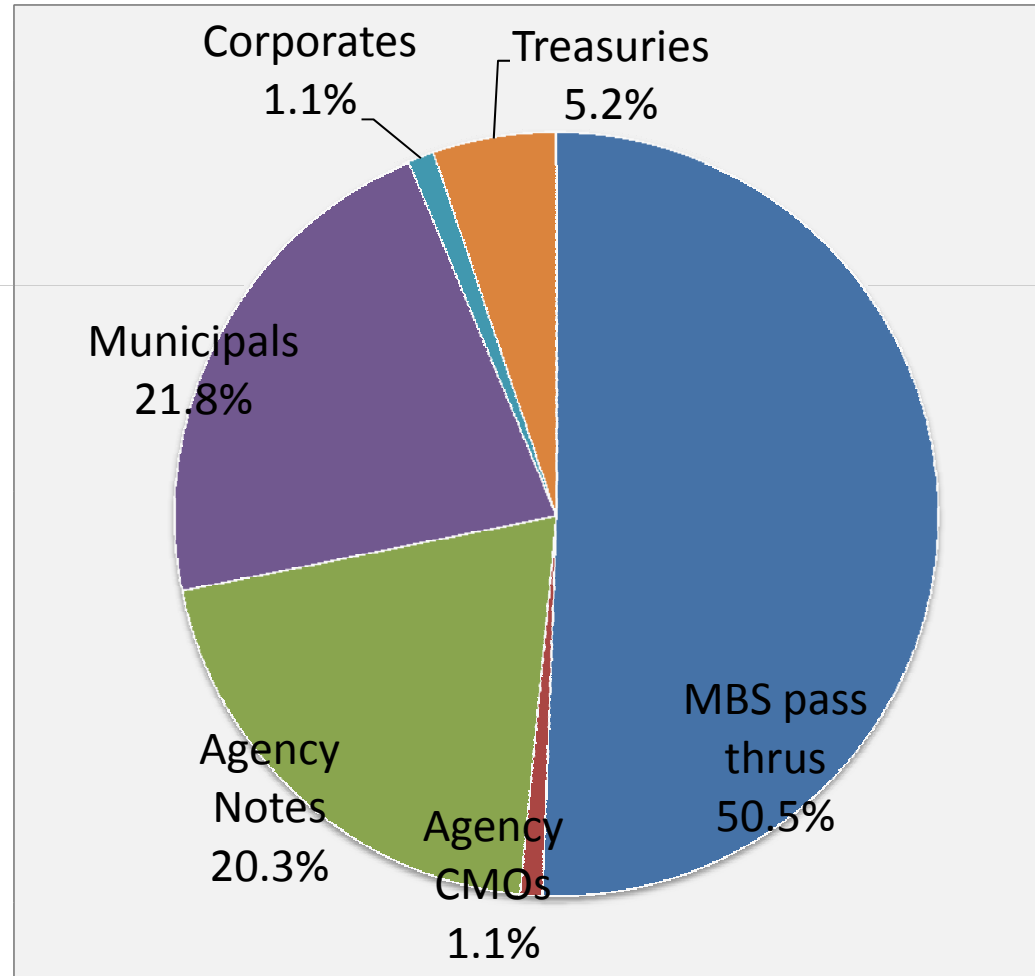
# Balance Sheet Strength

## Conservative bond portfolio

Average yield on bond portfolio = 4.66%

Average life = 4.3 years

As of December 31, 2009



FNMA, FHLMC and GNMA



# Fee income

	4Q09	3Q09	2Q09	1Q09	4Q08
<b>Service charges</b>	<b>\$2,595</b>	<b>\$2,559</b>	<b>\$2,568</b>	<b>\$2,477</b>	<b>\$2,699</b>
<b>Investment services</b>	<b>1,136</b>	<b>1,112</b>	<b>1,078</b>	<b>854</b>	<b>1,164</b>
<b>Insurance commissions</b>	<b>895</b>	<b>906</b>	<b>919</b>	<b>1,305</b>	<b>908</b>
<b>Gains on loan sales</b>	<b>1,108</b>	<b>900</b>	<b>1,633</b>	<b>1,288</b>	<b>1,048</b>
<b>Trust fees</b>	<b>706</b>	<b>586</b>	<b>642</b>	<b>658</b>	<b>557</b>
<b>Other:</b>					
<b>Gain on sales of investments</b>	<b>-</b>	<b>-</b>	<b>2,116</b>	<b>4,346</b>	<b>-</b>
<b>Gain on sale of premises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>
<b>Other</b>	<b>1,736</b>	<b>1,674</b>	<b>1,645</b>	<b>2,208</b>	<b>1,645</b>
<b>Total noninterest income</b>	<b>\$8,176</b>	<b>\$7,737</b>	<b>\$10,602</b>	<b>\$13,136</b>	<b>\$8,040</b>

# Fees for 2009

- Service charges projected to be flat in 2010
- Investment and trust revenues expected to fluctuate with markets
- Mortgage origination fees down from highs of 2009 but expected to continue current 4Q09 pace into 2010
- Other noninterest income projected to remain at current levels for 2010

# Expenses

	4Q09	3Q09	2Q09	1Q09	4Q08
Salaries and benefits	\$15,037	\$14,245	\$13,747	\$13,679	\$12,058
Incentive Expense	-	-	(1,072)	1,072	(2,043)
Equipment and occupancy	5,064	4,446	4,310	4,235	3,935
Other real estate owned	8,393	1,250	3,914	701	1,118
Marketing and BD	1,116	512	466	440	680
Postage	755	515	829	830	700
Intangible amortization	774	777	759	759	789
Legal Costs	102	241	869	68	322
Merger related expense	-	-	-	-	1,496
Other expenses	4,309	5,294	6,785	3,459	3,530
<b>Total noninterest expense</b>	<b>\$35,448</b>	<b>\$27,280</b>	<b>\$30,607</b>	<b>\$25,243</b>	<b>\$22,585</b>
<b>Efficiency ratio</b>	<b>78.4%</b>	<b>64.5%</b>	<b>74.4%</b>	<b>60.3%</b>	<b>59.5%</b>

# Expenses for 2009

- FTE's at 777 at December 31, compared to 719.0 at Dec '08. Anticipate 50 new hires in 2010.
- Occupancy and equipment will experience increases in 2010 due to new branch facilities coming on line in Q4'09 and early 2010.
- ORE expenses were comparatively high in Q4'09 and are projected to decrease somewhat in 1Q10. ORE expense will remain elevated throughout 2010 as the firm continues to aggressively market properties with intent to dispose of properties quickly.
- Our quarterly evaluation of impairment of goodwill is still underway and will be completed prior to filing of our 10-Q. Current anticipated 10-K filing date is on or about February 26, 2010.