

# *Knoxville Market Expansion Dynamic Growth Opportunity*

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# Safe Harbor Statements

## *Forward looking statements*

Certain of the statements in this presentation 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," "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) unanticipated deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses, (ii) the inability of Pinnacle to continue to grow its loan portfolio at historic rates in the Nashville-Davidson-Murfreesboro MSA and at planned rates in the Knoxville MSA, (iii) increased competition with other financial institutions, (iv) lack of sustained growth in the economy in the Nashville-Davidson-Murfreesboro MSA and the Knoxville MSA, (v) rapid fluctuations or unanticipated changes in interest rates, (vi) the inability of Pinnacle to satisfy regulatory requirements for its expansion plans, (vii) the inability of Pinnacle to execute its expansion plans and (viii) changes in the legislative and regulatory environment. A more detailed description of these and other risks is contained in Pinnacle's most recent annual report on Form 10-K. 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.

# Pinnacle Track Record

## *Successful execution of de novo growth strategy*

- Fastest growing bank in the nation's "class of 2000"
- 9 de novo branch offices
- 225 new hires with 24 years average experience
- FD EPS growth of 39% in 2005 and 2006

# Why Knoxville?



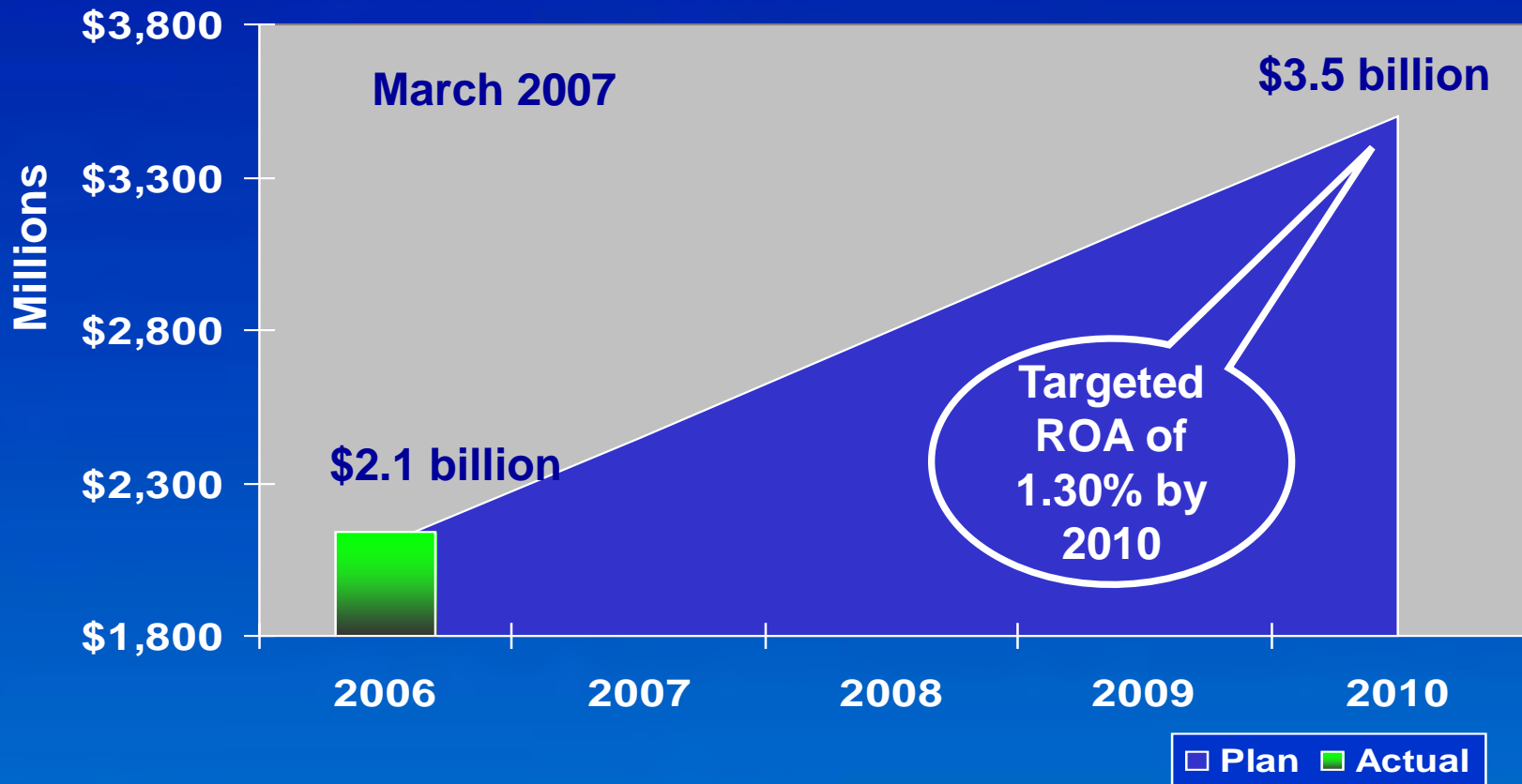
- Large, growing metropolitan market
- Attractive competitive landscape
- Ability to attract large cadre of experienced bankers
- Meets aggressive growth and profitability targets
- Pinnacle's unique ability to penetrate the market
- Opportunity to replicate the Nashville model

# Frequently Articulated Growth Strategies

- **Grow organically in the Nashville MSA**
- **Acquire high growth Middle Tennessee banks**
- **Enter other Tennessee markets on a de novo basis**

# Frequently Articulated Growth Strategies

## *Organic* asset growth targets in *Nashville* MSA



# Frequently Articulated Growth Strategies

*Enter other Tennessee markets on a de novo basis*



Pinnacle's bias for market extensions has been de novo versus acquisition.

Criteria for market extensions include:

- ✓ 1. Only launch when PNFP can recruit FAs to build a \$500 - \$750 million bank in five years
- ✓ 2. Cross breakeven in 12 months
3. Support with additional common stock, as necessary

# **Pinnacle's Keys to Success**

- 1. Effective strategies**
- 2. Strong metropolitan market**
- 3. Vulnerable regional bank competitors**
- 4. Urban community bank experience**



# Pinnacle's Keys to Success

## *Effective strategies*

1. Focus on small businesses and affluent consumers
2. Provide distinctive service and effective advice
3. Hire a **large** cadre of **experienced** bankers
4. Offer a **full line** of financial services
5. Provide extraordinary convenience

# Pinnacle's Keys to Success

*Hire a **large** cadre of **experienced** bankers*

- Nathan Hunter – 32 years in Knoxville
- Mike DiStefano – 22 years in Knoxville
- 26 experienced bankers by year-end 2007

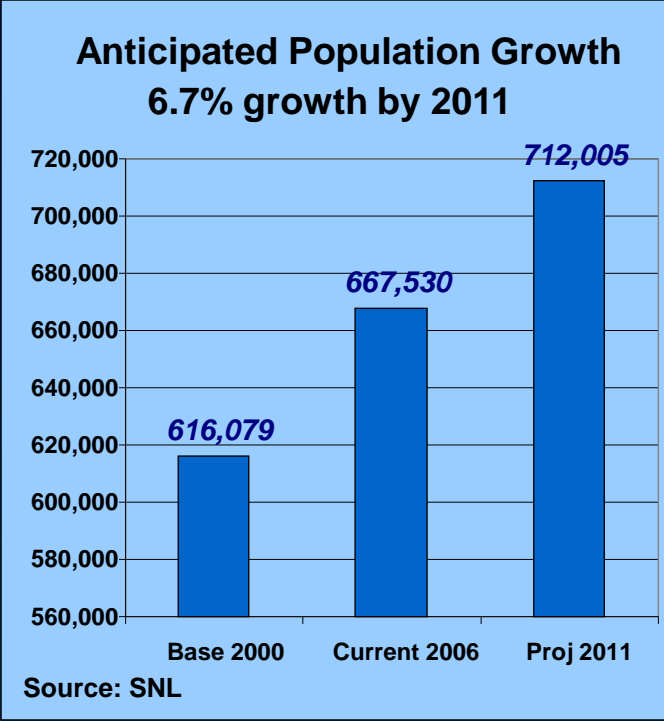
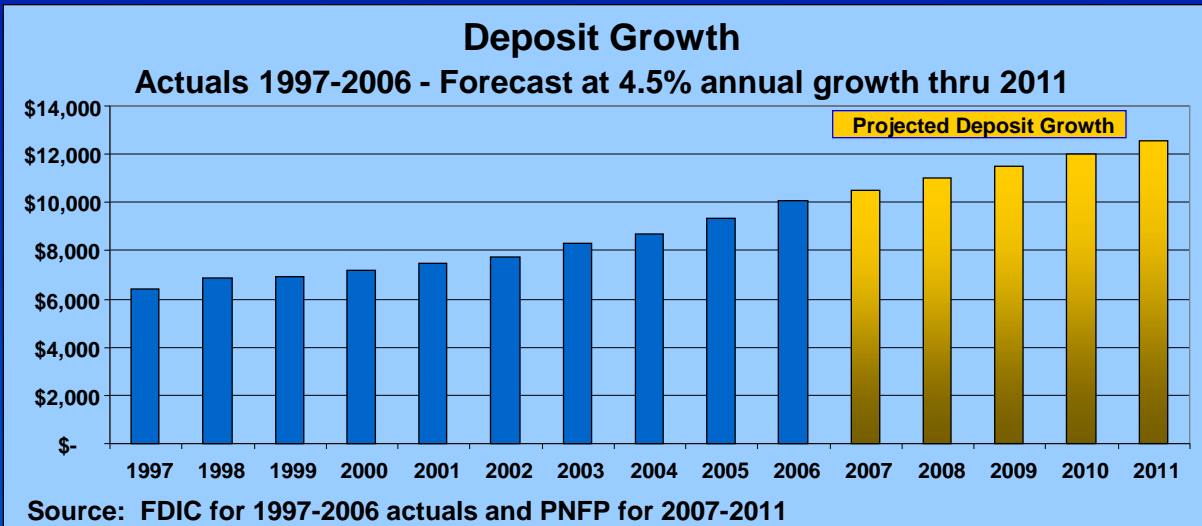
# **Pinnacle's Keys to Success**

## ***Strong metropolitan market***

- **#9 hottest relocation city**
- **#5 best place for business and careers**
- **Stable employment base:**
  - **University of Tennessee**
  - **Tennessee Valley Authority**
  - **Oak Ridge National Laboratory**

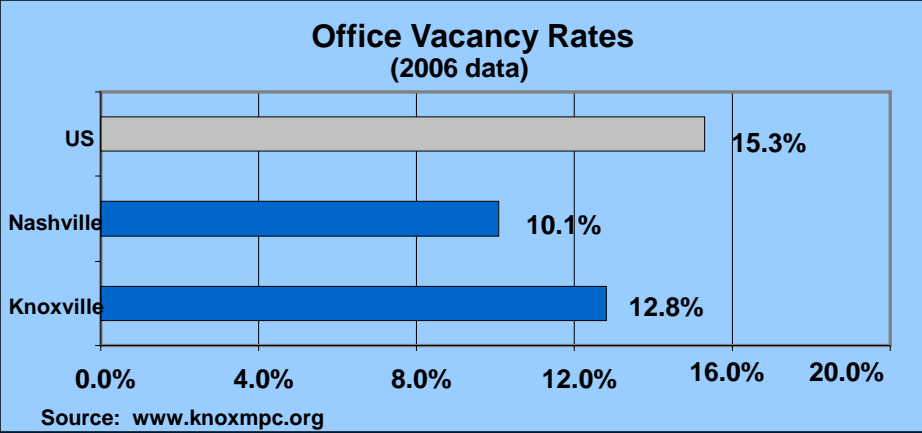
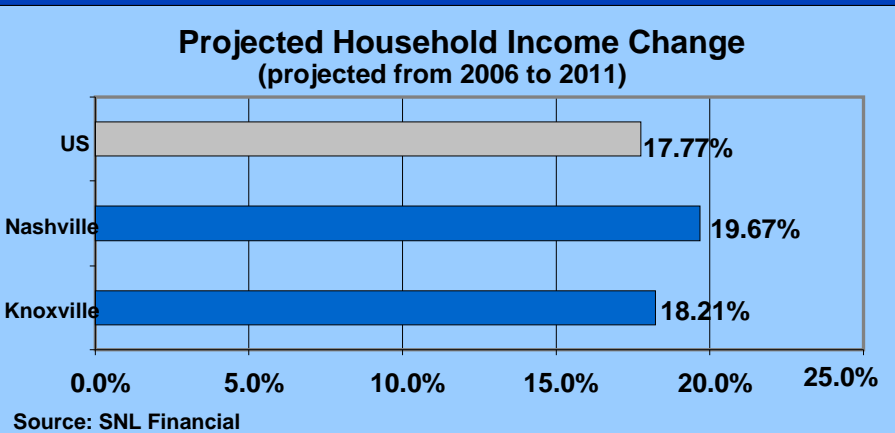
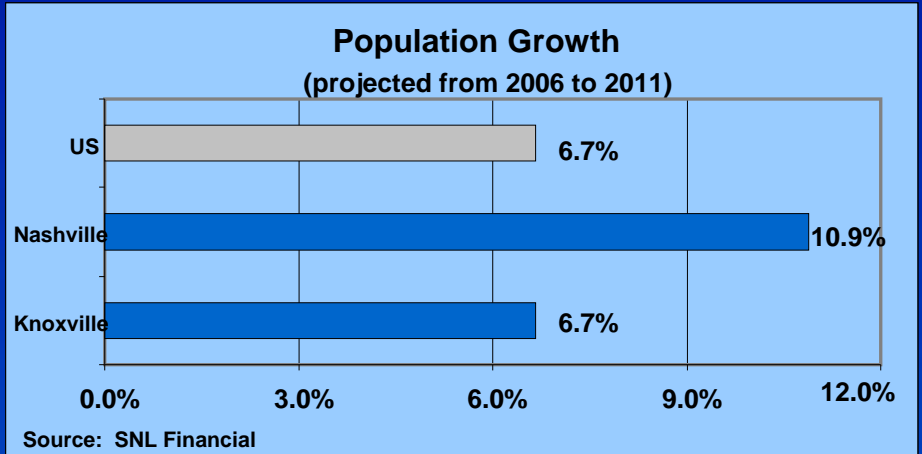
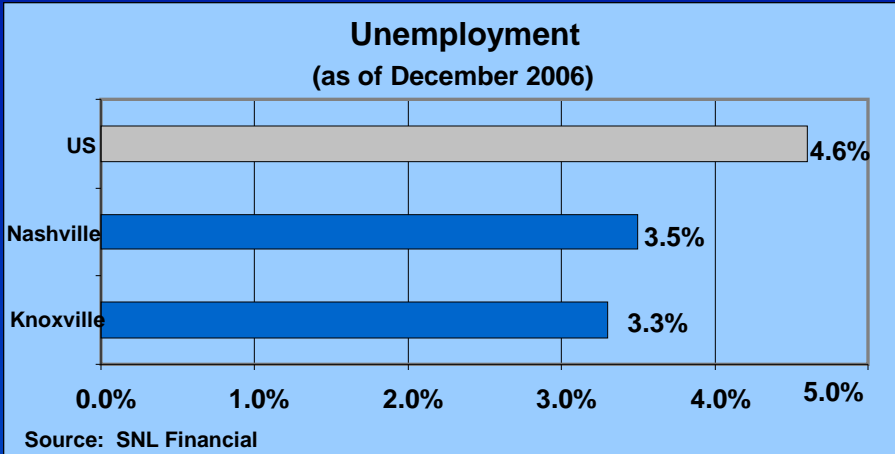
# Pinnacle's Keys to Success

## *Strong metropolitan market*



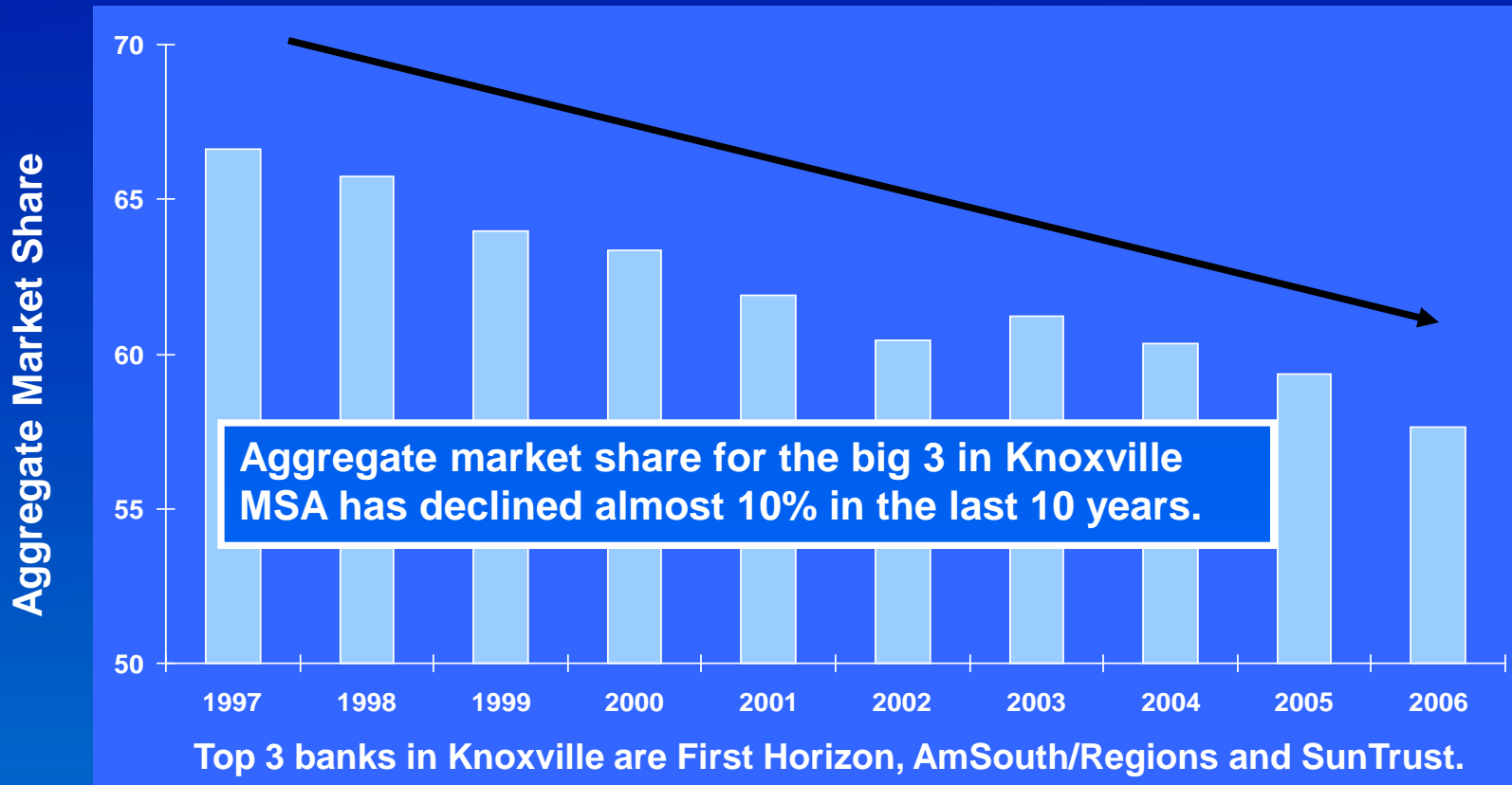
# Pinnacle's Keys to Success

## *Strong metropolitan market*



# Pinnacle's Keys to Success

*Vulnerable regional bank competitors*



# Pinnacle's Keys to Success

*Vulnerable regional bank competitors*

## Market Share – Knoxville MSA – June 2006

<u>Rank</u>	<u>Institution</u>	<u>Total Deposits (\$000)</u>	<u>Total Share (%)</u>	<u>06-05 Share Diff (%)</u>
1	First Tennessee	\$ 2,161,624	21.47%	( .46)%
2	AmSouth / Regions	1,876,445	18.64%	( 1.35)%
3	SunTrust	1,765,311	17.53%	.08%
4	Home Federal	1,256,144	12.47%	( 1.07)%
5	BB&T	741,652	7.37%	0.76%
6	First National Bank	326,826	3.25%	0.34%

# **Pinnacle's Keys to Success**

## ***Urban community bank experience***

- 1. Previous Knoxville community bank experience by Turner, McCabe**
- 2. Sophisticated products (only available at regional banks)**
  - Treasury management**
  - Wealth management**
- 3. Distinctive service (only available at community banks)**
  - Experienced associates**
  - Courier deposit pickup**
  - Free ATM usage worldwide**
- 4. Ability to win in the core county of the MSA**



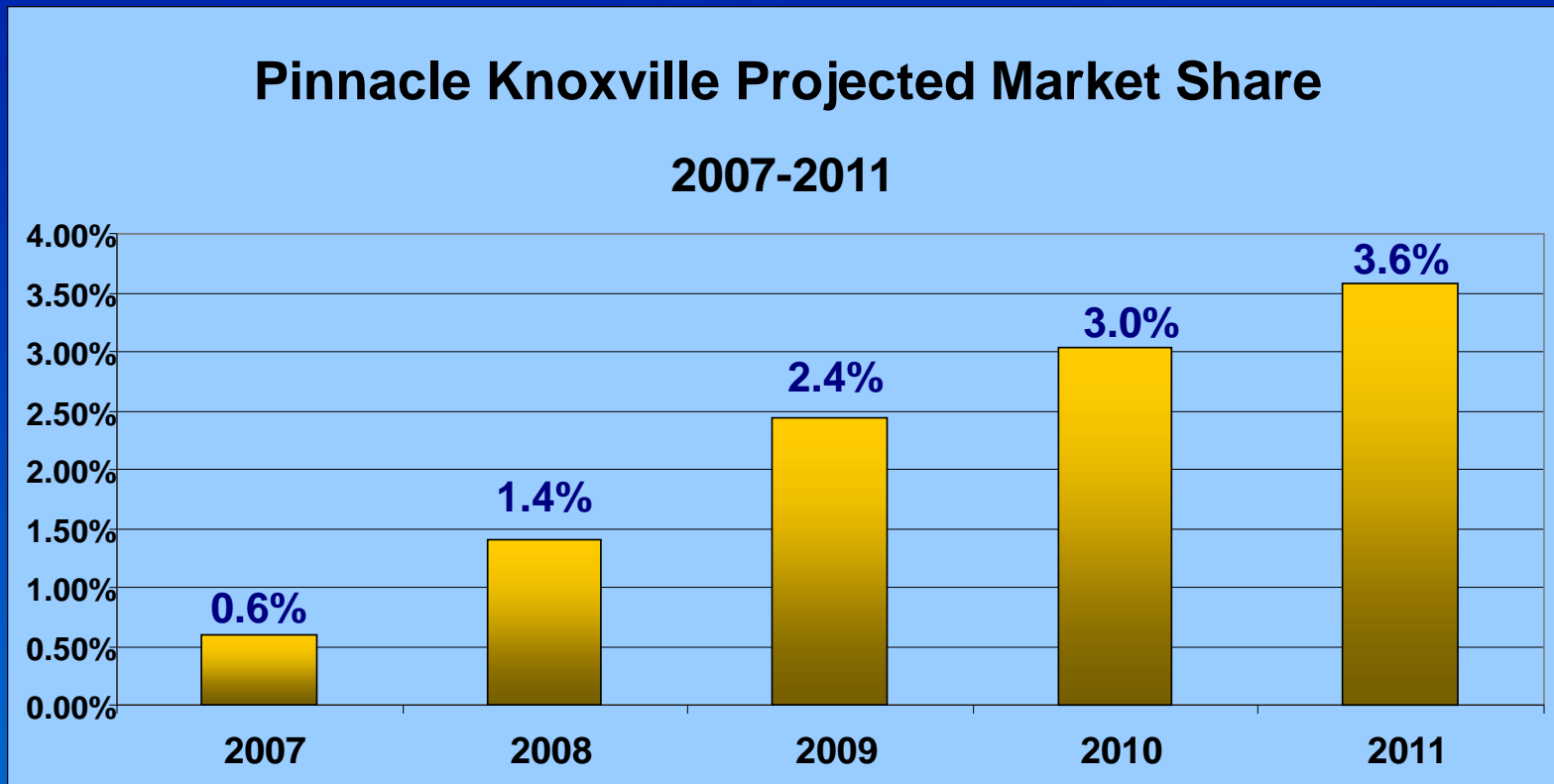
# Performance Targets for Knoxville

## *Key planning assumptions*

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Associate hiring plan</b>	<b>26</b>	<b>39</b>	<b>51</b>	<b>59</b>	<b>63</b>
<b>Facilities</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>5</b>
<b>Loan growth targets (millions)</b>	<b>\$ 100</b>	<b>\$ 225</b>	<b>\$ 375</b>	<b>\$ 490</b>	<b>\$ 600</b>
<b>Deposit growth targets (millions)</b>	<b>\$ 62</b>	<b>\$ 155</b>	<b>\$ 280</b>	<b>\$ 365</b>	<b>\$ 450</b>
<b>Targeted FD EPS</b>	<b>\$ (0.08)</b>	<b>\$ 0.01</b>	<b>\$ 0.10</b>	<b>\$ 0.23</b>	<b>\$ 0.34</b>

# Performance Targets for Knoxville

*Projected growth only 3%-4% of Knoxville market*



# Performance Targets for Knoxville

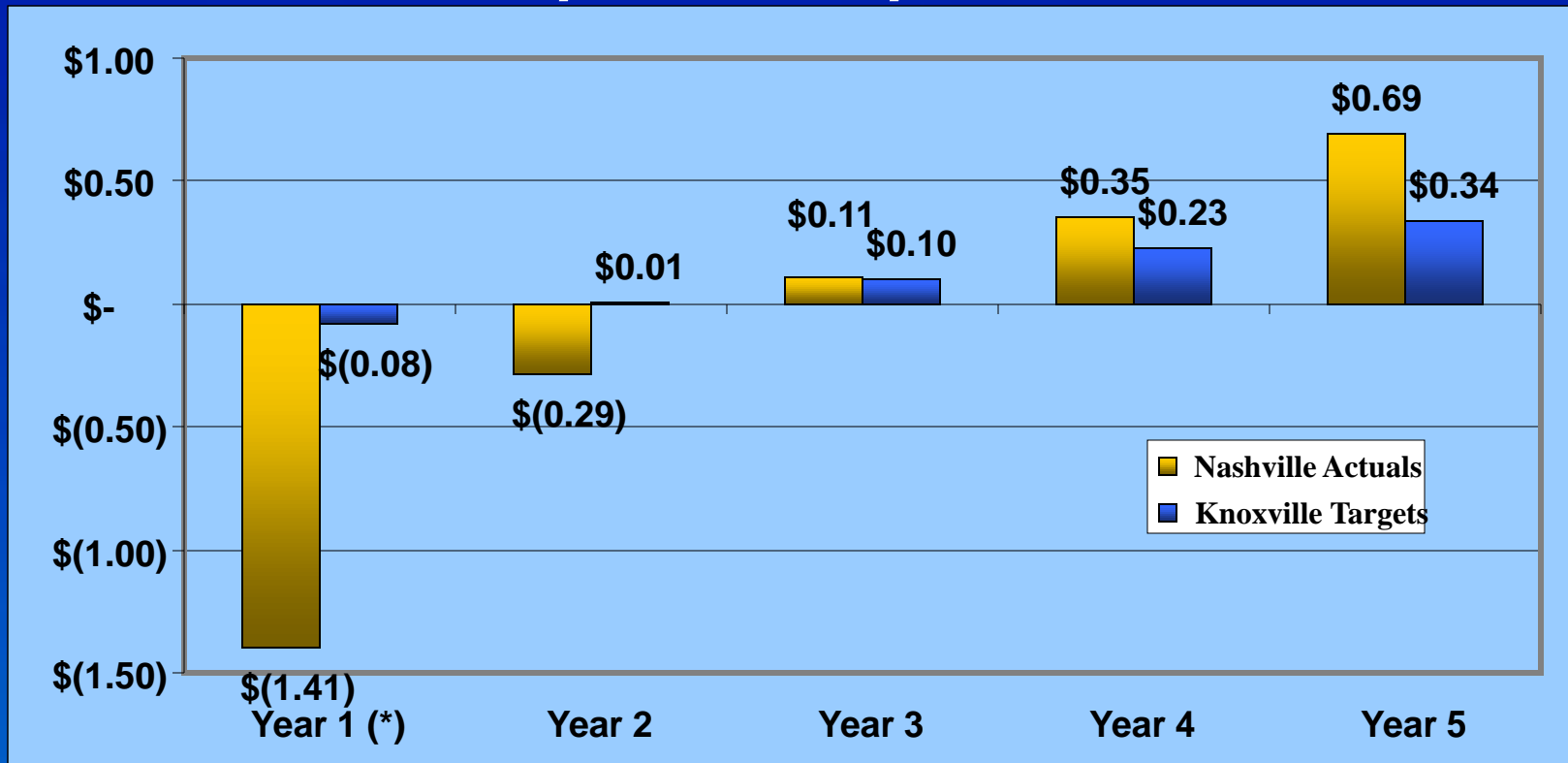
*Projected 2007 results (dollars in millions)*

- Average loan balances of approx. \$40 million
- Hire 26 associates by year-end
- One full service office and one LPO operational in 2007

Interest income	\$ 3.16
Interest expense	<u>(1.89)</u>
Net interest income	1.27
Provision	(1.10)
Fees	0.19
Compensation	2.04
Occupancy and equipment	0.37
Other expense	<u>0.26</u>
Total expense	<u>2.67</u>
	(2.31)
Income taxes	<u>0.90</u>
Net income (loss)	<u><u>\$ (1.41)</u></u>

# EPS targets for Knoxville

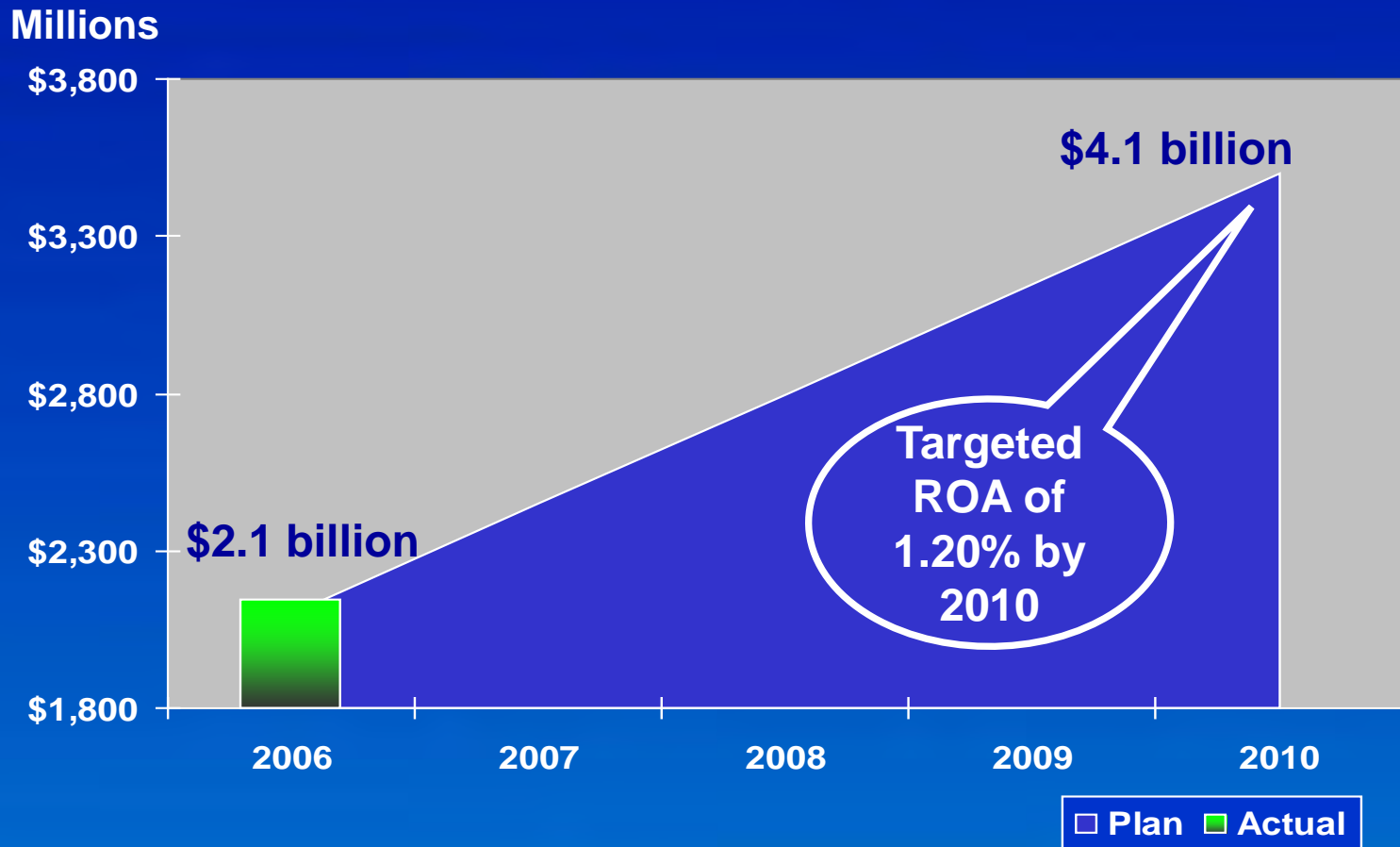
*Conservative assumptions compared to Nashville start up*



(\*) Year 1 for Nashville is from inception (Feb 2000) thru December 2000. In that year, PNFP began Nashville operations in October 2000. Year 1 for Knoxville is for the period from April 2007 thru December 2007.

# Update of Long Term Targets

## *Organic asset targets in Nashville and Knoxville*



# Attractive Valuation (despite dilution)

## High Growth Peer Group Comparisons

	March 29, 2007 Close	March 29 Close to Tangible BV	Price Earnings Ratio - 2007 Earnings	FD CAGR for two year period ended Dec 2007	PE Ratio to Growth (PEG)
Alabama National BanCorporation	\$ 70.81	279%	15.7	8.5%	1.84
Boston Private Financial Holdings, Inc.	\$ 27.92	586%	18.0	6.0%	3.01
Cardinal Financial Corporation	\$ 9.98	174%	27.0	-8.3%	(3.25)
CoBiz Inc.	\$ 19.91	375%	16.7	17.0%	0.99
CVB Financial Corp.	\$ 11.90	288%	14.7	-1.2%	(12.12)
East West Bancorp, Inc.	\$ 36.77	299%	14.8	12.4%	1.19
Enterprise Financial Services Corp	\$ 28.00	333%	17.8	22.3%	0.80
Mercantile Bank Corporation	\$ 32.48	152%	13.6	4.2%	3.21
PrivateBancorp, Inc.	\$ 36.56	397%	18.3	17.0%	1.07
Vineyard National Bancorp	\$ 23.04	265%	10.6	7.2%	1.48
Virginia Commerce Bancorp, Inc.	\$ 21.65	334%	17.6	18.9%	0.93
Wintrust Financial Corporation	\$ 44.61	235%	17.4	-3.5%	(4.96)
<b>Medians</b>		<b>294%</b>	<b>17.1</b>	<b>7.8%</b>	<b>1.03</b>
<b>Pinnacle Financial Partners, Inc. (*)</b>	<b>\$ 30.51</b>	<b>361%</b>	<b>21.0</b>	<b>30.6%</b>	<b>0.69</b>

Source: SNL

\* PNFP 2007 consensus earnings forecast at \$1.53 per fully diluted share (Source: SNL) less \$0.08 dilution for the Knoxville expansion

# Why Knoxville?



- Large, growing metropolitan market
- Attractive competitive landscape
- Ability to attract large cadre of experienced bankers
- Meets aggressive growth and profitability targets
- Pinnacle's unique ability to penetrate the market
- Opportunity to replicate the Nashville model

# Why PNFP?

- **2 large, fast-growing metropolitan markets**
- **Extremely attractive competitive landscapes**
- **Reliable track record for growth and execution**
- **Strong asset quality**
- **Rapid and sustainable earnings growth**
- **Attractive valuation**



***Knoxville Market Expansion  
Dynamic Growth Opportunity***

**Questions?**