

PUBLIC DISCLOSURE

May 8, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pinnacle Bank
Certificate Number: 35583

150 3rd Avenue South
Nashville, Tennessee 37201

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

600 North Pearl Street, Suite 700
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	3
DESCRIPTION OF ASSESSMENT AREAS.....	4
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	19
ALABAMA	20
DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALABAMA	20
SCOPE OF EVALUATION – ALABAMA.....	20
CONCLUSIONS ON PERFORMANCE CRITERIA IN ALABAMA	21
HUNTSVILLE MSA – Full-Scope Review	27
OTHER ASSESSMENT AREAS – Limited-Scope Review	38
GEORGIA	40
DESCRIPTION OF INSTITUTION’S OPERATIONS IN GEORGIA	40
SCOPE OF EVALUATION – GEORGIA.....	42
CONCLUSIONS ON PERFORMANCE CRITERIA IN GEORGIA	43
NORTH CAROLINA.....	52
DESCRIPTION OF INSTITUTION’S OPERATIONS IN NORTH CAROLINA	52
SCOPE OF EVALUATION – NORTH CAROLINA	52
CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA.....	53
CHARLOTTE MSA – Full-Scope Review	62
OTHER ASSESSMENT AREAS – Limited-Scope Review	73
SOUTH CAROLINA	79
DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTH CAROLINA	79
SCOPE OF EVALUATION – SOUTH CAROLINA.....	79
CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH CAROLINA	80
CHARLESTON MSA – Full-Scope Review	88
OTHER ASSESSMENT AREAS – Limited-Scope Review	99
TENNESSEE.....	103
DESCRIPTION OF INSTITUTION’S OPERATIONS IN TENNESSEE	103
SCOPE OF EVALUATION – TENNESSEE	103

CONCLUSIONS ON PERFORMANCE CRITERIA IN TENNESSEE	104
NASHVILLE MSA – Full-Scope Review	114
MEMPHIS MSA – Full-Scope Review	125
OTHER ASSESSMENT AREAS – Limited-Scope Review	138
VIRGINIA	142
DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA	142
SCOPE OF EVALUATION – VIRGINIA.....	142
CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA	143
ROANOKE MSA – Full-Scope Review	150
OTHER ASSESSMENT AREAS – Limited-Scope Review	161
APPENDICES	163
APPENDIX A - LARGE BANK PERFORMANCE CRITERIA.....	163
APPENDIX B - SUMMARY OF RATINGS FOR RATED AREAS	165
APPENDIX C - DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS.....	166
APPENDIX D - GLOSSARY	183

INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect excellent responsiveness to assessment areas’ credit needs.
- An adequate percentage of loans are made in the institutions assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes.
- The institution makes extensive use of innovative or flexible lending practices in order to serve assessment area credit needs.
- The bank made a leader level of community development (CD) loans.
- The institution exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices

The Investment Test is rated Outstanding.

- The bank has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community development needs.

- The institution makes extensive use of innovative and/or complex investments to support CD initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its retail delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals.
- Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- or moderate-income geographies or individuals.
- The institution is a leader in providing CD services.

DESCRIPTION OF INSTITUTION

Pinnacle Bank operates as a state-chartered retail commercial bank headquartered in Nashville, Tennessee. Pinnacle Financial Partners, Inc., Nashville, Tennessee, a one-bank holding company, wholly owns the subject bank, as well as additional subsidiaries and affiliates that provide investment and financial services. The bank received a “Satisfactory” rating at its previous FDIC Community Reinvestment Act (CRA) Evaluation dated January 27, 2020, using Large Bank Examination Procedures.

The bank operates 120 full-service offices and 137 automated teller machines (ATMs) in the assessment areas located throughout Alabama, Georgia, North Carolina, South Carolina, Tennessee and Virginia. Pinnacle Bank offers a full line of loan products, deposit accounts, and other financial services. It also offers hours and days of service consistent with area and industry norms.

As of March 31, 2023, assets totaled \$45.0 billion, consisting primarily of Net Loans & Leases of \$30.1 billion (66.8 percent of the total) and Securities of \$6.9 billion (15.3 percent of the total). Total deposits equaled \$36.4 billion as of the same date. Since the previous evaluation, on average per year, total assets increased 24.2 percent, net loans increased 21.4 percent, and total deposits increased 31.0 percent.

As reflected in the following table, the mix of outstanding loans of the bank’s major loan products shows commercial (nonfarm nonresidential loans at 30.4 percent, commercial and industrial loans at 30.4 percent), 1-4 family and multifamily residential loans at 19.3 percent, and construction loans at 12.9 percent.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	3,909,024	12.9
Secured by Farmland	25,909	0.1
Secured by 1-4 Family Residential Properties	4,520,997	14.9
Secured by Multifamily (5 or more) Residential Properties	1,331,249	4.4
Secured by Nonfarm Nonresidential Properties	9,243,280	30.4
Total Real Estate Loans	19,030,459	62.7
Commercial and Industrial Loans	9,223,396	30.4
Agricultural Production and Other Loans to Farmers	669	0.0
Consumer Loans	602,843	2.0
Other Loans	1,151,374	3.8
Lease Financing Receivable (net of unearned income)	370,975	1.2
Less: Unearned Income	0	0.0
Total Loans	30,379,716	100.0
<i>Source: Reports of Condition and Income</i>		

Based on the information discussed in this section as well as other regulatory data, the institution’s financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment areas’ credit needs.

DESCRIPTION OF ASSESSMENT AREAS

For this evaluation, Pinnacle Bank operates in six rated areas –the States of Alabama, Georgia, North Carolina, South Carolina, Tennessee, and Virginia. The bank currently has two assessment areas in Alabama, one in Georgia, eight in North Carolina, five in South Carolina, six in Tennessee, and two in Virginia. Please refer to the rated areas and individual assessment areas for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated January 27, 2020, to the current evaluation dated May 8, 2023. To assess performance, examiners applied the Federal Financial Institutions Examination Council (FFIEC) Large Institution CRA Examination Procedures, which include the Lending, Investment, and Service Tests. Appendix A lists the applicable tests’ criteria.

Examiners applied full-scope procedures to the following assessment areas: Alabama – Huntsville MSA, Georgia – Atlanta MSA, North Carolina – Charlotte MSA, South Carolina – Charleston MSA, Tennessee – Nashville MSA and Memphis MSA, and Virginia – Roanoke MSA. Examiners applied limited-scope procedures to the remaining assessment areas. Please refer to the rated area sections for additional details.

The following table shows that the bank originated a majority of its loans, deposits, and branches in the State of Tennessee. Consequently, examiners weighed records in Tennessee heaviest when arriving at applicable conclusions and ratings.

Rated Area Breakdown of Loans, Deposits, and Branches						
Rated Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Alabama	77,190	0.5	215,594	0.7	2	1.7
Georgia	298,690	1.9	321,213	1.0	3	2.5
North Carolina	3,985,070	25.4	6,012,868	18.4	37	30.8
South Carolina	1,436,513	9.1	1,875,082	5.7	20	16.7
Tennessee	9,576,683	60.9	23,363,958	71.3	49	40.8
Virginia	345,517	2.2	972,956	3.0	9	7.5
Total	15,719,663	100.0	32,761,671	100.0	120	100.0

Source: HMDA & CRA Data (2020-2022); FDIC Summary of Deposits (06/30/2022)

Activities Reviewed

For the Lending Test, CRA Large Bank procedures require examiners to consider a bank’s reported home mortgage, small business, and small farm loans since the previous evaluation, as well as all

reported CD loans originated since the previous evaluation. Consequently, this evaluation considers total loans reported (inside and outside of the assessment areas) either according to the Home Mortgage Disclosure Act (HMDA) or CRA data collection reporting requirements:

Home Mortgage Loans (Total loans reported inside and outside of the assessment areas)

- 2020 – 10,995 loans totaling \$3,815,670,000
- 2021 – 11,052 loans totaling \$4,506,239,000
- 2022 – 8,784 loans totaling \$3,746,008,000

Small Business Loans (Total loans reported inside and outside of the assessment areas)

- 2020 – 37,732 loans totaling \$3,280,641,000
- 2021 – 42,222 loans totaling \$3,026,778,000
- 2022 – 26,602 loans totaling \$2,381,784,000

Small Farm Loans (Total loans reported inside and outside of the assessment areas)

- 2020 – 126 loans totaling \$7,467,000
- 2021 – 289 loans totaling \$9,507,000
- 2022 – 142 loans totaling \$8,401,000

CD Loans:

January 27, 2020 – April 30, 2023: 1,054 loans totaling \$2,193,248,000

This evaluation does not consider any affiliate lending. Based on the data above, small farm loans only account for 0.1 percent of the dollar volume of the total HMDA and CRA loans. Therefore, other than for the Assessment Area Concentration performance factor, examiners did not analyze small farm loans since conclusions regarding them would not materially affect any conclusions or ratings.

Since no trends exist between the different years' data that materially affect applicable conclusions or ratings, unless otherwise noted, this evaluation only presents the 2021 HMDA and small business data, the most recent year for which aggregate data exists as of this evaluation date. However, examiners included 2020-2022 HMDA and CRA data in the Assessment Area Concentration discussion. Examiners compared the bank's HMDA lending to aggregate data in 2020 and 2021, as well as 2020 Census data in 2022. Examiners compared the bank's small business lending to aggregate data in 2020 and 2021, as well as D&B data in 2022.

The weightings for the specific loan categories varies for each of the assessment areas. As suggested by the above figures, examiners generally gave more weight to small business loans when arriving at applicable conclusions given the higher number volume of loans as Pinnacle Bank focuses on commercial loans and originated a large volume of Paycheck Protection Program loans during the review period.

Investment and Service Tests

The scopes for the Investment and Service Tests consider applicable current period CD activities, including qualified investments (QI)s and CD services. Current period activities, including CD loans considered under the Lending Test, involve those generated since the previous evaluation. The Investment Test's scope further encompasses all prior period QIs. Prior period QIs involve

those purchased prior to the previous evaluation but still outstanding as of this evaluation's date. Examiners use the book value as of the current evaluation date for all prior period QIs.

For the Service Test, examiners reviewed the delivery systems for providing retail banking services, including branches and alternative delivery systems, and the impact of any branch openings/closings during the evaluation period. The review evaluated retail banking products and services targeted toward low- and moderate-income individuals or small businesses and/or tailored to meet specific needs within the assessment area(s).

Given the institution's method and compilation of CD data, examiners reviewed all CD loans, QIs, and CD services from the January 1, 2020 to April 30, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Pinnacle Bank demonstrated a high satisfactory record for the bank as a whole regarding the Lending Test. A leader level of CD loans lifted the adequate geographic distribution and borrower profile records to primarily support this conclusion. In addition, the bank originated an adequate percentage of loans in the assessment areas, demonstrated excellent lending levels, and made extensive use of innovative and flexible lending practices. Conclusions regarding the institution's overall lending performance were consistent in the States of Georgia, South Carolina, and Tennessee. The States of Alabama, North Carolina, and Virginia demonstrated inconsistent performance, below the level noted for the overall institution. The appendices list the Lending Test's criteria.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. Excellent records regarding small business and home mortgage lending supports this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the assessment areas' credit needs when arriving at this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs. Excellent performance in Georgia, North Carolina, South Carolina, Tennessee, and Virginia outweighed good performance in Alabama to support this conclusion.

For 2021, the bank originated 17,248 total reportable small business loans totaling nearly \$2.2 billion inside its assessment areas. Pinnacle Bank captured a 3.0 percent market share of the total number of small business loans and a 9.3 percent market share of the total dollar volume of loans.

This volume of activity ranks the bank 11th out of 448 total lenders in the bank's assessment areas. This ranking lands the bank in the top 2.5 percent of lenders reporting such loans in the bank's assessment areas. The ranking considers the total number and dollar amount of loans made by each

institution.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs. Excellent performance in North Carolina, South Carolina, Tennessee, and Virginia outweighed good performance in Alabama and Georgia to support this conclusion.

For 2021, the bank originated 9,423 total reportable home mortgage loans totaling approximately \$3.4 billion in its assessment areas. Pinnacle Bank captured a 0.8 percent market share of the total number of home mortgage loans and a 1.0 percent market share of the total dollar volume of loans.

This volume of activity ranks the bank 25th out of 1,664 total lenders in the bank's assessment areas. This ranking lands the bank in the top 1.5 percent of lenders reporting such loans in the bank's assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Assessment Area Concentration

The institution originated an adequate percentage of loans inside its assessment areas for the institution as a whole. Adequate percentages of small business and small farm loans slightly hampered the high percentage of home mortgage loans originated in the assessment areas to support this conclusion. Examiners considered the bank's asset size and office structure as well as the loan categories reviewed relative to the areas' combined size and economy when arriving at this conclusion.

Small Business Loans

The institution originated an adequate percentage of its small business loans inside its assessment areas. The following table shows that the bank granted 44.6 percent by number and 74.2 percent by dollar amount in its assessment areas. The primary reason for this difference relates to its credit card account issuer program. Through this program, the bank issues business credit cards for clients of its partner banks. Pinnacle Bank is the responsible party for CRA reporting on these loans that are typically smaller dollar than its standard small business loans; however, many of these loans are outside the defined assessment areas. Weighing both measures equally, combined they show that the bank originated a majority of its small business loans inside its assessment areas.

Home Mortgage Loans

The institution originated a high percentage of home mortgage loans inside its assessment areas. The following table shows that, for home mortgage loans by both measures, the percentages of the number and dollar volume, the bank originated a high percentage inside its assessment areas.

Small Farm Loans

The institution originated an adequate percentage of its small farm loans inside its assessment areas. The following table shows that, for small farm loans by number, the bank originated just under a majority of its small farm loans inside its assessment areas. However, by dollar volume, the bank originated just over a majority of small farm loans in its assessment areas. Weighing both measures equally, combined they show that the bank narrowly originated a majority of its small farm loans

inside its assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2020	9,463	86.1	1,532	13.9	10,995	3,005,466	78.8	810,204	21.2	3,815,670
2021	9,423	85.3	1,629	14.7	11,052	3,415,863	75.8	1,090,377	24.2	4,506,240
2022	7,309	83.2	1,475	16.8	8,784	2,834,123	75.7	911,886	24.3	3,746,009
Subtotal	26,195	85.0	4,636	15.0	30,831	9,255,452	76.7	2,812,467	23.3	12,067,919
Small Business										
2020	20,790	55.1	16,942	44.9	37,732	2,687,221	81.9	593,420	18.1	3,280,641
2021	17,248	40.9	24,974	59.1	42,222	2,192,795	72.4	833,983	27.6	3,026,778
2022	9,477	35.6	17,125	64.4	26,602	1,571,288	66.0	810,496	34.0	2,381,784
Subtotal	47,515	44.6	59,041	55.4	106,556	6,451,304	74.2	2,237,899	25.8	8,689,203
Small Farm										
2020	51	40.5	75	59.5	126	2,996	40.1	4,471	59.9	7,467
2021	173	59.9	116	40.1	289	6,333	66.6	3,174	33.4	9,507
2022	49	34.5	93	65.5	142	3,579	42.6	4,822	57.4	8,401
Subtotal	273	49.0	284	51.0	557	12,908	50.9	12,467	49.1	25,375
Total	73,983	53.6	63,961	46.4	137,944	15,719,664	75.6	5,062,833	24.4	20,782,497

Source: Bank Data. Due to rounding, totals may not equal 100.0%.

Consequently, considering the loan categories' relative overall performances and weightings, the institution originated an adequate percentage of its loans inside its assessment areas.

Geographic Distribution

Pinnacle Bank's geographic distribution of loans reflects adequate penetration throughout the rated areas for the bank as a whole. Performance in the States of Alabama, North Carolina, South Carolina, and Tennessee proved consistent with the overall conclusion. Performance in the States of Georgia and Virginia proved inconsistent, reflecting performance below the overall conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts when arriving at conclusions for this performance factor. Refer to the rated area and assessment area sections for a complete discussion of the geographic distribution.

Borrower Profile

Pinnacle Bank's distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes for the bank as a whole. Performance in the States of North Carolina, South Carolina, Tennessee, and Virginia proved consistent with the overall conclusion. Performance in

the States of Alabama and Georgia proved inconsistent, rising above the overall conclusion. Examiners focused on the percentage by number of loans to low- and moderate-income individuals and to businesses gross annual revenue of \$1 million or less when arriving at conclusions for this performance factor. Refer to the rated area and assessment area sections for a complete discussion of the borrower profile.

Innovative or Flexible Lending Practices

The institution makes extensive use of innovative or flexible lending practices for the bank as a whole in order to serve assessment area credit needs. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution's capacity and the credit needs of its assessment areas when arriving at this conclusion.

The tables below show that, since the previous evaluation, the bank originated 4,171 innovative or flexible loans totaling over \$2.3 billion. This dollar figure equates to 6.0 percent of average total assets of \$39.6 billion since the previous evaluation and 9.2 percent of average net loans of \$26.0 billion for the same period, thereby reflecting an excellent level. As expected due to the bank's growth in asset size, all segments of the innovative and flexible loan programs increased since the previous evaluation. Growth occurred in all categories, with 3,658 innovative or flexible loans totaling \$793.3 million noted at the previous evaluation.

As the table illustrates, a portion of the bank's flexible loan products consist of loans granted through government programs, such as the Small Business Administration (SBA), United States Department of Agriculture (USDA), Federal Housing Administration (FHA), and Veterans Administration (VA). The bank also offers flexible loan programs through Fannie Mae (HomeReady) and Freddie Mac (Home Possible); both loan products offer lower down payment requirements, more flexible qualifying criteria, and reduced up-front cash requirements.

Furthermore, the bank continues to offer programs tailored to low- and moderate-income individuals through the Tennessee Housing Development Agency (THDA), Mississippi Home Corporation, North Carolina Housing Coalition (NC Housing), and Pinnacle 100.

The bank also offers various small business loan programs through the SBA: 504 Loans, 7(a) Loans, and SBA Express. Flexible features of these SBA programs help small businesses obtain financing and small dollar loans that they may not have otherwise been eligible through normal lending channels. Examples of flexible features for these loan programs include higher SBA guaranties and lower down payments.

Given the bank's capacity and the needs in its assessment areas, the level of innovative and flexible lending reflects excellent responsiveness to the credit needs of its assessment areas. The table below displays the bank's innovative or flexible loans by rated area.

Innovative or Flexible Loans Institution										
Rated Area	Fannie Mae/ Freddie Mac/State Housing		FHA/USDA/VA		Pinnacle 100		SBA		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Alabama	23	10,786	21	6,532	31	6,600	2	645	77	24,563
State of Georgia	29	42,084	32	9,249	8	1,325	13	15,129	82	67,787
State of North Carolina	223	85,501	117	27,815	261	47,988	153	158,611	754	319,915
State of South Carolina	67	22,571	37	9,241	34	6,627	77	104,894	215	143,333
State of Tennessee	980	293,093	828	212,305	516	101,373	114	141,023	2,438	747,794
State of Virginia	44	22,560	17	3,730	31	4,735	26	43,440	118	74,465
Nationwide Activities	289	660,909	113	28,209	24	4,510	61	296,760	487	990,388
Total	1,655	1,137,504	1,165	297,081	905	173,158	446	760,502	4,171	2,368,245

Source: Bank records.

Though not reflected in the table above, examiners noted below additional bank activity as it relates to the Coronavirus Pandemic and disaster relief assistance.

- Coronavirus (COVID-19) Pandemic Lending Activities** – The bank receives favorable CRA consideration for its willingness to offer various flexible options for borrowers impacted financially by the COVID-19 pandemic. The bank assisted small business borrowers with Paycheck Protection Program (PPP) loans through the SBA during the COVID-19 pandemic. The SBA offered the PPP loan program to provide a direct incentive for small businesses to keep their workers on the payroll.¹ The bank originated 24,092 PPP loans totaling approximately \$3.4 billion during the evaluation period. In addition, the bank offered various payment deferment options to its loan customers during the evaluation period and extended assistance to 7,416 loan customers impacted financially by the pandemic.

Examiners included below additional details regarding the bank’s in-house innovative or flexible lending program.

- Pinnacle 100 Loan Program** – Pinnacle Bank continues offering this loan program that began from discussions with its non-profit affordable housing partners to develop a loan product that targets low- and moderate-income borrowers. The loan program offers a fixed-rate mortgage for home purchase and refinances that allows for 100.0 percent financing and alternative credit histories. Additional financing assistance available through this program includes vouchers from housing organizations and Federal Home Loan Bank grants for down payment assistance.

Community Development Loans

¹ Source: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program#section-header-2>

The institution has made a leader level of CD loans for the bank as a whole. Pinnacle Bank’s excellent level of CD loans and its good responsiveness to CD needs support this conclusion. The bank demonstrated consistent performance in the States of Georgia, South Carolina, and Tennessee. The bank demonstrated inconsistent performance in the States of Alabama, North Carolina, and Virginia, where performance fell below the overall institution level.

Regarding the overall level of CD loans, the following table shows that, since the previous evaluation the bank granted 1,066 CD loans totaling over \$2.4 billion. This level equates to 6.6 percent of average total assets of \$37.1 billion since the previous evaluation and 10.1 percent of average net loans of \$24.3 billion for the same period, thereby reflecting leader levels. These levels reflect an increase from the 4.7 percent of average assets and an increase from the 6.5 percent of average net loans reported at the previous evaluation.

Community Development Lending Institution										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (1/27 - 12/31)	74	77,863	241	125,592	101	358,588	127	368,168	543	930,211
2021	67	235,418	137	127,284	89	292,508	49	270,844	342	926,054
2022	47	239,414	68	96,574	22	111,308	25	107,066	162	554,362
2023 (1/1 – 4/30)	7	33,868	11	8,484	1	300	0	0	19	42,652
Total	195	586,563	457	357,934	213	762,704	201	746,078	1,066	2,453,279
<i>Source: Bank Data.</i>										

In addition to reflecting a leader level of loans, the CD loans reflect good responsiveness to the assessment areas’ CD needs. As seen in the previous table, 31.1 percent of the dollar volume of all CD loans promotes economic development, and 30.4 percent help to revitalize or stabilize low- and moderate-income geographies. Additionally, 14.6 percent benefits community services for low- and moderate-income individuals and 23.9 percent promotes affordable housing.

As noted under the applicable Description of Institution’s Operations sections, activities that revitalize or stabilize qualifying geographies reflect a primary CD need in the assessment areas. In addition, activities that support community services for low- and moderate-income individuals and promote economic development by financing small businesses or farms also represent CD needs. Therefore, relative to the bank’s capacity and the extent of CD lending opportunities and needs in its assessment areas, the bank exhibits a leader level in originating CD loans.

Community Development Loans By Rated Area										
Rated Area	Institution									
	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Alabama	1	6,792	0	0	0	0	0	0	1	6,792
State of Georgia	19	189,850	2	333	2	13,500	10	20,242	33	223,925
State of North Carolina	79	210,844	100	56,385	54	108,652	43	91,973	276	467,854
State of South Carolina	26	34,078	22	15,051	10	54,190	16	123,870	74	227,189
State of Tennessee	59	120,525	301	265,539	141	562,910	124	478,393	625	1,427,367
State of Virginia	9	4,274	29	13,437	4	12,201	5	23,935	47	53,847
Nationwide Activities	0	0	1	66	2	11,251	2	6,500	5	17,817
Regional Activities	2	20,200	2	7,123	0	0	1	1,165	5	28,488
Total	195	586,563	457	357,934	213	762,704	201	746,078	1,066	2,453,279

Source: Bank records.

The following are notable examples of the bank's regional CD activities.

- **Affordable Housing** – The bank originated a \$12.4 million loan utilizing a Low-Income Housing Tax Credit to create 147 units of affordable housing.
- **Revitalize or Stabilize** – The bank originated a loan totaling \$1.1 million to a business in a moderate-income census tract. The loan assisted in retaining this business in a moderate-income area.

INVESTMENT TEST

Pinnacle Bank demonstrated an outstanding record for the bank as a whole regarding the Investment Test. The excellent level of qualified investments combined with the excellent responsiveness to CD needs and the extensive use of complex investments supports this conclusion. Conclusions regarding the institution's overall Investment Test performance proved inconsistent in the State of Alabama, Georgia, North Carolina, South Carolina, Tennessee, and Virginia, where performance fell below the overall level. The appendices list the criteria considered under this test.

Investment and Grant Activity

The investment activity for the bank as a whole reflects an excellent level. As seen in the following table, the bank made use of 1,945 qualified investments totaling over \$977.0 million, which includes donations of \$6.9 million and prior period investments of \$278.8 million. The total dollar amount equates to 2.6 percent of average total assets of \$37.1 billion since the previous evaluation and 17.7 percent of average securities of \$5.5 billion for the same period, thereby reflecting an excellent level. The bank's investments for the current evaluation period compare favorably to similarly situated institutions. These levels reflect a significant increase over the 1.4 percent of average total assets and the 10.8 percent of average securities reported in the previous evaluation.

Qualified Investments by Year Institution										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	58	169,856	5	23,565	33	85,141	2	256	98	278,818
2020	17	91,870	0	0	2	2,200	4	1,000	23	95,070
2021	39	197,847	0	0	12	56,500	5	3,500	56	257,847
2022	56	252,645	0	0	13	39,200	4	1,000	73	292,845
2023 (1/1 –4/30)	6	29,837	0	0	1	15,000	3	750	10	45,587
Subtotal	176	742,055	5	23,565	61	198,041	18	6,506	260	970,167
Qualified Grants & Donations	148	510	1,298	4,431	220	1,908	19	36	1,685	6,885
Total	324	742,565	1,303	27,996	281	199,949	37	6,542	1,945	977,052

Source: Bank Data

Qualified Investments by Rated Area Institution										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Alabama	5	281	2	5	0	0	0	0	7	286
State of Georgia	15	65,893	11	51	7	9,014	0	0	33	74,958
State of North Carolina	114	163,370	290	15,025	62	31,458	18	3,754	484	213,607
State of South Carolina	65	88,232	148	2,992	31	3,924	2	2,508	246	97,656
State of Tennessee	167	387,106	795	4,721	148	55,044	17	280	1,127	447,151
State of Virginia	14	25,169	55	5,157	16	88	0	0	85	30,414
Nationwide Activities	3	12,514	10	45	24	100,421	0	0	37	112,980
Total	383	742,565	1,311	27,996	288	199,949	37	6,542	2,019*	977,052

Source: Bank Data. * Total number of investments in Rated Areas include single investments benefitting multiple Rated Areas.

The following illustrates notable examples of the bank’s nationwide and broader statewide QI activities:

- **Economic Development** – The bank invested over \$95.4 million nationwide in Small Business Investment Companies (SBICs) and Rural Business Investment Companies (RBICs) that promote economic development by financing small businesses.
- **Revitalize and Stabilize** – The bank purchased or retained certificates of deposits totaling over \$4.5 million in four minority-owned financial institutions and one low-income credit union located in the State of North Carolina, South Carolina, and Tennessee. Since these institutions are located in low- or moderate-income geographies and operate in communities with distressed or underserved areas, these funds serve a critical need by helping them revitalize and stabilize these areas inside their local communities.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank's CD activities show excellent responsiveness using qualified investments that directly address identified needs in the rated areas where the bank operates. The above table shows responsiveness to a variety of CD needs as illustrated by the dollar amount in all four CD purpose categories. In addition, the bank demonstrates responsiveness through the higher dollar amounts within affordable housing and economic development.

Pinnacle Bank's qualified investments addressed the following needs nationwide and throughout various assessment areas.

- Affordable housing needs with approximately \$246.8 million in the purchase of mortgage-backed securities with underlying loans to low- and moderate-income individuals benefitting multiple assessment areas in the States of Tennessee, North Carolina, South Carolina, Virginia, and Georgia.
- Community services targeted to low- and moderate-income individuals with \$21.6 million invested in a CRA Investment Fund benefitting multiple assessment areas in the States of North Carolina, South Carolina, and Virginia.
- Economic development needs by investing \$5.0 million in a nationwide CRA Investment Fund that promotes economic development by investing in small businesses.

Community Development Initiatives

Pinnacle Bank made extensive use of complex investments to support CD initiatives given the size of the institution and opportunities available. The bank did not have innovative investments during the evaluation period.

Investments in Low-Income Housing Tax Credits benefited multiple assessment areas in the States of Tennessee and North Carolina and totaled approximately \$282.5 million. The Low-Income Housing Tax Credit Program incentivizes community development by issuing tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to low-income households. Investments through these programs offer varying degrees of complexity involving special expertise needed by staff and a significant amount of time to coordinate the financing process.

Additionally, Pinnacle Bank invested over \$43.0 million in EQ2 investments. EQ2 investments, not commonly used by private investors, only benefit nonprofit Community Development Financial Institutions (CDFIs). The EQ2 investments benefited multiple assessment areas in the States of Tennessee, North Carolina, and South Carolina by providing affordable housing and promoting economic development.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record for the bank as a whole regarding the Service Test. The excellent levels regarding the institution's CD services lifted the reasonably accessible

delivery systems, changes in branch locations, and reasonableness of business hours and services to support this conclusion. The Service Test performance is consistent in each of the rated areas.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank’s assessment areas for the bank as a whole. Reasonably accessible branch distribution and alternative delivery systems support this conclusion.

The bank makes its full-service offices reasonably accessible to essentially all portions of the institution’s assessment areas for the bank as a whole. Adequate accessibility of branches in low- and moderate-income geographies supports this conclusion.

The bank’s level of branch distribution in low-income tracts falls 2.4 percentage points below the population in low-income census tracts, reflecting an adequate level. The bank’s level falls 1.0 percentage points below the population percentage in moderate-income tracts, also reflecting an adequate level. The change in census tract designations from the 2020 U.S. Census data resulted in two additional branches in moderate-income census tracts, which did not impact the rating conclusion for moderate-income tracts.

Branch and ATM Distribution by Geography Income Level Institution												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	353	8.2	1,157,957	6.6	5	4.2	6	4.4	0	0.0	0	0.0
Moderate	944	21.9	3,701,728	21.0	24	20.0	27	19.7	1	10.0	0	0.0
Middle	1,465	34.1	6,393,895	36.2	36	30.0	33	24.1	2	20.0	0	0.0
Upper	1,414	32.9	6,123,669	34.7	54	45.0	60 *	43.8	7	70.0	1	100.0
NA	125	2.9	263,149	1.5	1	0.8	11	8.0	0	0.0	0	0.0
Totals	4,301	100.0	17,640,398	100.0	120	100.0	137	100.0	10	100.0	1	100.0

*Source: 2020 U.S. Census & Bank Data
 Due to rounding, totals may not equal 100.0%
 Of the bank’s 60 ATMs in upper-income tracts, two are Interactive Teller Machines (ITMs).

The bank makes its alternative delivery systems reasonably accessible to portions of the bank’s assessment areas for the bank as a whole. Reasonably accessible ATMs and alternative delivery systems to low- and moderate-income individuals support this conclusion.

The preceding table shows that the bank’s ATMs in low-income tracts falls 2.2 percentage points below the population in low-income census tracts, thereby reflecting an adequate level. The change in census tract designations from the 2020 U.S. Census data resulted in a decline of five ATMs in low-income census tracts, which did not impact the rating conclusion for low-income tracts given the range for adequate performance. The bank’s ATMs in moderate-income tracts falls 1.3

percentage points below the population in moderate-income tracts, also reflecting an adequate level.

Digital banking channels provide access to banking services to low- and moderate-income individuals or tracts during the evaluation period for the bank as a whole. Pinnacle Bank provided internal statistics to support this data compared to 2020 U.S. Census data.

- Digital mortgage channels expedite the mortgage process through an online mortgage application, the remote delivery of documents on a secure portal, and the electronic signature of documents. The following data provides insights to the bank's digital mortgage presence for low- and moderate-income individuals or tracts:
 - The percentage of online mortgage applications from low- and moderate-income tracts to total applications increased over the review period from 12.3 percent in 2020 to 26.0 percent as of 4/30/2023. The 26.0 percentage compares higher than to the percentage of owner-occupied units in low- and moderate-income tracts at 20.6 percent.
 - The percentage of online mortgage applications from low- and moderate-income individuals to total applications increased over the review period from 18.9 percent in 2020 to 23.7 percent as of 4/30/2023. This 23.7 percentage compares significantly below the population percentage of low- and moderate-income families at 37.8 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts remains stable throughout the review period at 14.6 percent per year on average. This 14.2 percentage compares significantly below the population percentage in low- and moderate-income tracts at 27.6 percent.
- The percentage of online deposit accounts opened from low- and moderate-income tracts increased over the review period from 18.9 percent in 2020 to 22.0 percent as of 4/30/2023. This 22.0 percentage compares below the population percentage in low- and moderate-income tracts of 27.6 percent.
- The bank has bilingual employees in branches located in low- and moderate-income tracts that assist where needed to inform customers speaking different languages about digital features that make banking easier.

Pinnacle Bank did not introduce any new products with a focus on affordability to low- and moderate-income people since the previous evaluation. However, the bank continues to offer an affordable and safe consumer deposit account product as a participant in the Bank-On program to encourage individuals that are unbanked or underbanked to become bank customers. Product features for the Bank-On deposit account include:

- No income restriction to qualify.
- A consumer with a Chex System record can open this account with as little as \$25 and no monthly service charges.
- A consumer without a Chex Systems record must attend a Financial Education class prior to opening an account.
- Overdraft per item fees but no charge for non-sufficient fund (NSF) fees.

The bank also offers two other affordable and safe consumer deposit accounts with a minimum opening balance of \$100 and no monthly fee with a monthly e-statement and/or eligible direct deposit.

Last, in response to the COVID-19 pandemic, the bank implemented several relief efforts including participating in the SBA's PPP loan program and deferring loan payments.

Changes in Branch Locations

The institution's record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals for the bank as a whole. Greater percentage changes in middle- and upper-income census tracts as compared to changes in low- and moderate-income tracts supports this conclusion.

The bank increased its total full-service branch presence by a net of nine offices, with 10 branches opened and one branch closed. Of the branch openings, one occurred in a moderate-income tract, two occurred in middle-income tracts, and seven occurred in upper-income tracts. The branch opening in a moderate-income tract increased the bank's percentage of branches in moderate-income tracts from 19 percent to 20 percent, which compared similar to the percentage of the population in moderate-income tracts at 21 percent. The closed branch was in an upper-income tract.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- or moderate-income geographies or individuals, for the bank as a whole.

The bank's branches generally have the same product offerings and services, and branch locations have similar hours that vary slightly based on the areas' needs. The Winston-Salem Cherry Street office in the State of North Carolina is the only full-service office that does not process cash transactions and offer debit card issuance.

The institution maintains reasonable hours relative to the areas served and the industry. Most locations maintain at least 8-hour lobby hours Monday thru Thursday and extended hours on Friday.

Community Development Services

The institution is a leader in the level of CD services for the bank as a whole. Excellent performances regarding the extent of CD services outweighed the good responsiveness of CD services to available opportunities to support this conclusion.

The following table shows that the bank provided 2,661 CD services since the previous evaluation. This number equates to an average of 6.9 CD services per office per years since the previous evaluation, thereby reflecting an excellent level. The bank averaged 117.5 full-service offices for the 3.3 years since the previous evaluation. The average figure reflects an increase from the average of 4.04 CD services, per office, per year, recorded at the prior evaluation. The current level reflects excellent performance regarding the extent, or number, of CD services provided.

The services primarily involve bank personnel’s use of their technical expertise to benefit organizations or projects with a primary purpose of CD, as defined by CRA regulations. Services include Board or committee participation in a substantial number of those activities. Service activities primarily impacts its bank as a whole assessment area through community services targeted to low- and moderate-income individuals at 71.6 percent of the bank's total CD services. Services also impact the entire bank as a whole assessment area through economic development at 19.3 percent and through affordable housing at 8.6 percent of the bank’s total CD services. As noted in the rated area sections of this evaluation, such services represent CD needs for many of the bank’s assessment areas. Additionally, refer to the State of Tennessee for additional programs used in that state that provide CD services to low- and moderate-income individuals.

In addition to their extent, CD services reflect good responsiveness to available opportunities as illustrated by their level of addressing identified CD needs in the bank's assessment areas. Additional opportunities exist to revitalize or stabilize low- and moderate-income areas or FEMA designated disaster areas given the number of these tracts in the institution’s wide geographic area for the bank as a whole.

Pinnacle Bank had no regional or nationwide CD services, so please reference the rated areas sections for examples of the bank’s CD services.

Community Development Services by Rated Area Institution					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State of Alabama	11	6	1	0	18
State of Georgia	9	35	32	0	76
State of North Carolina	76	719	177	7	979
State of South Carolina	30	264	110	2	406
State of Tennessee	93	669	155	0	917
State of Virginia	11	213	41	0	265
Nationwide	0	0	0	0	0
Total	230	1,906	516	9	2,661
<i>Source: Bank records. (1/27/2020-5/2/2023)</i>					

Community Development Services by Year Institution					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020 (Partial)	58	226	38	2	324
2021	47	584	51	5	687
2022	82	775	257	1	1,115
2023 (YTD)	43	321	170	1	535
Total	230	1,906	516	9	2,661
<i>Source: Bank Data</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

ALABAMA

CRA RATING FOR ALABAMA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ALABAMA

Pinnacle Bank designated two assessment areas in the State of Alabama as noted in the table below. All of the bank's assessment areas in Alabama conform to the CRA regulatory requirements.

Description of Alabama Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Birmingham MSA	Jefferson	163	1
Huntsville MSA	Madison	73	1

Source: Bank Records; 2015 ACS data.

SCOPE OF EVALUATION – ALABAMA

Full-Scope Assessment Area

Of the two assessment areas in Alabama, examiners applied full-scope procedures to the Huntsville MSA assessment area since it generated the largest percentage of the bank's loans and deposits in this rated area. Examiners applied limited-scope procedures to the other Alabama assessment area.

Lending Test

Loan Categories Reviewed

Examiners considered the following loans granted inside the bank's Alabama assessment areas as reported according to either the HMDA or CRA data collection reporting requirements:

Home Mortgage Loans:

- 2020: 6 loans totaling \$1,998,000
- 2021: 48 loans totaling \$25,646,000
- 2022: 99 loans totaling \$22,472,000

Small Business Loans:

- 2020: 95 loans totaling \$6,054,000
- 2021: 139 loans totaling \$8,008,000
- 2022: 108 loans totaling \$12,987,000

The weightings for the specific loan categories varies for each of the assessment areas. As suggested by the above figures, examiners generally gave more weight to small business loans when arriving at applicable conclusions given the higher number volume of loans.

Assessment Area Weighting

The following table shows that the Huntsville MSA assessment area generated the largest percentage of the bank’s Alabama loans and deposits. Consequently, examiners weighed records in the Huntsville MSA assessment area heaviest when arriving at applicable conclusions and ratings. Examiners weighed performance in each reviewed area consistent with that area’s lending level as reflected in the following table.

Assessment Area Distribution – State of Alabama						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Birmingham MSA	29,696	38.5	0*	0.0	1	50.0
Huntsville MSA	47,494	61.5	215,594	100.0	1	50.0
Total	77,190	100.0	215,594	100.0	2	100.0

Source: HMDA & CRA Data (2020-2022); FDIC Summary of Deposits (06/30/2022). Due to rounding, totals may not equal 100.0 percent
**Less than 1 percent*

Investment and Service Tests

The scopes for the Investment and Service Tests remain the same for this rated area as it did for the institution as a whole. Please refer to the institution-level Scope of Evaluation section.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ALABAMA

LENDING TEST

Pinnacle Bank demonstrated a low satisfactory record in the State of Alabama regarding the Lending Test. Adequate performance records regarding geographic distribution and community development loans hampered the excellent borrower profile record to primarily support this conclusion. The bank further made use of innovative and flexible lending levels, and demonstrated good lending levels in this rated area. Conclusions regarding the institution’s performance in the State of Alabama proved consistent in the Huntsville MSA and inconsistent in the Birmingham MSA where performance fell below the rated area.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs in the State of Alabama. Good performance regarding both small business and home mortgage loans support this conclusion. Examiners considered the bank’s size, business strategy, and capacity in this state relative to its credit needs when arriving at this conclusion.

Small Business Loans

Small business lending levels reflect good responsiveness to assessment area credit needs in the State of Alabama. For 2021, the bank originated 139 total reportable small business loans totaling approximately \$8.0 million inside its Alabama assessment areas. Pinnacle Bank captured a 0.5 percent market share of the total number of small business loans and a 0.5 percent market share of

the total dollar volume of loans.

This volume of activity ranks the bank 31st out of 152 total lenders in the bank's Alabama assessment areas. This ranking lands the bank in the top 20.4 percent of lenders reporting such loans in the bank's Alabama assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Home Mortgage Loans

Home mortgage lending levels reflect good responsiveness to assessment area credit needs in the State of Alabama. For 2021, the bank originated 48 total reportable home mortgage loans totaling approximately \$25.7 million in its Alabama assessment areas. Pinnacle Bank captured a 0.1 percent market share of the total number of home mortgage loans and 0.2 percent market share of the total dollar volume of home mortgage loans in the Alabama assessment areas.

This volume of activity ranks the bank 122nd out of 568 total lenders in the bank's Alabama assessment areas. This ranking lands the bank in the top 21.5 percent of lenders reporting such loans in the bank's Alabama assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the State of Alabama. The Huntsville MSA assessment area demonstrated consistent performance with the rated area. Performance in the Birmingham MSA assessment area demonstrated inconsistent performance, below performance noted for the State of Alabama as a whole. Examiners placed the most weight on the bank's Huntsville MSA assessment area.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different sizes. All of the State of Alabama assessment areas demonstrated consistent performance with the overall conclusion. Examiners placed the most weight on the bank's Huntsville MSA assessment area.

Innovative or Flexible Lending Practices

The institution uses innovative or flexible lending practices in order to serve assessment area credit needs in the State of Alabama. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution's capacity and the credit needs of its assessment areas when arriving at this conclusion.

The table below shows that, since the previous evaluation, the bank originated 77 innovative or flexible loans totaling \$24.6 million in the State of Alabama. This dollar figure equates to 1.0 percent of the bank's overall excellent innovative or flexible lending (or 1.8 percent of total

innovative and flexible loans less nationwide). Given the bank’s capacity and the needs in the rated area, the level of innovative and flexible loans reflects good responsiveness to the credit needs of the State of Alabama.

Innovative or Flexible Loans State of Alabama										
Assessment Area	Fannie Mae/ Freddie Mac/ State Housing		FHA/USDA/VA		Pinnacle 100		SBA		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Birmingham MSA	1	6,792	1	517	1	186	1	350	4	7,845
Huntsville MSA	17	3,295	11	3,864	29	6,254	0	0	57	13,413
Statewide	5	699	9	2,151	1	160	1	295	16	3,305
Total	23	10,786	21	6,532	31	6,600	2	645	77	24,563

Source: Bank records.

Community Development Loans

The institution has made an adequate level of CD loans in the State of Alabama. Its extent, or dollar volume, of CD loans support this conclusion. Performance in the Huntsville MSA and Birmingham MSA assessment areas demonstrated inconsistent performance falling below the state level. Examiners placed the most weight on the bank’s Huntsville MSA assessment area.

The following table shows that, since the previous evaluation, the bank granted one CD loan totaling approximately \$6.8 million in this state. The dollar amount equates to 0.3 percent of the bank’s overall relatively excellent level of CD loans as compared to the 0.5 percent of overall HMDA and CRA loans attributed to this state.

Community Development Loans State of Alabama										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Birmingham MSA	0	0	0	0	0	0	0	0	0	0
Huntsville MSA	0	0	0	0	0	0	0	0	0	0
Statewide	1	6,792	0	0	0	0	0	0	1	6,792
Total	1	6,792	0	0	0	0	0	0	1	6,792

Source: Bank records.

Besides their extent, the CD loans reflect poor responsiveness to the state’s CD needs given only affordable housing is the only one of the four CD purpose represented. CD loans in only one of four CD purposes. While there are no community development loans in the two assessment areas for the State of Alabama, refer to pages within the State of Alabama showing investment and community development services in the State of Alabama’s two assessment areas to support responsiveness to community development needs.

The following point provides an example of the bank’s CD lending activity in the broader statewide area of State of Alabama.

- **Affordable Housing** – The bank originated one loan totaling \$6.8 million to provide 96 units of affordable housing.

INVESTMENT TEST

Pinnacle bank demonstrated a low satisfactory record in the State of Alabama regarding the Investment Test. The adequate level of qualified community development investments and grants and adequate responsiveness to CD needs outweighed the rare use of complex investments to support this conclusion. The Birmingham MSA and Huntsville MSA assessment areas reflect consistent performance with the overall State of Alabama.

Investment and Grant Activity

The bank has an adequate level of qualified community development investments and grants in the State of Alabama. The table below shows that Pinnacle Bank made seven qualified investments totaling approximately \$286,000 in the State of Alabama. By dollar volume, this equates to less than 1.0 percent of the bank’s excellent level of qualified investments as compared to 0.7 percent of total deposits attributed to this rated area.

Qualified Investments State of Alabama										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Birmingham MSA	0	0	1	3	0	0	0	0	1	3
Huntsville MSA	5	281	1	2	0	0	0	0	6	283
Total	5	281	2	5	0	0	0	0	7	286

Source: Bank records

Responsiveness to Credit and Community Development Needs

Pinnacle Bank shows adequate responsiveness to credit and CD needs in the State of Alabama. The previous table shows responsiveness through the dollar volume investments attributed to affordable housing and community services for low- and moderate-income individuals.

Refer to the Huntsville MSA assessment area for details regarding the bank’s responsiveness to CD needs.

Community Development Initiatives

Pinnacle Bank made rare use of complex investments to support CD initiative, given the size of the institution and opportunities available in the State of Alabama.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record for the State of Alabama regarding the Service Test. The excellent levels and qualitative aspects regarding the bank’s CD services lifted the reasonably accessible delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion. The Birmingham MSA and Huntsville MSA assessment areas reflect performance consistent with the state level.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank’s assessment areas in the State of Alabama. Reasonably accessible branch distribution and alternative delivery systems support this conclusion. The State of Alabama reflects consistent conclusions to the institution’s Accessibility of Delivery System performance.

The bank makes its full-service offices reasonably accessible to portions of the institution’s assessment areas in the State of Alabama considering performance context.

This rated area is new since the previous evaluation. The bank’s level of branch distribution in low-income census tracts falls 11.6 percentage points below the population in these tracts, typically reflecting a poor level. The bank’s level falls 21.9 percentage points below the population percentage in the moderate-income census tracts, reflecting a poor level. However, one of the two bank’s full-service branches are adjacent to low- and moderate-income census tracts allowing access to banking services to low- and moderate-income tracts. Also, considering the bank operates only two locations within the State of Alabama, limits the impact of branch distribution on the accessibility of services.

Branch and ATM Distribution by Geography Income Level State of Alabama												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	41	14.4	123,054	11.6	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	73	25.7	232,529	21.9	0	0.0	0	0.0	0	0.0	0	0.0
Middle	76	26.8	310,974	29.3	0	0.0	0	0.0	0	0.0	0	0.0
Upper	88	31.0	380,141	35.8	2	100.0	1	100.0	2	100.0	0	0.0
NA	6	2.1	16,176	1.5	0	0.0	0	0.0	0	0.0	0	0.0
Totals	284	100.0	1,062,874	100.0	2	100.0	1	100.0	2	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to portions of the bank’s assessment areas in the State of Alabama.

While the one ATM is located in an upper-income tract, the ATM is adjacent to low- and moderate-income census tracts allowing access to banking services to low- and moderate-income tracts. Also, considering the bank operates only one ATM within the State of Alabama, limits the impact of ATM distribution on the accessibility of services.

Refer to the Service Test section for the overall bank for details on digital banking as well as services that provide banking access to low- and moderate-income people and tracts. The bank's COVID response extended financial assistance to help many people avoid serious financial consequences during the pandemic.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the State of Alabama on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank's digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications significantly increased over the review period from 15.4 percent in 2020 to 51.1 percent as of 4/30/2023. The 51.1 percentage compares significantly higher than the percentage of owner-occupied units in low- and moderate-income tracts at 20.1 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 0.0 percent in 2020 to 28.9 percent as of 4/30/2023. This 28.9 percentage compares below the population percentage of low- and moderate-income families at 39.5 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts increased throughout the review period from 0.0 percent in 2020 to 8.1 percent as of 3/30/2023. This 8.1 percentage compares significantly below the population percentage in low- and moderate-income tracts at 33.5 percent.
- The number of online deposit accounts opened for 2022 was 10 accounts and no accounts as of 4/30/2023. Based on the small number of online deposit accounts opened, a benchmark analysis compared to demographic by percentage was not evaluated.

Changes in Branch Locations

This is a new rated area since the previous evaluation. To the extent changes have been made, the institution's record of opening and closing of branches in the State of Alabama has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. No branch changes occurred in low- and moderate-income tracts in the State of Alabama. Two branches opened in upper-income tracts.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the State of Alabama, particularly low- or moderate-income geographies or individuals.

The State of Alabama reflects product offerings, services, and branch hours generally consistent with discussion at the institution level.

The bank’s branches have the same product offerings and services, and branch locations have similar hours. Branch hours are generally Monday to Friday from 8:30 a.m. to 4:30 p.m. The State of Alabama reflects product offerings, services, and branch hours consistent with discussion at the institution level.

Community Development Services

The institution is a leader in the level of CD services for the State of Alabama. Excellent performance regarding the extent of CD services and the good responsiveness of CD services to available opportunities primarily support this conclusion.

The following table shows that the bank provided 18 CD services since the previous evaluation. This number equates to an average of 12.0 CD services, per office, per year, thereby reflecting an excellent level. The bank 1.3 averaged full-service offices since the first branch opened in Alabama 1.8 years ago. The other branch opened only 0.5 years prior to start of this evaluation.

Community Development Services State of Alabama					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Birmingham MSA	0	0	0	0	0
Huntsville MSA	11	6	1	0	18
Statewide Activities	0	0	0	0	0
Total	11	6	1	0	18
<i>Source: Bank Data (01/27/2020 – 05/02/2023)</i>					

Leadership is evident through Board or committee participation in a number of those activities. Pinnacle Bank had no regional or statewide CD services in this rated area, so please reference the full-scope assessment areas section for examples of the bank’s CD services.

HUNTSVILLE MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN HUNTSVILLE MSA

The Huntsville MSA assessment area includes all 73 census tracts that make up Madison County, one of two counties that make up the Huntsville, AL MSA (Huntsville MSA), located in northern Alabama.

Economic and Demographic Data

The assessment area’s census tracts reflect the following income designations based on 2015 ACS data: 12 low-, 19 moderate-, 21 middle-, and 21 upper-income tracts. FEMA declared this assessment area as a major disaster area due to the COVID-19 pandemic during the majority of the evaluation period. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area						
Huntsville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	73	16.4	26.0	28.8	28.8	0.0
Population by Geography	346,438	10.8	20.8	31.2	37.2	0.0
Housing Units by Geography	152,720	12.3	21.9	32.1	33.7	0.0
Owner-Occupied Units by Geography	93,319	5.1	18.3	33.0	43.6	0.0
Occupied Rental Units by Geography	44,448	23.9	28.3	30.9	16.9	0.0
Vacant Units by Geography	14,953	22.7	25.3	30.2	21.8	0.0
Businesses by Geography	27,224	12.4	21.6	28.7	37.3	0.0
Farms by Geography	809	7.7	20.1	37.0	35.2	0.0
Family Distribution by Income Level	89,551	22.9	16.0	17.4	43.8	0.0
Household Distribution by Income Level	137,767	24.5	15.6	15.6	44.3	0.0
Median Family Income MSA - 26620 Huntsville, AL MSA		\$72,576	Median Housing Value			\$164,667
			Median Gross Rent			\$800
			Families Below Poverty Level			10.0%

*Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

Economy: According to Moody’s Analytics, Precis U.S. Metro - June 2023, the Huntsville MSA’s economy is outperforming the regions. The labor market is churning out jobs faster than the South’s pace over the last three- and six-month periods. While strength in the labor market is largely broad-based, the public sector is driving robust gains, up nearly double the national average during the past half year. Goods producers, however, are a sore spot, down on a year-ago basis. Recent strength in the labor market is drawing down the unemployment rate; at less than two percent, it is near its all-time low, while the labor force continues to crest new heights. According to the U. S. Bureau of Labor Statistics as of March 2023, Huntsville’s unemployment rate at 1.6 percent is below the national average at 3.5 percent. The population, housing and business information below is sourced from Madison County specifically rather than the entire Huntsville MSA.

Population: Utilizing data from the U.S. Census Vintage, the population remained stable between July 2020 and July 2021. The population distribution age shows age 20 – 29 at seven percent which is about half that of the state of Alabama. The age distribution of 30 - 39 at 14 percent and age 65+ at 12 percent, with the percentages for both age groups similar to Alabama. Leveraging data from the U.S. Census ACS 2021 data, foreign born population represents 9.7 percent, near double the rate for Alabama at 3.5 percent.

Housing: According to the U.S. Census ACS 2021 data, the median housing income of \$105,335 is higher than Alabama at \$54,943. The median housing value at \$279,800 is above Alabama at \$157,100 and slightly below that of the United States at \$281,400.

Business: Based on 2020 business data from the U.S. Census Business Dynamics Statistics, the number of firms by firm size is 1) firm size of 1-19 at 70.1 percent of employment, 2) firm size 20-499 at 17.7 percent of employment, and 3) 500+ at 12.2 percent of employment. Approximately 23,704 jobs were created in 2020, with most jobs in professional/scientific/technical services and administrative/support/waste management/remediation services. The largest existing industries are professional and retail trade. New firm startups comprise 7.8 percent of total firms.

Competition

The area contains a moderate level of competition from other chartered banks based on its population, with 31 institutions with 97 offices serving the community. Pinnacle Bank ranks 12th in market share by capturing 2.0 percent of the area's deposits based on the June 30, 2022, FDIC Deposit Market Share Report. However, non-banks heighten the competition level with many offering the remote delivery of products through digital devices. These non-banks include fintech companies, credit unions, mortgage companies, and finance companies. Overall, the competition level allows for lending opportunities.

Credit and Community Development Needs and Opportunities

Consistent with other metropolitan areas, the Huntsville MSA assessment area created varied loan demand for home mortgage, small business, small farm, and consumer loans. Considering information from bank management and demographic and economic information, examiners ascertained that the primary credit needs of the area include home mortgage and small business loans, and construction loans for affordable single family and rental housing.

Demographic data indicates that a high percentage (38.9 percent) of the AA's families receive a designation of low- or moderate-income, with 10.0 percent below the poverty level. This signifies a continued need for community development services. The high percentage of small businesses with revenues of \$1 million or less supports the continued need for economic development. The high percentage (42.4 percent) of low- and moderate-income census tracts, the national COVID-19 major disaster area supports the need for revitalization and stabilization efforts. Lastly, the percentage of new firm startups creates a need for financing and financial education to entrepreneurs.

Given that the COVID-19 pandemic affected borrowers in a variety of ways, a significant retail banking service need existed for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to low- and moderate-income borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HUNTSVILLE MSA

LENDING TEST

Pinnacle Bank demonstrated a low satisfactory record in the Huntsville MSA assessment area regarding the Lending Test. Adequate performance regarding geographic distribution combined with excellent performance regarding borrower profile and few, if any CD lending primarily supports this conclusion. In addition, the bank demonstrated good lending levels and use of innovative and flexible lending practices within this assessment area. Examiners weighed small business loans heavier than home mortgage loans in the Huntsville MSA assessment area.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs in the Huntsville MSA assessment area. Good performance regarding small business and home mortgage loans support this conclusion.

Small Business Loans

Small business lending levels reflect good responsiveness to assessment area credit needs in the Huntsville MSA assessment area. For 2021, the bank originated 70 total reportable small business loans totaling approximately \$4.8 million. Pinnacle Bank captured a 0.8 percent market share of the total number of loans and a 1.0 percent market share of the total dollar volume of loans.

The bank's activity by number of loans ranks it 26th out of 109 total lenders in the Huntsville MSA assessment area. This ranking lands the bank in the top 23.9 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar volume of loans made by each institution. Given the considerations previously noted, the activity level reflects good performance for small business loans.

Home Mortgage Loans

Home mortgage lending levels reflect good responsiveness to assessment area credit needs in the Huntsville MSA assessment area. For 2021, the bank originated 41 total reportable home mortgage loans totaling approximately \$17.0 million. Pinnacle Bank captured a 0.2 percent market share of the total number and a 0.2 percent market share of the total dollar volume of home mortgage loans.

The bank's activity by number of loans ranks it 85th out of 427 total lenders in the Huntsville MSA assessment area. This ranking lands the bank in the top 19.9 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar amount of loans made by each institution. Given the considerations previously noted, the activity level reflects good performance for home mortgage loans.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Huntsville MSA assessment area. Adequate records regarding small business loans outweighed poor records regarding home mortgage loans to support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate performance in the Huntsville MSA assessment area. Adequate performance in moderate-income geographies outweighs poor performance in low-income geographies to support this conclusion.

As seen in the table below, the bank's lending in low-income census tracts is lower than the aggregate data by 9.7 percentage points, reflective of poor performance. The table further shows that in moderate-income census tracts the bank's lending level falls 6.2 percentage points below the aggregate data, reflecting an adequate level. Examiners weighted performance in moderate-income tracts for the overall conclusion based on the higher demographic percentage.

Geographic Distribution of Small Business Loans Huntsville MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	12.4	14.0	3	4.3	57	1.2
Moderate	21.6	19.1	9	12.9	928	19.2
Middle	28.7	29.1	22	31.4	940	19.4
Upper	37.3	37.8	36	51.4	2,920	60.3
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	70	100.0	4,845	100.0

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor performance in the Huntsville MSA assessment area. Poor performance in moderate-income geographies outweighs adequate performance in low-income geographies to support this conclusion.

As seen in the table below, the bank's lending in low-income census tracts falls slightly below aggregate data by 0.5 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank's lending level falls below aggregate data by 9.9 percentage points, reflecting a poor level. Examiners weighted performance in moderate-income tracts for the overall conclusion based on the higher demographic percentage.

Geographic Distribution of Home Mortgage Loans Huntsville MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	5.1	2.9	1	2.4	1,463	8.6
Moderate	18.3	12.3	1	2.4	123	0.7
Middle	33.0	36.2	13	31.7	3,122	18.4
Upper	43.6	48.6	26	63.4	12,254	72.3
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	41	100.0	16,962	100.0

Source: 2015 ACS; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different sizes. Excellent records regarding small business outweighed adequate performance regarding home mortgage loans support this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers' profiles reflects excellent performance in the Huntsville MSA assessment area. Excellent performance to businesses with gross annual revenues of \$1 million or less supports this conclusion. The following table illustrates the distribution of lending by borrower revenue levels within the assessment area.

Distribution of Loans to Small Businesses by Gross Annual Revenues Huntsville MSA AA											
Assessment Area	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Huntsville MSA 2020	47	1,154	0.2	8,116	83.4	78.7	41.4	5.0	12.8	11.7	8.5
Huntsville MSA 2021	70	4,845	0.4	8,309	83.8	71.4	44.5	4.6	12.9	11.6	15.7
Huntsville MSA 2022	68	5,816	0.7	--	88.8	63.2	--	3.1	17.6	8.2	19.1

Source: 2021 D&B Data; 2020-2021 CRA Data; 2020 & 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table above, the bank's small business lending percentages in 2020 to businesses with gross annual revenues of \$1 million or less is 37.3 percentage points above the 2020 aggregate level, reflecting excellent performance for 2020. The table further shows in 2021 the bank's small business lending percentages to businesses with gross annual revenues of \$1 million or less is 26.9 percentage points below the 2021 aggregate level, also reflecting excellent performance. The

bank’s level of small business lending falls in 2022 though the performance is still above prior year’s aggregate level.

PPP lending affect the bank’s small business lending percentages in 2020 and 2021 to businesses with gross annual revenues of \$1 million or less as the bank was not required to collect revenue data from the borrower. In 2020 and 2021, the bank originated four and three PPP loans where collected revenue data was not available, respectively. If the information on PPP loans without collected revenues were removed from the 2020 and 2021 analysis, the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less increased to 86.0 percent and 74.6 percent, respectively.

In 2020 and 2021, the bank originated 95.7 percent and 91.4 percent, respectively, of their small business loans in the assessment area within the loan size category of \$100,000 or less, which shows the bank is meeting the needs of the smallest business borrowers.

Considering all years in the review period, the overall conclusion is excellent for the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers’ profiles reflects adequate performance in the Huntsville MSA assessment area. Adequate performances to low- and moderate-income borrowers support this conclusion.

As seen in the table below, the bank’s lending to low-income borrowers is slightly higher than the aggregate data by 1.3 percentage points, reflective of adequate performance. The table further shows that to moderate-income borrowers the bank’s lending level rises 3.0 percentage points above the aggregate data, reflecting an adequate level.

Distribution of Home Mortgage Loans by Borrower Income Level Huntsville MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.9	6.0	3	7.3	674	4.0
Moderate	16.0	14.1	7	17.1	1,645	9.7
Middle	17.4	18.2	6	14.6	1,269	7.5
Upper	43.8	37.6	18	43.9	10,037	59.2
Not Available	0.0	24.2	7	17.1	3,337	19.7
Totals	100.0	100.0	41	100.0	16,962	100.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Innovative or Flexible Lending Practices

The institution uses innovative or flexible lending practices in the Huntsville MSA assessment area in order to serve assessment area credit needs. The number and dollar volume of innovative loan products and flexible lending practices, as found in the tabled data at the rated area level, supports

this conclusion. Examiners considered the dollar volume relative to the institution's capacity and the credit needs of the assessment area when arriving at this conclusion. Please refer to the discussion under the State of Alabama for additional details regarding the innovative or flexible lending practices in the Huntsville MSA assessment area.

Community Development Loans

The institution made few, if any, CD loans in the Huntsville MSA assessment area. Its extent, or dollar volume, of CD loans and the CD loans' responsiveness support this conclusion.

As noted under the rated area level, Pinnacle Bank did not originate any CD loans in the Huntsville MSA assessment area. As noted under the Description of the Institution's Operations for Huntsville, ample community development opportunities exist for bank involvement.

INVESTMENT TEST

Pinnacle Bank demonstrated a low satisfactory record in the Huntsville MSA assessment area regarding the Investment Test. The adequate level of qualified community development investments and grants and the adequate responsiveness to CD needs outweighed the rare use of complex or innovative investments to support this conclusion.

Investment and Grant Activity

The bank has an adequate level of qualified community development investments and grants in the Huntsville MSA assessment area. As seen in the table for the State of Alabama, Pinnacle Bank made six qualified investments totaling approximately \$283,000 in the Huntsville MSA assessment area. By dollar volume, this equates to 99.0 percent of the total adequate level of qualified investments in the State of Alabama as compared to 100.0 percent of total deposits attributed to this assessment area.

The following provides an example of key investments in the Huntsville MSA assessment area.

- ***Affordable Housing*** – The bank allocated approximately \$277,536 in down payment assistance for housing to low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank exhibited adequate responsiveness to credit and CD needs through use of investments that directly address several identified needs in the Huntsville MSA assessment area. The qualified investment table for the State of Alabama shows responsiveness in the Huntsville MSA assessment area by the dollar amount of investments attributed to affordable housing. A larger dollar amount donation supported an organization providing affordable housing to low- and moderate-income individuals.

Community Development Initiatives

Pinnacle Bank made rare use of complex investments to support CD initiatives, given the size of the institution and opportunities available in the Huntsville MSA assessment area.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record in the Huntsville MSA assessment area regarding the Service Test. The excellent levels and qualitative aspects regarding the bank’s CD services lifted the reasonably accessible delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to portions of the Huntsville MSA assessment area. Reasonably accessible branch distribution and alternative delivery systems support this conclusion. The Huntsville MSA assessment area reflects a consistent conclusion to the State of Alabama’s Accessibility of Delivery System performance.

The bank makes its full-service office reasonably accessible to portions of the Huntsville MSA assessment area considering performance context.

This assessment area is new since the previous evaluation. As noted in the following table, the bank’s level of branch distribution in low-income census tracts falls 14.8 percentage points below the population in these tracts, reflecting a poor level. The bank’s level falls 15.5 percentage points below the population percentage in the moderate-income census tracts, reflecting a poor level. However, the bank’s full-service branch is adjacent to low- and moderate-income census tracts allowing access to banking services to low- and moderate-income tracts. Also, considering the bank operates only one location within the Huntsville MSA, limits the impact of branch distribution on the accessibility of services.

Branch and ATM Distribution by Geography Income Level Huntsville MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	15	15.8	57,417	14.8	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	18	18.9	60,102	15.5	0	0.0	0	0.0	0	0.0	0	0.0
Middle	26	27.4	117,601	30.3	0	0.0	0	0.0	0	0.0	0	0.0
Upper	35	36.8	150,380	38.7	1	100.0	1	100.0	1	0.0	0	0.0
NA	1	1.1	2,653	0.7	0	0.0	0	0.0	0	0.0	0	0.0
Totals	95	100.0	388,153	100.0	1	100.0	1	100.0	1	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to portions of the Huntsville

MSA assessment area.

While the one ATM is located in an upper-income tract, the ATM is adjacent to low- and moderate-income census tracts allowing access to banking services to low- and moderate-income tracts. Also, considering the bank operates only one ATM within the the Huntsville MSA, limits the impact of ATM distribution on the accessibility of services.

Refer to the Service Test section for the state for details on digital banking services that provide banking access to low- and moderate-income people and tracts.

Changes in Branch Locations

This is a new assessment area since the previous evaluation. To the extent changes have been made, the institution's record of opening and closing of branches in the Huntsville MSA has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. No branch changes occurred in low- and moderate-income tracts in the Huntsville MSA assessment area. One branch opened in an upper-income tract.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences certain portions of the Huntsville MSA assessment area, particularly low- or moderate-income geographies or individuals. The Huntsville MSA assessment area reflects product offerings, services, and branch hours consistent with the State of Alabama.

The bank's branch has the product offerings and services are consistent with the State of Alabama. Branch hours are from Monday through Thursday 8:30 a.m. to 4:30 p.m. and Friday 8:30 a.m. to 5 p.m.

Community Development Services

The institution is a leader in the level of CD services for the Huntsville MSA assessment area. Excellent performance regarding the extent of CD services and the excellent responsiveness of CD services to available opportunities primarily support this conclusion.

The table in the State of Alabama section shows that the bank provided 18 CD services since the previous evaluation in the Huntsville MSA assessment area. This number equates to an average of 10 CD services, per office, per year, thereby reflecting an excellent level. The bank averaged one full-service offices for the 1.8 years that the branch has been open.

Leadership is evident through Board or committee participation in a number of those activities. Service activities primarily demonstrate the responsiveness to community needs for community services to low- and moderate-income individuals.

The following are examples of CD services specific to the Huntsville MSA assessment area:

- ***Affordable Housing***- A bank employee served on the Board of Directors and Treasurer for a non-profit organization that focuses on strengthening neighborhoods through the creation of affordable housing and the advancement of economic opportunities. In 2022, this organization formed two partnerships to provide 154 units of affordable housing to low- and moderate-income individuals.
- ***Community Services*** –A bank employee served on the Board of Directors and Treasurer for a foundation that raises funds to support educational development in students through quality education and community involvement. The majority of the students served by the foundation are from low- and moderate-income families. Thus, the activity benefits an organization that provides community services primarily to low- and moderate-income individuals.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for this rated area’s assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. The conclusions did not alter the bank’s overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Birmingham MSA	Below	Consistent	Below

Facts and data supporting conclusions for each limited-scope assessment area follow, including a summary of Pinnacle Bank’s operations and activities. The demographic data for the limited-scope assessment areas is in Appendix C.

Birmingham MSA AA

The bank’s Birmingham MSA assessment area consists of all of Jefferson County. Pinnacle Bank operates one branch in this assessment area in an upper-income CTs. This distribution of branches proved consistent with the institution’s overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

Activity	#	\$(000s)
Home Mortgage Loans	7	8,684
Small Business Loans	69	3,163
Small Farm Loans	0	0
Community Development Loans	0	0
Investments	1	3
CD Services	0	--

Geographic Distribution

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2021
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Birmingham	69	3,163	0.4	17,704	10.8	7.2	10.2	25.5	10.1	22.4	22.7	20.3	21.9	39.0	62.3	44.2	2.0	0.0	1.3

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Birmingham	7	8,684	0.1	30,435	8.8	0.0	2.9	23.0	28.6	13.4	30.7	14.3	29.1	37.4	57.1	54.6	0.1	0.0	0.0	

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Borrower Profile

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues													2021
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Birmingham	69	3,163	0.4	17,704	82.6	75.4	40.7	5.9	5.8	11.6	18.8		

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Birmingham	7	8,684	0.1	30,435	26.3	14.3	6.1	15.9	0.0	16.2	17.4	28.6	18.8	40.4	42.9	40.5	0.0	14.3	18.4

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

GEORGIA

CRA RATING FOR GEORGIA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN GEORGIA

Pinnacle Bank designated one assessment area in the State of Georgia as noted in the table below. The Atlanta MSA AA includes all 582 census tracts that make up Cobb, DeKalb, Fulton, and Gwinnett Counties, four of the 29 counties that make up the Atlanta-Sandy Springs-Alpharetta, GA MSA (Atlanta MSA). The bank operates three full-service offices and two ATMs in this area. All of the bank’s assessment area in Georgia conforms to the CRA regulatory requirements.

Economic and Demographic Data

The assessment area’s census tracts reflect the following income designations based on 2015 ACS data: 83 low-, 143 moderate-, 127 middle-, 222 upper-income tracts, and 7 tracts with no income designation. FEMA declared this assessment area as a major disaster area due the COVID-19 pandemic during a portion of the evaluation period. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area						
Atlanta MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	582	14.3	24.6	21.8	38.1	1.2
Population by Geography	3,278,601	10.0	24.0	26.2	39.3	0.5
Housing Units by Geography	1,338,310	11.1	24.6	24.7	39.4	0.2
Owner-Occupied Units by Geography	698,519	4.5	18.2	27.6	49.8	0.0
Occupied Rental Units by Geography	491,467	17.8	31.8	21.8	28.2	0.4
Vacant Units by Geography	148,324	20.3	31.0	20.9	27.5	0.2
Businesses by Geography	705,626	7.4	22.1	24.9	45.0	0.6
Farms by Geography	8,875	6.6	22.3	28.0	43.0	0.2
Family Distribution by Income Level	756,647	22.9	15.8	16.7	44.6	0.0
Household Distribution by Income Level	1,189,986	23.7	16.0	16.8	43.5	0.0
Median Family Income MSA - 12060 Atlanta-Sandy Springs-Alpharetta, GA MSA		\$67,322	Median Housing Value			\$207,111
			Median Gross Rent			\$1,027
			Families Below Poverty Level			12.0%

Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

Economy: According to Moody’s Analytics, Precis U.S. Metro – March 2023, the Atlanta MSA’s economy is still chugging along. The expansion in payrolls beyond their pre-pandemic peak is in the top one-third among the nation’s 25 largest metro areas. Recent job gains have been fueled by impressive growth in finance, professional/business services, and healthcare. The unemployment rate eclipsed 3.0 percent to reach an all-time low, though this has happened in conjunction with stagnating labor force growth. The strong labor market is no longer enough to offset the weakness in housing, where prices are falling more rapidly than the state average. The affordability crunch has homebuilders on edge as single-family permitting has fallen to its lowest level since 2014. Atlanta’s economy will slow but outpace the region and nation in the near term. While logistics and tech will face increasing headwinds, healthcare and finance are poised to pick up the slack as ongoing industry investment will fuel further growth. Longer term, a deep talent pool, strong demographic trends, and a well-established business base will ensure Atlanta’s economy remains an above-average performer. According to the U. S. Bureau of Labor Statistics as of April 2023, the Atlanta MSA unemployment rate at 2.7 percent is below Georgia at 3.1 percent and is below the national average at 3.4 percent.

Population: Utilizing data from the U.S. Census Vintage, the population increased by approximately 39,877 people between July 2020 and July 2021. The population distribution age shows age 20 - 39 at 27 percent and age 65+ at 13 percent, with the percentage for both age groups similar to Georgia. Leveraging data from the U.S. Census ACS 2021 data, foreign born population represents 13.8 percent, about 1.4 times the rate of Georgia 10 percent.

Housing: According to the U.S. Census ACS 2021 data, the median housing income of \$77,589 is about 20 percent higher than Georgia at \$66,559. The median housing value at \$300,000 is above Georgia at \$249,700 and about 10 percent higher than that of the United States at \$281,400.

Business: Based on 2020 business data from the U.S. Census Business Dynamics Statistics, the number of firms by firm size is 1) firm size of 1-19 at 84.0 percent of employment, 2) firm size 20-499 at 12.5 percent of employment, and 3) 500+ at 3.6 percent of employment. Approximately 319,398 jobs were created in 2020, with most jobs in professional services and healthcare. The largest existing industries are also healthcare and accommodation/food services. New firm startups comprise 10.0 percent of total firms.

Competition

The area contains a moderate level of competition from other chartered banks based on its branching inside the AA, with the 67 institutions operating 678 offices serving the area. Pinnacle Bank ranks 46th in market share by capturing 0.07 percent of the area’s deposits based on the June 30, 2022, FDIC Deposit Market Share Report. However, non-banks heighten the competition level with many offering the remote delivery of products through digital devices. These non-banks include fintech companies, credit unions, mortgage companies, and finance companies. Overall, the competition level allows for lending opportunities.

Credit and Community Development Needs and Opportunities

Consistent with other metropolitan areas, the Atlanta MSA assessment area created varied loan demand for home mortgage, small business, and consumer loans. Considering information from bank management and demographic and economic information, examiners ascertained that the primary credit needs of the area include home mortgage and small business loans, and construction loans for affordable single family and rental housing.

Demographic data indicates that a high percentage (38.7 percent) of the AA's families receive a designation of low- or moderate-income, with 12.0 percent below the poverty level. This signifies a continued need for community development services. The high percentage of small businesses with revenues of \$1 million or less supports the continued need for economic development. In addition, the low- or moderate-income designation for 38.9 percent of the area's census tracts, the national COVID-19 major disaster area, supports the need for revitalization and stabilization efforts. Lastly, the percentage of new firm startups creates a need for financing and financial education to entrepreneurs.

Given that the COVID-19 pandemic affected borrowers in a variety of ways, a significant retail banking service need existed for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to low- and moderate-income borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness.

SCOPE OF EVALUATION – GEORGIA

Examiners considered the following loans granted inside the bank's Atlanta MSA assessment area:

Home Mortgage Loans:

- 2020: 75 loans totaling \$31,250,000
- 2021: 210 loans totaling \$69,188,000
- 2022: 183 loans totaling \$22,472,000

Small Business Loans:

- 2020: 273 loans totaling \$29,393,000
- 2021: 491 loans totaling \$33,913,000
- 2022: 349 loans totaling \$35,299,000

Based on the above figures, considering both number and dollar volume, small business loans received the heaviest weighting for this rated area.

Investment and Service Tests

The scopes for the Investment and Service Tests remain the same for this rated area as it did for the institution as a whole. Please refer to the institution-level Scope of Evaluation section.

CONCLUSIONS ON PERFORMANCE CRITERIA IN GEORGIA

LENDING TEST

Pinnacle Bank demonstrated a high satisfactory record in the State of Georgia regarding the Lending Test. The leader level of community development lending and excellent borrower profile lifted the poor geographic distribution to support this conclusion. The bank further exhibited excellent lending levels and use of innovative and flexible lending.

Lending Activity

Lending levels reflect excellent responsiveness to AA credit needs in the State of Georgia. Excellent performance regarding small business loans outweighed good performance regarding home mortgage loans considering the higher percentage of both number and dollar amount of loans combined to support this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to AA credit needs in the Atlanta MSA AA. For 2021, the bank originated 491 total reportable small business loans totaling approximately \$33.9 million. Pinnacle Bank captured a 0.3 percent market share of the total number of loans and a 0.7 percent market share of the total dollar volume of loans.

The activity by number of loans ranks it 24th out of 286 total lenders in the Atlanta MSA AA. This ranking lands the bank in the top 8.4 percent of lenders reporting such loans in this AA. The ranking considers the total number and dollar volume of loans made by each institution.

Home Mortgage Loans

Home mortgage lending levels reflect good responsiveness to AA credit needs in the Atlanta MSA AA. For 2021, the bank originated 210 total reportable home mortgage loans totaling approximately \$69.5 million. Pinnacle Bank captured a 0.1 percent market share of the total number and a 0.1 percent market share of the total dollar volume of home mortgage loans.

The activity by number of loans ranks the bank 145th out of 860 total lenders in the Atlanta MSA AA. This ranking lands the bank in the top 16.9 percent of lenders reporting such loans in this AA. The ranking considers the total number and dollar amount of loans made by each institution.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the State of Georgia. Poor records in the Atlanta MSA assessment area regarding small business and home mortgage loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects poor performance in the Atlanta MSA assessment area. Poor performance in moderate-income geographies outweighs adequate

performance in low-income geographies to support this conclusion.

As seen in the table below, the bank’s lending in low-income census tracts is higher than the aggregate data by 0.5 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank’s lending level falls 10.1 percentage points below the aggregate data, also reflecting a poor level. Examiners placed more weight on performance in moderate-income tracts for the overall conclusion given the higher demographic percentage.

Geographic Distribution of Small Business Loans Atlanta MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	7.4	6.6	35	7.1	7,178	21.2
Moderate	22.1	21.5	56	11.4	4,340	12.8
Middle	24.9	25.2	131	26.7	5,337	15.7
Upper	45.0	46.3	269	54.8	17,058	50.3
Not Available	0.6	0.4	0	0.0	0	0.0
Totals	100.0	100.0	491	100.0	33,913	100.0

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor performance in the Atlanta MSA assessment area. Poor performance in moderate-income geographies outweighs adequate performance in low-income geographies to support this conclusion.

As seen in the table below, the bank’s lending in low-income census tracts is slightly lower than the aggregate data by 3.6 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank’s lending level falls 10.2 percentage points below the aggregate data, reflecting a poor level. Examiners placed more weight on performance in moderate-income tracts for the overall conclusion given the higher demographic percentage.

Geographic Distribution of Home Mortgage Loans Atlanta MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.5	4.6	2	1.0	6,635	9.6
Moderate	18.2	16.4	13	6.2	1,612	2.3
Middle	27.6	26.5	31	14.8	6,136	8.9
Upper	49.8	52.4	163	77.6	54,770	79.2
Not Available	0.0	0.1	1	0.5	35	0.1
Totals	100.0	100.0	210	100.0	69,188	100.0

Source: 2015 ACS; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of borrowers in the State of Georgia reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different sizes. Excellent records regarding small business loans outweighed poor records regarding home mortgage loans within the Atlanta MSA assessment area to support this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers’ profiles reflects excellent performance in the Atlanta MSA assessment area. Excellent performance to businesses with gross annual revenues of \$1 million or less supports this conclusion. The following table illustrates the distribution of lending by borrower revenue levels within the assessment area.

Distribution of Loans to Small Businesses by Gross Annual Revenues Atlanta MSA AA												
	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
Assessment Area	#	\$(000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Atlanta MSA 2020	273	29,393	1.3	130,887	91.4	70.7	42.4	3.0	17.9	5.6	11.4	
Atlanta MSA 2021	491	33,913	2.8	169,124	93.0	72.1	42.0	2.3	8.8	4.8	19.1	
Atlanta MSA 2022	349	35,299	3.7	--	94.0	63.6	--	1.8	18.3	4.2	18.1	

Source: 2021 D&B Data; 2020-2021 CRA Data; 2020 & 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table above, the bank’s small business lending percentages in 2020 to businesses with gross annual revenues of \$1 million or less is 28.3 percentage points above the 2020 aggregate level, reflecting excellent performance for 2020. The table further shows in 2021 the bank’s small business lending percentages to businesses with gross annual revenues of \$1 million or less is 30.1 percentage points below the 2021 aggregate level, also reflecting excellent performance. The bank’s level of small business lending falls in 2022 though the performance remains above prior year’s aggregate level.

PPP lending affected the bank’s small business lending percentages in 2020 and 2021 to businesses with gross annual revenues of \$1 million or less as the bank was not required to collect revenue data from the borrower. In 2020 and 2021, the bank originated 18 and 27 PPP loans where collected revenue data was not available, respectively. If the information on PPP loans without collected revenues were removed from the 2020 and 2021 analysis, the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less increased to 75.7 percent and 76.3 percent, respectively.

In 2020 and 2021, the bank originated 80.6 percent and 85.7 percent, respectively, of their small business loans in the assessment area within the loan size category of \$100,000 or less, which shows the bank is meeting the needs of the smallest business borrowers.

Considering all years in the review period, the overall conclusion is excellent for the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers’ profiles reflects poor performance in the Atlanta MSA assessment area. Poor performance to moderate-income borrowers outweighs adequate performance to low-income borrowers to support this conclusion.

As seen in the table below, the bank’s lending to low-income borrowers is lower than the aggregate data by 4.9 percentage points, reflective of adequate performance. The table further shows that to moderate-income borrowers the bank’s lending level falls 11.5 percentage points below the aggregate data, also reflecting a poor level. Examiners placed more weight on performance in moderate-income tracts for the overall conclusion given the higher lending opportunities as evidence by aggregate performance.

Distribution of Home Mortgage Loans by Borrower Income Level Atlanta MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.9	5.4	1	0.5	233	0.3
Moderate	15.8	14.8	7	3.3	802	1.2
Middle	16.7	18.4	18	8.6	1,752	2.5
Upper	44.6	42.5	173	82.4	46,044	66.6
Not Available	0.0	18.8	11	5.2	20,357	29.4
Totals	100.0	100.0	210	100.0	69,188	100.0

Source: 2015 ACS; 2021 HMDA Data, 2021HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Innovative or Flexible Lending Practices

The institution makes use of innovative or flexible lending practices in the State of Georgia to serve assessment area credit needs. The number and dollar volume of innovative loan products and flexible lending practices, as found in the tabled data at the rated area level, supports this conclusion. Examiners considered the dollar volume relative to the institution’s capacity and the credit needs of the assessment area when arriving at this conclusion.

Since the previous evaluation, the bank originated 82 innovative or flexible loans totaling \$67.8 million in the State of Georgia. This dollar figure equates to 2.9 percent of the total innovative or flexible loans (or 4.9 percent of total innovative and flexible loans less nationwide). Given the capacity and the needs in the assessment area, the level of innovative and flexible loans reflects adequate responsiveness to the credit needs of the State of Georgia. Please refer to the discussion

under the Institution level for additional details regarding the innovative or flexible lending practices in the State of Georgia.

Community Development Loans

The institution has made a leader level of CD loans in the State of Georgia. The excellent dollar volume outweighed the adequate responsiveness to assessment area credit needs to support this conclusion.

The bank granted 33 CD loans totaling approximately \$223.9 million in this state. The dollar amount equates to 9.1 percent (or 9.3 percent of total CD loans less nationwide and regional activities) of the bank's overall excellent level of CD loans as compared to the 1.9 percent of overall HMDA and CRA loans attributed to this state.

In addition, the CD loans reflect adequate responsiveness to the CD needs of the assessment area. Approximately 84.8 percent of the dollar volume of the assessment area's CD loans promotes affordable housing, 9.0 percent help to revitalize and stabilize low- and moderate-income geographies, 6.0 percent promotes economic development, and 0.2 percent are for community services to low- and moderate-income individuals. As noted under the Description of Institution's Operations, activities that promote affordable housing, revitalize low- and moderate-income geographies and help community services for low- and moderate-income individuals represent CD needs in the bank's assessment area.

The following is the notable CD loan in the Atlanta MSA assessment area:

- ***Revitalize or Stabilize*** – The bank originated a loan totaling \$2.0 million loan to a business in a moderate-income census tract. The loan assisted in retaining the existing business in the moderate-income census tract.

INVESTMENT TEST

Pinnacle Bank demonstrated a low satisfactory record in the State of Georgia regarding the Investment Test. The significant level of qualified investments hampered by the adequate responsiveness to CD needs and rare use of complex or innovative investments supports this conclusion.

Investment and Grant Activity

The bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors in the State of Georgia. The table below shows that Pinnacle Bank made 33 qualified investments totaling approximately \$75.0 million in the State of Georgia. By dollar volume, this equates to 7.7 percent of the bank's overall excellent level of qualified investments as compared to 1.0 percent of total deposits attributed to this rated area.

Qualified Investments State of Georgia										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Atlanta MSA	7	20,626	9	48	7	9,014	0	0	23	29,688
Statewide Activities	8	45,267	2	3	0	0	0	0	10	45,270
Total	15	65,893	11	51	7	9,014	0	0	33	74,958

Source: Bank Data

Since Pinnacle Bank’s investments addressed community credit needs inside the bank’s assessment areas within the State of Georgia, statewide activities include investments in areas outside of the bank’s assessment areas, but within the State of Georgia. Pinnacle Bank’s major investments addressed the following need throughout the State of Georgia.

- **Affordable Housing** –The bank invested \$9.2 million in the purchase of mortgage-backed securities (MBS) with underlying loans to low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank’s CD activities show adequate responsiveness to credit and CD needs through use of investments that directly address identified needs in the State of Georgia. The previous table shows adequate responsiveness to a variety of CD needs by the dollar amount in three of the four CD purpose categories, with an emphasis on affordable housing.

Pinnacle Bank’s major investments addressed the following needs throughout the State of Georgia:

- Affordable housing needs with approximately \$7.7 million toward the purchase of a municipal bond to acquire and construct a low- and moderate-income multi-family rental housing facility in the Atlanta MSA assessment area.
- Economic development needs with approximately \$9.0 million invested in a SBIC that promotes economic development by financing small businesses in the Atlanta MSA assessment area.

Community Development Initiatives

Pinnacle Bank made rare use of complex or innovative investments to support CD initiatives, given the size of the institution and opportunities available in the State of Georgia.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record for the State of Georgia regarding the Service Test. The excellent levels and qualitative aspects regarding the bank’s CD services lifted the reasonably accessible delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank’s assessment areas in the State of Georgia. Reasonably accessible branch distribution and alternative accessible alternative delivery systems support this conclusion. The State of Georgia reflects consistent conclusions to the institution’s Accessibility of Delivery System performance.

The bank makes its full-service offices reasonably accessible to portions of the institution’s assessment areas in the State of Georgia, considering performance context.

This rated area is new since the previous evaluation. As noted in the following table, the bank’s level of branch distribution in low-income census tracts falls 7.8 percentage points below the population in these tracts, typically reflecting a poor level. The bank’s level falls 22.5 percentage points below the population percentage in the moderate-income census tracts, reflecting a poor level. However, the bank’s full-service branches are in close proximity to low- and moderate-income census tracts allowing access to banking services to low- and moderate-income tracts. Also, considering the bank operates three locations within the State of Georgia, limits the impact of branch distribution on the accessibility of services.

Branch and ATM Distribution by Geography Income Level State of Georgia												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	87	9.3	276,378	7.8	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	197	21.0	801,467	22.5	0	0.0	0	0.0	0	0.0	0	0.0
Middle	235	25.1	949,563	26.7	0	0.0	0	0.0	0	0.0	0	0.0
Upper	372	39.7	1,410,209	39.7	3	100.0	2	100.0	2	100.0	0	0.0
NA	45	4.8	116,686	3.3	0	0.0	0	0.0	0	0.0	0	0.0
Totals	936	100.0	3,554,303	100.0	3	100.0	2	100.0	2	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to portions of the bank’s assessment areas in the State of Georgia.

While the two ATMs are located in upper-income tracts, the ATMs are in close proximity to low- and moderate-income census tracts allowing access to banking services to low- and moderate-income tracts. Also, considering the bank operates only two ATMs within the State of Georgia, limits the impact of ATM distribution on the accessibility of alternative delivery systems.

Refer to the Service Test section for the overall bank for details on digital banking that provide banking access to low- and moderate-income people and tracts. The bank's COVID response extended financial assistance to help many people avoid serious financial consequences during the pandemic.

In addition to the overall bank statistics on digital banking channels, the bank provided data on for the State of Georgia on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank's digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications significantly increased over the review period from 14.9 percent in 2020 to 32.0 percent as of 4/30/2023. The 32.0 percentage compares significantly higher than the percentage of owner-occupied units in low- and moderate-income tracts at 22.3 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 17.8 percent in 2020 to 36.0 percent as of 4/30/2023. This 36.0 percentage compares similarly to the population percentage of low- and moderate-income families at 39.5 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts declined throughout the review period from 19.2 percent in 2020 to 15.1 percent as of 3/30/2023. This 15.1 percentage compares significantly below the population percentage in low- and moderate-income tracts at 30.3 percent.
- The number of online deposit accounts opened was nine accounts for 2022 and four accounts as of 4/30/2023. Based on the small number of online deposit accounts opened, a benchmark analysis compared to demographic by percentage was not evaluated.

Changes in Branch Locations

This is a new rated area since the previous evaluation. To the extent changes have been made, the institution's record of opening and closing of branches in the State of Georgia has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. No branch changes occurred in low- and moderate-income tracts in the State of Georgia. Two branches opened in upper-income tracts.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences certain portions of the State of Georgia, particularly low- or moderate-income geographies or individuals. The State of Georgia reflects product offerings, services, and branch hours generally consistent with discussion at the institution level.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are from Monday through Thursday 9 a.m. to 4 p.m. and Friday 9 a.m. to 5 p.m.

The State of Georgia reflects product offerings, services, and branch hours consistent with discussion at the institution level.

Community Development Services

The institution is a leader in the level of CD services for the State of Georgia. Excellent performance regarding the extent of CD services and the excellent responsiveness of CD services to available opportunities primarily support this conclusion.

The following table shows that the bank provided 76 CD services since the previous evaluation. This number equates to an average of 14.4 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 1.6 full-service offices for the 3.3 years since the previous evaluation.

Community Development Services State of Georgia					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Atlanta MSA	9	35	28	0	72
Statewide Activities	0	0	4	0	4
Total	9	35	32	0	76
<i>Source: Bank Data (01/27/2020 – 05/02/2023)</i>					

Leadership is evident through Board or committee participation in a number of those activities.

The following is a notable example of CD services specific to the State of Georgia:

- **Community services** -a bank employee served as a Board Member of an organization that assists individuals with emergency needs. The organization provides a variety of services including food assistance, clothing assistance, and financial assistance education programs, workforce development. The organization’s activities benefit primarily low- and moderate-income persons.
- **Economic development**- a bank employee served as a member and mentor of an organization that provides free business training programs that provides entrepreneurs the tools and connection to build and grow businesses. The employee mentored new business owners on ways of building credit and how to keep good financial records.

NORTH CAROLINA

CRA RATING FOR NORTH CAROLINA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH CAROLINA

Pinnacle Bank designated eight assessment areas in the State of North Carolina as noted in the table below. All assessment areas in North Carolina conform to the CRA regulatory requirements.

Description of North Carolina Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Asheville MSA	Buncombe, Haywood, Henderson	99	1
Burlington MSA	Alamance	36	1
Charlotte MSA	Cabarrus, Iredell, Lancaster, Mecklenburg, Rowan, Union, York	445	9
Durham MSA	Chatham, Durham, Orange	101	3
Greensboro MSA	Guilford, Randolph	147	11
North Carolina Non-MSA	Stanley	13	2
Raleigh MSA	Wake	187	4
Winston-Salem MSA	Davidson, Forsyth	127	6

Source: Bank Records; 2015 ACS data.

SCOPE OF EVALUATION – NORTH CAROLINA

Full-Scope Assessment Area

Of the eight assessment areas in North Carolina, examiners applied full-scope procedures to the Charlotte MSA assessment area since this assessment area includes the highest percentage of the bank's loans in the State of North Carolina. Examiners applied limited-scope procedures to the other North Carolina assessment areas.

Lending Test

Loan Categories Reviewed

Examiners considered the following loans granted inside the bank's North Carolina assessment areas as reported according to either the HMDA or CRA data collection reporting requirements:

Home Mortgage Loans:

- 2020: 1,773 loans totaling \$688,916,000
- 2021: 2,079 loans totaling \$731,083,000
- 2022: 1,616 loans totaling \$705,818,000

Small Business Loans:

- 2020: 5,899 loans totaling \$760,001,000
- 2021: 5,018 loans totaling \$650,635,000
- 2022: 2,782 loans totaling \$443,421,000

The weightings for the specific loan categories varies for each of the assessment areas. As suggested by the above figures relating to the number of loans, small business loans generally received the heaviest weighting followed by home mortgage loans.

Assessment Area Weighting

The following table shows that the Charlotte MSA assessment area generated the largest percentage of the bank’s North Carolina loans. Consequently, examiners weighed records in the Charlotte MSA assessment area heaviest when arriving at applicable conclusions and ratings. Examiners weighed performance in each reviewed area consistent with that area’s lending level as reflected in the following table.

Assessment Area Distribution – State of North Carolina						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Asheville MSA	140,489	3.5	62,495	1.0	1	2.7
Burlington MSA	92,814	2.3	86,018	1.4	1	2.7
Charlotte MSA	1,713,259	43.0	1,722,433	28.6	9	24.3
Durham MSA	213,498	5.4	345,275	5.7	3	8.1
Greensboro MSA	703,178	17.6	2,152,846	35.8	11	29.7
North Carolina Non-MSA	60,052	1.5	246,362	4.1	2	5.4
Raleigh MSA	422,445	10.6	606,297	10.1	4	10.8
Winston-Salem MSA	639,335	16.0	791,142	13.2	6	16.2
Total	3,985,070	100.0	6,012,868	100.0	37	100.0

Source: HMDA & CRA Data (2020-2022); FDIC Summary of Deposits (06/30/2022). Due to rounding, totals may not equal 100.0 percent

Investment and Service Tests

The scopes for the Investment and Service Tests remain the same for this rated area as it did for the institution as a whole. Please refer to the institution-level Scope of Examination section.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA

LENDING TEST

Pinnacle Bank demonstrated a low satisfactory record in the State of North Carolina regarding the Lending Test. Adequate performance records regarding borrower profile, geographic distribution, and community development lending primarily support this conclusion. The bank further made use of innovative and flexible lending levels and demonstrated excellent lending levels in this rated area. Conclusions regarding the institution’s performance in the State of North Carolina were

consistent with the conclusions for the Asheville MSA, Burlington MSA, Durham MSA, North Carolina Non-MSA, and Winston-Salem MSA assessment areas. Conclusions within the remaining assessment areas demonstrated inconsistent performance with the Charlotte MSA, Greensboro MSA, and Raleigh MSA assessment areas exceeding the results for the rated area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the State of North Carolina. Excellent performance regarding small business and home mortgage loans support this conclusion. Examiners considered the bank's size, business strategy, and capacity in this state relative to its credit needs when arriving at this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the State of North Carolina. For 2021, the bank originated 5,018 total reportable small business loans totaling approximately \$650.6 million inside its North Carolina assessment areas. Pinnacle Bank captured a 2.8 percent market share of the total number of small business loans and an 8.6 percent market share of the total dollar volume of loans.

This volume of activity ranks the bank 11th out of 290 total lenders in the bank's North Carolina assessment areas. This ranking lands the bank in the top 3.8 percent of lenders reporting such loans in the bank's North Carolina assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the State of North Carolina. For 2021, the bank originated 2,079 total reportable home mortgage loans totaling approximately \$733.8 million in its North Carolina assessment areas. Pinnacle Bank captured a 0.5 percent market share of the total number of home mortgage loans and 0.7 percent market share of the total dollar volume of home mortgage loans in the North Carolina assessment areas.

This volume of activity ranks the bank 40th out of 1,024 total lenders in the bank's North Carolina assessment areas. This ranking lands the bank in the top 3.9 percent of lenders reporting such loans in the bank's North Carolina assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the State of North Carolina. All of the State of North Carolina assessment areas displayed consistent performance with the overall conclusion.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate

penetration among retail customers of different income levels and business customers of different sizes. All of the State of North Carolina assessment areas displayed consistent performance with the overall conclusion.

Innovative or Flexible Lending Practices

The institution uses innovative or flexible lending practices in order to serve assessment area credit needs in the State of North Carolina. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution’s capacity and the credit needs of its assessment areas when arriving at this conclusion.

The table below shows that, since the previous evaluation, the bank originated 754 innovative or flexible loans totaling approximately \$320.0 million in the State of North Carolina. This dollar figure equates to 13.5 percent of the total (or 23.2 percent of total innovative and flexible loans less nationwide) of the bank’s overall excellent level of innovative or flexible loans. Given the bank’s capacity and the needs in the rated area, the level of innovative and flexible loans reflects good responsiveness to the credit needs of the State of North Carolina.

Innovative or Flexible Loans State of North Carolina										
Assessment Area	Fannie Mae/ Freddie Mac/ State Housing		FHA/USDA/VA		Pinnacle 100		SBA		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Asheville MSA	3	3,434	1	270	1	125	1	1,682	6	5,511
Burlington MSA	6	2,144	2	446	25	4,244	2	392	35	7,226
Charlotte MSA	39	19,407	30	8,470	60	14,172	87	91,471	216	133,520
Durham MSA	12	2,419	0	0	10	1,813	3	3,870	25	8,102
Greensboro MSA	63	17,802	38	7,772	112	19,246	12	7,794	225	52,614
NC Non-MSA	4	804	6	941	0	0	1	286	11	2,031
Raleigh MSA	21	4,021	1	420	6	1,258	12	10,937	40	16,636
Winston-Salem MSA	48	12,046	15	4,144	44	6,536	16	19,419	123	42,145
Statewide	27	23,424	24	5,352	3	594	19	22,760	73	52,130
Total	223	85,501	117	27,815	261	47,988	153	158,611	754	319,915

Source: Bank records.

Community Development Loans

The institution made an adequate level of CD loans in the State of North Carolina. Its extent, or dollar volume, of CD loans outweighed the CD loans’ responsiveness support this conclusion. Performance in the Asheville MSA, Burlington MSA, Durham MSA, and North Carolina Non-MSA assessment areas demonstrated consistent performance with the state as a whole, while the remaining assessment areas demonstrated inconsistent performance, with the Charlotte MSA, Greensboro MSA, Raleigh MSA, and Winston-Salem MSA assessment areas exceeding the results for the state.

The following table shows that, since the previous evaluation, the bank granted 276 CD loans totaling approximately \$467.9 million in this state. The dollar amount equates to 19.1 percent (or 19.4 percent of total CD loans less nationwide and regional activities) of the bank’s overall excellent level of CD loans as compared to the 25.4 percent of overall HMDA and CRA loans attributed to this state.

Community Development Loans State of North Carolina										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Asheville MSA	6	4,978	0	0	0	0	0	0	6	4,978
Burlington MSA	1	1,200	3	340	0	0	0	0	4	1,540
Charlotte MSA	25	72,228	22	7,984	18	27,779	14	32,314	79	140,305
Durham MSA	2	272	6	2,851	2	1,593	1	1,910	11	6,626
Greensboro MSA	19	9,473	40	17,375	18	31,218	9	16,740	86	74,806
NC Non-MSA	0	0	2	89	0	0	0	0	2	89
Raleigh MSA	2	72,231	8	14,818	6	21,286	2	3,015	18	111,350
Winston-Salem MSA	18	12,228	17	3,278	8	23,274	10	12,456	53	51,236
Statewide	6	38,234	2	9,650	2	3,502	7	25,538	17	76,924
Total	79	210,844	100	56,385	54	108,652	43	91,973	276	467,854
<i>Source: Bank records.</i>										

Besides their extent, the CD loans reflect excellent responsiveness to the state’s CD needs. As seen in the table above, 23.2 percent of the dollar volume of the state’s CD loans promote economic development, while 45.1 percent promotes affordable housing, and 19.7 percent helps revitalize or stabilize low- and moderate-income geographies. An additional 12.0 percent benefits community services for low- and moderate-income individuals.

As noted under the applicable Description of Institution’s Operations sections, activities that promote economic development, provide community services for low- and moderate-income individuals and revitalize or stabilize qualifying geographies represent CD needs in the bank’s assessment areas. Therefore, relative to the bank’s capacity and the extent of CD lending opportunities and needs in its assessment areas, the bank established an adequate level of CD loans.

The following points discuss examples of the bank’s CD lending activities in the broader statewide area of North Carolina.

- **Community Service** – The bank originated a loan totaling \$5.5 million to a nursing home facility that serves primarily low- and moderate-income individuals.
- **Revitalize or Stabilize** – The bank originated one loan totaling \$4.3 million to a business located in a moderate-income census tract. The loan assisted in retaining a business in a moderate-income census tract.

INVESTMENT TEST

Pinnacle Bank demonstrated a high satisfactory record in the State of North Carolina regarding the Investment Test. The significant level of qualified community development investment and grants and the good responsiveness to CD needs outweighed the occasional use of complex investments to support this conclusion. The Durham MSA assessment area reflects consistent performance for the Investment Test; however, the Charlotte MSA assessment area reflects inconsistent performance as it exceeded overall performance for the state. The Asheville MSA, Burlington MSA, Greensboro MSA, NC Non-MSA, Raleigh MSA, and Winston-Salem MSA assessment areas also reflect inconsistent performance by trailing the overall performance for the state.

Investment and Grant Activity

The bank has a significant level of qualified community development investment and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors in the State of North Carolina. The table below shows that Pinnacle Bank made 484 qualified investments totaling approximately \$213.6 million in the State of North Carolina. By dollar volume, this equates to 21.9 percent of the bank’s excellent level of qualified investments as compared to 18.4 percent of total deposits attributed to this rated area.

Qualified Investments State of North Carolina										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Ashville MSA	1	75	1	3	1	750	0	0	3	828
Burlington MSA	8	1,710	6	6	1	5	0	0	15	1,721
Charlotte MSA	22	59,076	69	2,755	8	54	0	0	99	61,885
Durham MSA	18	5,501	37	3,107	10	5,048	15	3,750	80	17,406
Greensboro MSA	24	20,113	77	4,248	14	5,303	1	2	116	29,666
NC Non-MSA	0	0	3	1,501	0	0	0	0	3	1,501
Raleigh MSA	10	24,126	62	1,836	16	162	0	0	88	26,124
Winston-Salem MSA	17	14,875	35	1,569	1	1	2	2	55	16,447
Statewide Activities	14	37,894	0	0	11	20,135	0	0	25	58,029
Total	114	163,370	290	15,025	62	31,458	18	3,754	484	213,607

Source: Bank Data

Since Pinnacle Bank’s investments addressed community credit needs inside the bank’s State of North Carolina assessment areas, statewide activities include investments in areas outside of the bank’s assessment areas, but within the State of North Carolina. Pinnacle Bank’s major investments addressed the following statewide need throughout the State of North Carolina.

- **Affordable Housing** – The bank invested approximately \$19.4 million in statewide purchases of MBS with underlying loans to low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank exhibits good responsiveness to credit and CD needs through use of qualified investments that directly address identified needs in the State of North Carolina. While the above table shows responsiveness to CD needs by the dollar amount in all four CD purpose categories, most investment funds financed affordable housing.

Pinnacle Bank's major investments and grants addressed the following needs throughout various assessment areas in the State of North Carolina.

- Affordable housing needs with approximately \$90.6 million in assessment area and statewide purchases of MBS with underlying loans to low- and moderate-income individuals.
- Economic development needs with approximately \$13.8 million invested in SBICs that finance small businesses.
- Community service needs with large dollar donations to an organization that addresses poverty in the areas of food, housing, community development, health, and financial services, primarily benefiting low- and moderate-income individuals.

Community Development Initiatives

Pinnacle Bank made occasional use of complex investments to support CD initiatives, given the size of the institution and opportunities available in the State of North Carolina.

Refer to the Charlotte MSA assessment area for details regarding the bank's occasional use of investments in Low-Income Housing Tax Credits (LIHTCs).

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record for the State of North Carolina regarding the Service Test. The excellent levels and qualitative aspects regarding the bank's CD services lifted reasonably accessible delivery systems, changes in branch locations, and reasonableness of hours and service to support this conclusion. The Burlington, Greensboro, Non-MSA, Raleigh, and Winston Salem MSA assessment areas reflect performances consistent with the state level. The Asheville assessment area reflects performance below with the state level for accessibility of branches. The Durham assessment area reflects performance below with the state level for accessibility of alternative delivery systems.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas in the State of North Carolina. Reasonably accessible branch distribution and alternative accessible alternative delivery systems support this conclusion. The State of North Carolina reflects consistent conclusions to the institution's Accessibility of Delivery System performance except for the Asheville and Durham assessment areas.

The bank makes its full-service offices reasonably accessible to essentially all portions of the

institution’s assessment areas in the State of North Carolina.

Typically, the bank’s level of branch distribution in low-income tracts rises 7.8 percentage points above the population of low-income census tracts, reflecting good performance. The change in census tract designations from the 2020 U.S. Census data resulted in the addition of one branch, which did impact the rating conclusion for low-income census tracts by lowering to adequate performance. Typically, in moderate-income census tracts, the bank’s level of branch distribution falls 7.3 percentage points below the population percentage, reflecting poor performance. The change in census tract designations from the 2020 U.S. Census data resulted in a decline of three branches in moderate-income census tracts, which did impact the rating conclusion for moderate-income census tracts by raising to adequate performance.

Branch and ATM Distribution by Geography Income Level State of North Carolina												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	90	6.6	327,408	5.7	5	13.5	5	12.8	0	0.0	0	0.0
Moderate	292	21.5	1,204,258	20.8	5	13.5	6	15.4	0	0.0	0	0.0
Middle	489	36.0	2,173,119	37.5	11	29.7	10	25.6	0	0.0	0	0.0
Upper	459	33.8	2,030,197	35.0	16	43.2	17	43.6	1	100.0	0	0.0
NA	28	2.1	58,184	1.0	0	0.0	1	2.6	0	0.0	0	0.0
Totals	1,358	100.0	5,793,166	100.0	37	100.0	39	100.0	1	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to essentially all portions of the bank’s assessment areas in the State of North Carolina.

The preceding table shows that the bank’s ATMs in low-income tracts rises 7.1 percentage points above the population, reflecting good performance. The change in census tract designations from the 2020 U.S. Census data resulted in the decline of one ATM, which did not impact the rating conclusion for low-income census tracts. The bank’s ATMs in moderate-income tracts falls 5.4 percentage points below the population of moderate-income tracts, reflecting adequate performance. The change in census tract designations from the 2020 U.S. Census data resulted in the decline of three ATMs, which did not impact the rating conclusion for moderate-income census tracts.

Refer to the Service Test section for the overall bank for details on digital banking services that provide banking access to low- and moderate-income people and tracts. The bank’s COVID response extended financial assistance to help many people avoid serious financial consequences during the pandemic.

In addition to the overall bank statistics on digital banking channels, the bank provided data on for the State of North Carolina on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank’s digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications significantly increased over the review period from 11.9 percent in 2020 to 24.1 percent as of 4/30/2023. The 24.1 percentage compares higher than the percentage of owner-occupied units in low- and moderate-income tracts at 21.2 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications increased over the review period from 16.2 percent in 2020 to 27.6 percent as of 4/30/2023. This 27.6 percentage is below the population percentage of low- and moderate-income families at 39.2 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts was stable throughout the review period from 17.9 percent in 2020 to 18.1 percent as of 3/30/2023. This 18.1 percentage compares below the population percentage in low- and moderate-income tracts at 26.5 percent.
- The percentage of online deposit accounts opened in low- and moderate-income tracts increased throughout the review period from 21.8 percent in 2020 to 30.8 percent as of 4/30/2023. This 30.8 percentage compares higher than the population percentage in low- and moderate-income tracts at 26.5 percent.

The bank has seven loan production offices (LPO) in the State of North Carolina, two of which are located in low- and moderate-income tracts.

Lastly, the bank offers free office space located in low- and moderate-income tracts to 13 nonprofit organizations to hold committee meetings, outreach events, and financial education training. All locations for the free office space were in the State of North Carolina or the State of Tennessee.

Changes in Branch Locations

To the extent changes have been made, the institution’s record of opening and closing of branches in the State of North Carolina has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. No branch changes occurred in low- and moderate-income tracts in the State of North Carolina. One branch opened in an upper-income tract.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the State of North Carolina, particularly low- or moderate-income geographies or individuals. The Winston-Salem Cherry Street office in the State of North Carolina is the only full-service office that does not process cash transactions and offer debit card issuance. The State of North Carolina reflects product offerings, services, and branch hours generally consistent with discussion at the institution level.

The bank’s branches generally have the same product offerings and services, and branch locations have similar hours. Branch hours are Monday to Friday from 9 a.m. to 5 p.m. The State of North Carolina reflects product offerings, services, and branch hours consistent with discussion at the institution level.

Community Development Services

The institution is a leader in the level of CD services for the State of North Carolina. Excellent performance regarding the extent of CD services and the good responsiveness of CD services to available opportunities primarily support this conclusion.

The following table shows that the bank provided 979 CD services since the previous evaluation. This number equates to an average of 8.1 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 36.6 full-service offices for the 3.3 years since the previous evaluation.

In addition to the extent of services, CD services reflect good responsiveness to available opportunities as illustrated by their level of addressing identified CD needs in the bank's assessment areas. Additional opportunities exist to revitalize or stabilize low- and moderate-income areas or FEMA designated disaster areas given the number of these tracts in the institution’s wide geographic area for the State of North Carolina.

Community Development Services State of North Carolina					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Asheville MSA	1	7	4	0	12
Burlington MSA	4	12	8	0	24
Charlotte MSA	17	112	28	0	157
Durham MSA	13	112	43	0	168
Greensboro MSA	18	314	33	5	370
North Carolina Non-MSA	2	21	3	2	28
Raleigh MSA	10	54	24	0	88
Winston Salem MSA	11	86	34	0	131
Statewide Activities	0	1	0	0	1
Total	76	719	177	7	979
<i>Source: Bank Data (01/27/2020 – 05/02/2023)</i>					

The following is a notable example of CD services specific to State of North Carolina:

- **Community Services** - A bank employee served as a Board member for an organization whose mission is to prevent and coordinate a response to the abuse and neglect of children, primarily from low- and moderate-income families with limited financial resources.

CHARLOTTE MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CHARLOTTE MSA

The Charlotte MSA assessment area includes all 445 census tracts that make up Cabarrus, Iredell, Lancaster, Mecklenburg, Rowan, Union, and York Counties, seven of eleven counties that make up the Charlotte-Concord-Gastonia, NC-SC MSA (Charlotte MSA), located in south-central North Carolina.

Economic and Demographic Data

The assessment area’s census tracts reflect the following income designations based on 2015 ACS data: 38 low-, 110 moderate-, 139 middle-, 153 upper-income tracts, and 5 tracts with no income designation. FEMA declared this assessment area as a major disaster area due to a tropical storm, hurricane Ian, and the COVID-19 pandemic during the majority of the evaluation period. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area						
Charlotte MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	445	8.5	24.7	31.2	34.4	1.1
Population by Geography	2,016,851	6.9	23.0	33.3	36.4	0.4
Housing Units by Geography	823,784	7.1	23.7	33.6	35.6	0.1
Owner-Occupied Units by Geography	488,431	2.9	18.6	36.6	41.9	0.0
Occupied Rental Units by Geography	261,449	14.0	31.4	28.1	26.3	0.2
Vacant Units by Geography	73,904	10.8	29.9	32.5	26.6	0.2
Businesses by Geography	233,476	6.4	17.9	28.6	46.4	0.6
Farms by Geography	5,192	4.0	17.0	44.6	34.2	0.2
Family Distribution by Income Level	505,069	21.7	16.7	18.7	42.9	0.0
Household Distribution by Income Level	749,880	22.7	16.0	17.5	43.9	0.0
Median Family Income MSA - 16740 Charlotte-Concord-Gastonia, NC-SC MSA		\$64,187	Median Housing Value			\$192,119
			Median Gross Rent			\$907
			Families Below Poverty Level			11.0%
<i>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Economy: According to Moody’s Analytics, Precis U.S. Metro – March 2023, the Charlotte MSA’s economy ended 2022 on a sour note. Employment growth had accelerated to outpace that of the

region and nation by midyear, but payrolls backtracked in the year's final months. Despite the slowdown, the expansion in payrolls relative to their pre-pandemic peak remains impressive and is among the top 10 percent of all metro areas nationally. Construction payrolls are soaring, but support has softened from the key finance and logistics industries. After running below average for most of 2022, the jobless rate has risen meaningfully recently as employment and labor force growth slowed.

The housing market has suffered larger than-average price declines in the final months of 2022 after initially showing signs that it might hold up better than most. Single-family permitting has plummeted below pre-pandemic levels as economic uncertainty and affordability issues have builders on edge.

Charlotte's economy will slow but remain an above-average performer near term. Strong gains in construction and healthcare will offset the slowdown in finance. Longer term, strong demographics and low business costs will attract investment and keep Charlotte an above-average performer. According to the U. S. Bureau of Labor Statistics as of April 2023, the Charlotte MSA unemployment rate at 2.9 percent is below the national average at 3.4 percent.

Population: Utilizing data from the U.S. Census Vintage. The population distribution age shows age 20 - 39 at 27 percent and age 65+ at 14 percent, with the percentages similar to North Carolina's levels overall. Leveraging data from the U.S. Census ACS 2021 data, foreign born population represents 10.6 percent, about 1.3 times the rate for North Carolina at 8.2 percent.

Housing: According to the U.S. Census ACS 2021 data, the median housing income of \$71,041 is about 20 percent higher than North Carolina at \$61,972. The median housing value at \$286,600 is about 20 percent higher than North Carolina at \$286,600 and about the same as the United States at \$281,400.

Business: Based on 2020 business data from the U.S. Census Business Dynamics Statistics, the number of firms by firm size is 1) firm size of 1-19 at 80.8 percent of employment, 2) firm size 20-499 at 13.6 percent of employment, and 3) 500+ at 5.5 percent of employment. Approximately 146,421 jobs were created in 2020, with most jobs in accommodation/food services and health care. The largest existing industries are professional services and construction. New firm startups comprise 9.3 percent of total firms.

Competition

The area contains a moderate level of competition from other chartered banks with 42 institutions controlling 441 branches within the AA. Pinnacle Bank ranks 8th in market share by capturing 0.5 percent of the area's deposits based on the June 30, 2022, FDIC Deposit Market Share Report. The top three institutions in AA control 92.4 percent of deposits in the market. However, non-banks heighten the competition level with many offering the remote delivery of products through digital devices. These non-banks include fintech companies, credit unions, mortgage companies, and finance companies. Overall, the competition level allows for lending opportunities.

Credit and Community Development Needs and Opportunities

Consistent with other metropolitan areas, the Charlotte MSA assessment area created varied loan demand for small business and residential real estate loans. Considering information from bank management and demographic and economic information, examiners ascertained that the primary credit needs of the area include home mortgage and small business loans, and construction loans for affordable single family and rental housing.

Demographic data showing that a high percentage (38.4 percent) of the area's families reported low- or moderate- incomes, with 11.0 percent below the poverty level, also suggest a need for activities that benefit projects or organizations that provide community services targeted to these families. The high percentage of small businesses with revenues of \$1 million or less supports the continued need for economic development. In addition, 33.2 percent of the area's census tracts received low- or moderate-income designations, the national COVID-19 major disaster area, and the assessment area's designation as federal disaster areas for other reasons, suggests a need for activities that revitalize or stabilize qualifying geographies. Lastly, the percentage of new firm startups creates a need for financing and financial education to entrepreneurs.

Given that the COVID-19 pandemic affected borrowers in a variety of ways, a significant retail banking service need existed for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to low- and moderate-income borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness, especially given the younger population demographics by age.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CHARLOTTE MSA

LENDING TEST

Pinnacle Bank demonstrated a high satisfactory record in the Charlotte MSA assessment area regarding the Lending Test. The relatively high CD lending levels lifted adequate performance records regarding borrower profile and geographic distribution to support this conclusion. In addition, the bank made use of innovative and flexible lending and demonstrated excellent lending activity levels in this rated area. Examiners weighed small business loans heavier than home mortgage loans in the Charlotte MSA assessment area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the Charlotte MSA assessment area. Excellent performance regarding small business and home mortgage loans support this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the Charlotte MSA assessment area. For 2021, the bank originated 1,735 total reportable small business loans totaling approximately \$252.3 million. Pinnacle Bank captured a 2.2 percent market share of the total number of loans and an 8.5 percent market share of the total dollar volume of loans.

The bank's activity by number of loans ranks it 12th out of 224 total lenders in the Charlotte MSA assessment area. This ranking lands the bank in the top 5.4 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar volume of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for small business loans.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the Charlotte MSA assessment area. For 2021, the bank originated 753 total reportable home mortgage loans totaling approximately \$333.0 million. Pinnacle Bank captured a 0.5 percent market share of the total number and a 0.7 percent market share of the total dollar volume of home mortgage loans.

The bank's activity by number of loans ranks it 44th out of 851 total lenders in the Charlotte MSA assessment area. This ranking lands the bank in the top 5.2 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar amount of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for home mortgage loans.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Charlotte MSA assessment area. Adequate records regarding small business and home mortgage loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate performance in the Charlotte MSA assessment area. Adequate performance in low- and moderate-income geographies supports this conclusion.

As seen in the table below, the bank's lending in low-income census tracts is consistent with aggregate data, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank's lending level is also consistent with aggregate data, reflecting an adequate level.

Geographic Distribution of Small Business Loans Charlotte MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	6.4	6.3	113	6.5	21,004	8.3
Moderate	17.9	17.2	303	17.5	47,246	18.7
Middle	28.6	29.7	485	28.0	71,552	28.4
Upper	46.4	46.3	825	47.6	108,926	43.2
Not Available	0.6	0.5	9	0.5	3,548	1.4
Totals	100.0	100.0	1,735	100.0	252,276	100.0

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate performance in the Charlotte MSA assessment area. Adequate performances in low- and moderate-income geographies support this conclusion.

As seen in the table below, the bank's lending in low-income census tracts is slightly higher than the aggregate data by 0.9 percentage point, which is reflective of adequate performance. The table further shows that, in moderate-income census tracts, the bank's lending level falls 2.5 percentage points lower than aggregate data, also reflecting an adequate level.

Geographic Distribution of Home Mortgage Loans Charlotte MSA AA						
Tract Income Level	% of Owner- Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.9	2.4	25	3.3	13,248	4.0
Moderate	18.6	14.2	88	11.7	61,080	18.4
Middle	36.6	31.9	195	25.9	79,175	23.9
Upper	41.9	51.4	445	59.1	178,426	53.8
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	753	100.0	331,929	100.0

Source: 2015 ACS Data; 2021 HMDA Data; 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes. Adequate records regarding both small business and home mortgage loans support this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers' profiles reflects adequate performance in the Charlotte MSA assessment area. Adequate performance to businesses with gross annual revenues of \$1 million or less supports this conclusion. The following table illustrates the distribution of lending by borrower revenue levels within the assessment area.

Distribution of Loans to Small Businesses by Gross Annual Revenues Charlotte MSA AA											
Assessment Area	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Charlotte MSA 2020	1,954	301,325	9.4	63,548	87.7	48.7	41.2	3.9	38.2	8.3	13.2
Charlotte MSA 2021	1,735	252,276	10.1	76,944	88.7	42.8	47.1	3.4	34.1	7.9	23.1
Charlotte MSA 2022	992	167,722	10.5	--	91.6	49.0	--	2.4	38.5	6.0	12.5

Source: 2021 D&B Data; 2020-2021 CRA Data; 2020 & 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table above, the bank's small business lending percentages in 2020 to businesses with gross annual revenues of \$1 million or less is 7.5 percentage points above the 2020 aggregate level, reflecting adequate performance for 2020. The table further shows in 2021 the bank's small business lending percentages to businesses with gross annual revenues of \$1 million or less is 4.3 percentage points below the 2021 aggregate level, also reflecting adequate performance. The bank's level of small business lending increased in 2022 with performance just above prior year's aggregate level.

PPP lending affected the bank's small business lending percentages in 2020 and 2021 to businesses with gross annual revenues of \$1 million or less, for which the bank was not required to collect revenue data. In 2020 and 2021, the bank originated 132 and 251 PPP loans where collected revenue data was not available, respectively. If the information on PPP loans without collected revenues were removed from the 2020 and 2021 analysis, the bank's small business lending performance to businesses with gross annual revenues of \$1 million or less increased to 52.2 percent and 50.1 percent, respectively, compared to the bank's 2019 level.

In 2020 and 2021, the bank originated 62.2 percent and 64.9 percent, respectively, of small business loans in the assessment area within the loan size category of \$100,000 or less, which shows the bank is meeting the needs of the smallest business borrowers.

Considering all years in the review period, the overall conclusion reflects adequate performance for the bank's small business lending to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers' profiles reflects adequate performance in the Charlotte MSA assessment area. Adequate performance to low- and moderate-

income borrowers support this conclusion.

As seen in the table below, the bank’s lending to low-income borrowers is lower than the aggregate data by 2.2 percentage points, reflective of adequate performance. The table further shows that to moderate-income borrowers the bank’s lending level falls 3.0 percentage points below the aggregate data, also reflecting an adequate level.

Distribution of Home Mortgage Loans by Borrower Income Level Charlotte MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.7	4.5	17	2.3	1,944	0.6
Moderate	16.7	14.0	83	11.0	12,970	3.9
Middle	18.7	19.0	91	12.1	16,627	5.0
Upper	42.9	46.9	487	64.7	179,661	54.1
Not Available	0.0	15.6	75	10.0	120,727	36.4
Totals	100.0	100.0	753	100.0	331,929	100.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Innovative or Flexible Lending Practices

The institution uses innovative or flexible lending practices in the Charlotte MSA assessment area in order to serve assessment area credit needs. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution’s capacity and the credit needs of the assessment area when arriving at this conclusion. Please refer to the discussion under the State of North Carolina for additional details regarding the innovative or flexible lending practices in the Charlotte MSA assessment area.

Community Development Loans

The institution made a relatively high level of CD loans in the Charlotte MSA assessment area. Its extent, or dollar volume, of CD loans and the CD loans’ responsiveness support this conclusion.

As noted under the rated area level, Pinnacle Bank originated 79 CD loans totaling approximately \$140.3 million in the Charlotte MSA assessment area. By dollar volume, this equates to 30.0 percent (or 35.9 of total CD loans less statewide activities) of the bank’s adequate level of CD lending in the State of North Carolina as compared to the 43.0 percent of the bank’s home mortgage and small business loans attributed to this assessment area.

The following point notes an example of the bank’s CD lending in the Charlotte MSA assessment area.

- ***Revitalize or Stabilize*** – The bank originated a loan totaling \$14.0 million for the purchase and development of land to revitalize a low- and moderate-income area.

INVESTMENT TEST

Pinnacle Bank demonstrated an outstanding record in the Charlotte MSA assessment area regarding the Investment Test. The excellent level of qualified investments sufficiently lifted the adequate responsiveness to CD needs and the occasional use of complex investments to support this conclusion.

Investment and Grant Activity

The bank has an excellent level of qualified investments in the Charlotte MSA assessment area. The table for the State of North Carolina shows that Pinnacle Bank made 99 qualified investments totaling approximately \$61.9 million in the Charlotte MSA assessment area. By dollar volume, this equates to 29.0 percent (or 39.8 percent of total qualified investments less statewide activities) of the overall significant level of qualified investments in the State of North Carolina as compared to 28.6 percent of total deposits attributed to this assessment area.

The following is an example of a key investment in the Charlotte MSA assessment area.

- ***Affordable Housing*** - The bank purchased a municipal bond totaling \$3.5 million to acquire and construct a low- and moderate-income multi-family rental housing facility in the Charlotte MSA assessment area.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank's CD activities show adequate responsiveness through use of investments that directly address identified needs in the Charlotte MSA assessment area. As noted in the investment table for the State of North Carolina, the Charlotte MSA assessment area shows adequate responsiveness to CD needs by the dollar amount in three of the four CD purposes categories, with an emphasis on affordable housing.

Pinnacle Bank's major investments addressed affordable housing needs with approximately \$8.7 million in MBS with the underlying loans to low- and moderate-income individuals. Investments also addressed community services needs through larger dollar amount donations to an organization that provides community services to low- and moderate-income individuals including financial literacy, workforce training, and a virtual learning academy.

Community Development Initiatives

Pinnacle Bank made occasional use of complex investments, given the size of the institution and opportunities available in the Charlotte MSA assessment area.

Investments in Low-Income Housing Tax Credits (LIHTCs) benefited the Charlotte MSA assessment area and totaled approximately \$44.5 million of the bank's overall LIHTCs. The

LIHTC Program incentivizes community development by issuing tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to low-income households. Investments through these programs offer varying degrees of complexity involving special expertise needed by staff and a significant amount of time to coordinate the financing process. Additionally, the bank allocated \$929,000 to an EQ2 fund that provides affordable housing to low- and moderate-income individuals.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record in the Charlotte MSA assessment area regarding the Service Test. The excellent levels and qualitative aspects regarding the bank’s CD services lifted reasonably accessible delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the Charlotte MSA assessment area. Reasonably accessible branch distribution and alternative delivery systems support this conclusion. The Charlotte MSA assessment area reflects a consistent conclusion to the State of North Carolina’s Accessibility of Delivery System performance.

The bank makes its full-service offices reasonably accessible to essentially all portions of the Charlotte MSA assessment area.

The bank’s level of branch distribution in low-income tracts rises 7.3 percentage points above the population of low-income census tracts, reflecting good performance. In moderate-income census tracts, the bank’s level of branch distribution falls 25.3 percentage points below the population percentage, reflecting poor performance. The change in census tract designations from the 2020 U.S. Census data resulted in a decline of one branch in moderate-income census tracts, which did not impact the rating conclusion for moderate-income census tracts. The good record of branches in low-income lifted the poor record of branches in moderate-income to support the reasonably accessible conclusion.

Branch and ATM Distribution by Geography Income Level Charlotte MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	26	4.9	83,230	3.8	1	11.1	1	12.5	0	0.0	0	0.0
Moderate	139	26.1	554,703	25.3	0	0.0	0	0.0	0	0.0	0	0.0
Middle	168	31.6	736,113	33.5	2	22.2	2	25.0	0	0.0	0	0.0
Upper	190	35.7	805,924	36.7	6	66.6	5	62.5	1	100.0	0	0.0
NA	9	1.7	15,241	0.7	0	0.0	0	0.0	0	0.0	0	0.0
Totals	532	100.0	2,195,211	100.0	9	100.0	8	100.0	1	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to essentially all portions of the Charlotte MSA assessment area.

The bank's level of ATMs in low-income tracts rises 8.7 percentage points above the population of low-income census tracts, reflecting good performance. In moderate-income census tracts, the bank's level of ATMs falls 25.3 percentage points below the population percentage, reflecting poor performance. The change in census tract designations from the 2020 U.S. Census data resulted in a decline of one ATM in moderate-income census tracts, which did not impact the rating conclusion for moderate-income census tracts. The good record of ATMs in low-income lifted the poor record of ATMs in moderate-income to support the reasonably accessible conclusion.

Refer to the Service Test section for the state for details on digital banking services that provide banking access to low- and moderate-income people and tracts.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the Charlotte, North Carolina assessment area on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank's digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications significantly increased over the review period from 10.1 percent in 2020 to 37.5 percent as of 4/30/2023. The 37.5 percentage compares significantly higher than the percentage of owner-occupied units in low- and moderate-income tracts at 23.6 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 12.0 percent in 2020 to 25.0 percent as of 4/30/2023. This 25.0 percentage is below the population percentage of low- and moderate-income families at 37.6 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts is stable throughout the review period from 17.9 percent in 2020 to 17.7 percent as of 3/30/2023. This 17.7 percentage compares below the population percentage in low- and moderate-income tracts at 29.1 percent.
- The percentage of online deposit accounts opened low- and moderate-income tracts significantly increased throughout the review period from 21.4 percent in 2020 to 40.0 percent as of 4/30/2023. This 40.0 percentage compares higher than the population percentage in low- and moderate-income tracts at 29.1 percent.

Changes in Branch Locations

To the extent changes have been made, the institution's record of opening and closing of branches in the Charlotte MSA has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income

individuals. No branch changes occurred in low- and moderate-income tracts in the Charlotte MSA assessment area. One branch opened in an upper-income tract.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the Charlotte MSA assessment area, particularly low- or moderate-income geographies or individuals. The Charlotte MSA assessment area reflects product offerings, services, and branch hours consistent with the State of North Carolina.

The bank's branches generally have the same product offerings and services, and branch locations have similar hours. Branch hours are from Monday through Friday 9 a.m. to 5 p.m. The Charlotte MSA assessment area reflects product offerings, services, and branch hours consistent with discussion for the State of North Carolina.

Community Development Services

The institution is a leader in the level of CD services in the Charlotte MSA assessment area. Excellent performance regarding the extent of CD services and the good responsiveness of CD services to available opportunities primarily support this conclusion.

The table in the State of North Carolina section shows that the bank provided 157 CD services since the previous evaluation in the Charlotte MSA assessment area. This number equates to an average of 5.5 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 8.6 full-service offices for the 3.3 years since the previous evaluation.

Leadership is evident through Board or committee participation in a number of those activities. Service activities primarily demonstrate the responsiveness to community needs for community services to low- and moderate-income individuals.

The following are examples of CD services specific to the Charlotte MSA assessment area:

- ***Community services***- A bank employee serves as a tutor for an organization that gives young students experiences in math through one on one volunteer delivered tutoring. The organization partners with schools that consist mainly of students from low and moderate-income families.
- ***Community Services*** - A bank employee served as a Board member to an organization that provides health care to under insured and uninsured through a free clinic. The organization primarily benefits low- and moderate-income individuals.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for this rated area’s assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. The conclusions did not alter the bank’s overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Asheville MSA	Consistent	Below	Consistent
Burlington MSA	Consistent	Below	Consistent
Durham MSA	Consistent	Consistent	Consistent
Greensboro MSA	Exceeds	Below	Consistent
North Carolina Non-MSA	Consistent	Below	Consistent
Raleigh MSA	Exceeds	Below	Consistent
Winston-Salem MSA	Consistent	Below	Consistent

Facts and data supporting conclusions for each limited-scope assessment area follow, including a summary of Pinnacle Bank’s operations and activities. The demographic data for the limited-scope assessment areas is in Appendix C.

Asheville MSA AA

The bank’s Asheville MSA AA consists of all of Buncombe, Haywood, and Henderson Counties. Pinnacle Bank operates one branch in this AA in a middle-income CT. This distribution of branches proved consistent with the institution’s overall conclusion. The availability of alternative delivery systems demonstrated inconsistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	37	21,217
Small Business Loans	79	9,911
Small Farm Loans	0	0
Community Development Loans	6	4,978
Investments	3	828
CD Services	12	--

Burlington MSA AA

The bank's Burlington MSA AA consists of all of Alamance County. Pinnacle Bank operates one branch in this AA in an upper-income CTs. This distribution of branches proved consistent with the institution's overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	36	12,084
Small Business Loans	106	12,587
Small Farm Loans	2	40
Community Development Loans	4	1,540
Investments	15	1,721
CD Services	24	--

Durham MSA AA

The bank's Durham MSA AA consists of all of Chatham, Durham, and Orange Counties. Pinnacle Bank operates three branches in this AA: one in a moderate-income CT and two in upper-income CTs. This distribution of branches proved consistent with the institution's overall conclusion. The availability of alternative delivery systems demonstrated inconsistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	126	36,465
Small Business Loans	392	40,637
Small Farm Loans	3	31
Community Development Loans	11	6,626
Investments	80	17,406
CD Services	168	--

Greensboro MSA AA

The bank's Greensboro MSA AA consists of all of Guilford and Randolph Counties. Pinnacle Bank operates eleven branches in this AA: three in low-income CTs, four in moderate-income CTs, two in middle-income CTs, and two in upper-income CTs. This distribution of branches proved consistent with the institution's overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	450	90,036
Small Business Loans	1,252	144,389
Small Farm Loans	16	364
Community Development Loans	86	74,806
Investments	116	29,666
CD Services	370	--

North Carolina Non-MSA AA

The bank’s North Carolina Non-MSA AA consists of all of Stanley County. Pinnacle Bank operates two branches in this AA: one in a middle-income CT and one in an upper-income CT. This distribution of branches proved consistent with the Institution’s overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	71	11,686
Small Business Loans	103	8,117
Small Farm Loans	7	317
Community Development Loans	2	89
Investments	3	1
CD Services	28	--

Raleigh MSA AA

The bank’s Raleigh MSA AA consists of all of Wake County. Pinnacle Bank operates four branches in this AA: two in a middle-income CT and two in upper-income CTs. This distribution of branches proved consistent with the institution’s overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	180	128,620
Small Business Loans	484	67,604

Activity	#	\$(000s)
Small Farm Loans	1	17
Community Development Loans	16	39,119
Investments	88	26,124
CD Services	88	--

Winston-Salem MSA AA

The bank's Winston-Salem MSA AA consists of all of Davidson and Forsyth Counties. Pinnacle Bank operates six branches in this AA: one in a low-income CT, three in a middle income CTs, and two in upper-income CTs. This distribution of branches proved consistent with the institution's overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	426	99,047
Small Business Loans	867	115,114
Small Farm Loans	8	550
Community Development Loans	53	51,236
Investments	55	16,447
CD Services	131	--

Geographic Distribution

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																	2021		
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Asheville	79	9,911	0.5	13,494	3.0	5.1	3.0	14.7	16.5	15.8	53.5	43.0	53.3	28.8	35.4	27.8	0.0	0.0	0.0
Burlington	106	12,587	0.6	3,729	0.0	0.0	0.0	24.8	21.7	25.8	48.4	46.2	48.7	26.7	32.1	25.5	0.0	0.0	0.0
Durham	392	40,637	2.3	15,402	6.5	5.4	5.8	15.6	10.5	15.7	32.2	30.4	34.3	44.1	53.8	43.3	1.6	0.0	0.9
Greensboro	1,252	144,389	7.3	18,781	4.2	6.9	4.1	22.0	27.9	22.9	33.7	33.3	34.9	39.9	31.8	38.0	0.1	0.1	0.1
NC Non-MSA	103	8,117	0.6	1,212	0.0	0.0	0.0	17.0	10.7	9.9	43.0	38.8	45.1	39.9	50.5	45.1	0.0	0.0	0.0
Raleigh	484	67,604	2.8	38,149	3.9	5.0	3.8	19.7	16.7	19.3	32.0	30.6	32.8	44.2	47.5	44.0	0.2	0.2	0.1
Winston-Salem	867	115,114	5.0	12,818	7.1	6.3	6.4	17.4	14.6	16.1	33.3	39.8	36.4	41.5	38.3	40.5	0.7	0.9	0.7

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Asheville	37	21,217	0.4	26,972	1.4	0.0	1.4	10.9	2.7	10.7	64.1	45.9	62.5	23.6	51.4	25.4	0.0	0.0	0.0
Burlington	36	12,084	0.4	8,767	0.0	0.0	0.0	22.9	33.3	17.4	47.8	36.1	50.8	29.3	30.6	31.7	0.0	0.0	0.0
Durham	126	36,465	1.3	34,557	2.9	4.8	3.1	13.3	7.1	11.4	36.2	22.2	35.1	47.5	65.9	50.4	0.0	0.0	0.0
Greensboro	450	90,036	4.8	31,251	2.3	2.0	1.5	16.9	14.0	13.2	41.9	36.7	38.5	38.8	47.3	46.8	0.0	0.0	0.0
NC Non-MSA	71	11,686	0.8	3,335	0.0	0.0	0.0	6.7	8.5	7.3	52.2	45.1	49.1	41.1	46.5	43.6	0.0	0.0	0.0
Raleigh	180	128,620	1.9	89,508	2.1	3.3	2.1	19.2	15.0	16.1	34.3	28.9	32.9	44.5	52.8	48.9	0.0	0.0	0.0
Winston-Salem	426	99,047	4.5	27,287	4.3	4.0	2.6	13.7	13.4	11.3	40.8	33.6	38.0	41.2	49.1	48.0	0.1	0.0	0.1

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%

Borrower Profile

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues													2021
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Asheville	79	9,911	0.5	13,494	89.7	57.0	49.6	3.1	17.7	7.2	25.3		
Burlington	106	12,587	0.6	3,729	85.9	47.2	47.7	4.1	25.5	10.0	27.4		
Durham	392	40,637	2.3	15,402	88.9	52.6	48.4	3.2	26.8	7.9	20.7		
Greensboro	1,252	144,389	7.3	18,781	87.1	45.0	47.6	4.0	25.6	8.8	29.4		
NC Non-MSA	103	8,117	0.6	1,212	84.7	57.3	51.4	4.2	16.5	11.1	26.2		
Raleigh	484	67,604	2.8	38,149	89.3	53.1	46.9	3.1	28.3	7.7	18.6		
Winston-Salem	867	115,114	5.0	12,818	87.4	48.9	50.2	4.1	24.9	8.6	26.2		

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Asheville	37	21,217	0.4	26,972	20.1	2.7	6.0	18.3	2.7	16.8	20.5	2.7	21.9	41.1	81.1	42.1	0.0	10.8	13.3
Burlington	36	12,084	0.4	8,767	21.8	16.7	6.0	17.8	16.7	18.0	18.3	8.3	22.2	42.1	38.9	37.8	0.0	19.4	15.9
Durham	126	36,465	1.3	34,557	22.5	2.4	3.8	16.2	18.3	14.1	17.6	16.7	18.5	43.7	59.5	50.4	0.0	3.2	13.3
Greensboro	450	90,036	4.8	31,251	21.1	7.6	5.1	18.0	17.3	16.5	18.2	14.2	20.5	42.7	45.3	42.7	0.0	15.6	15.2
NC Non-MSA	71	11,686	0.8	3,335	18.2	4.2	2.4	18.1	12.7	13.9	18.6	15.5	22.2	45.1	67.6	47.3	0.0	0.0	14.2
Raleigh	180	128,620	1.9	89,508	19.9	5.6	5.5	16.2	9.4	14.9	18.8	11.1	20.5	45.1	61.7	45.0	0.0	12.2	14.1
Winston-Salem	426	99,047	4.5	27,287	22.3	5.6	5.5	17.0	14.8	17.1	18.3	11.7	21.0	42.3	49.1	41.4	0.0	18.8	15.0

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

SOUTH CAROLINA

CRA RATING FOR SOUTH CAROLINA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOUTH CAROLINA

Pinnacle Bank designated five assessment areas in the State of South Carolina as noted in the table below. All of the bank's assessment areas in South Carolina conform to the CRA regulatory requirements.

Description of South Carolina Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Charleston MSA	Berkeley, Charleston, Dorchester	156	10
Greenville MSA	Anderson, Greenville, Pickens	178	5
Hilton Head MSA	Beaufort	41	1
Myrtle Beach MSA	Brunswick, Horry	105	3
Spartanburg MSA	Spartanburg	69	1

Source: Bank Records; 2015 ACS data.

SCOPE OF EVALUATION – SOUTH CAROLINA

Full-Scope Assessment Area

Of the five assessment areas in South Carolina, examiners applied full-scope procedures to the Charleston MSA assessment area since this assessment area includes the highest percentage of the bank's loans, deposits, and branches in the State of South Carolina. Examiners applied limited-scope procedures to the other South Carolina assessment areas.

Lending Test

Loan Categories Reviewed

Examiners considered the following loans granted inside the bank's South Carolina assessment areas as reported according to either the HMDA or CRA data collection reporting requirements:

Home Mortgage Loans:

- 2020: 776 loans totaling \$318,089,000
- 2021: 809 loans totaling \$366,752,000
- 2022: 724 loans totaling \$268,143,000

Small Business Loans:

- 2020: 1,962 loans totaling \$207,519,000
- 2021: 1,721 loans totaling \$170,012,000

- 2022: 822 loans totaling \$104,669,000

The weightings for the specific loan categories varies for each of the assessment areas. As suggested by the above figures, examiners generally gave more weight to small business loans when arriving at applicable conclusions given the higher number volume of loans.

Assessment Area Weighting

The following table shows that the Charleston MSA assessment area generated the largest percentage of the bank’s South Carolina loans, deposits, and branches. Consequently, examiners weighed records in the Charleston MSA assessment area heaviest when arriving at applicable conclusions and ratings. Examiners weighed performance in each reviewed area consistent with that area’s lending level as reflected in the following table.

Assessment Area Distribution – State of South Carolina						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Charleston MSA	694,004	48.3	950,255	50.7	10	50.0
Greenville MSA	350,145	24.4	367,227	19.6	5	25.0
Hilton Head MSA	101,421	7.1	66,655	3.6	1	5.0
Myrtle Beach MSA	236,830	16.5	406,438	21.7	3	15.0
Spartanburg MSA	54,113	3.8	84,507	4.5	1	5.0
Total	1,436,513	100.0	1,875,082	100.0	20	100.0

Source: HMDA & CRA Data (2020-2022); FDIC Summary of Deposits (06/30/2022). Due to rounding, totals may not equal 100.0 percent

Investment and Service Tests

The scopes for the Investment and Service Tests remain the same for this rated area as it did for the institution as a whole. Please refer to the institution-level Scope of Examination section.

CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH CAROLINA

LENDING TEST

Pinnacle Bank demonstrated a high satisfactory record in the State of South Carolina regarding the Lending Test. The leader level of community development loans lifted the adequate performances regarding borrower profile and geographic distribution to support this conclusion. The bank also exhibited excellent lending levels and makes use of innovative or flexible lending in this state. Conclusions regarding the institution’s performance in the State of South Carolina were inconsistent with the conclusions for the Greenville MSA, Hilton Head MSA, Myrtle Beach MSA, and Spartanburg MSA assessment areas falling below the rated area and the Charleston MSA assessment area exceeding the results for the rated area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the State of South

Carolina. Excellent performance regarding both small business and home mortgage loans support this conclusion. Examiners considered the bank's size, business strategy, and capacity in this state relative to its credit needs when arriving at this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the State of South Carolina. For 2021, the bank originated 1,721 total reportable small business loans totaling approximately \$170.0 million inside its South Carolina assessment areas. Pinnacle Bank captured a 2.3 percent market share of the total number of small business loans and a 5.1 percent market share of the total dollar volume of loans.

This volume of activity ranks the bank 13th out of 244 total lenders in the bank's South Carolina assessment areas. This ranking lands the bank in the top 5.3 percent of lenders reporting such loans in the bank's South Carolina assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the State of South Carolina. For 2021, the bank originated 809 total reportable home mortgage loans totaling approximately \$367.9 million in its South Carolina assessment areas. Pinnacle Bank captured a 0.4 percent market share of the total number of home mortgage loans and 0.7 percent market share of the total dollar volume of home mortgage loans in the South Carolina assessment areas.

This volume of activity ranks the bank 59th out of 1,025 total lenders in the bank's South Carolina assessment areas. This ranking lands the bank in the top 5.7 percent of lenders reporting such loans in the bank's South Carolina assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the State of South Carolina. The Charleston MSA, Greenville MSA, Hilton Head MSA, and Spartanburg MSA assessment areas demonstrated consistent performance, while the Myrtle Beach MSA assessment area demonstrated inconsistent performance exceeding that of the rated area.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes. The Charleston MSA and Myrtle Beach MSA assessment areas demonstrated consistent performance with the State of South Carolina. The Greenville MSA and Hilton Head MSA demonstrated inconsistent performance exceeding that noted for the State of South Carolina, while the Spartanburg MSA fell below performance for the state.

Innovative or Flexible Lending Practices

The institution uses innovative or flexible lending practices in order to serve assessment area credit needs in the State of South Carolina. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution’s capacity and the credit needs of its assessment areas when arriving at this conclusion.

The table below shows that since the previous evaluation, the bank originated 215 innovative or flexible loans totaling approximately \$143.3 million in the State of South Carolina. This dollar figure equates to 6.1 percent (or 10.4 percent of total innovative and flexible loans less nationwide) of the bank’s total innovative or flexible loans. Given the bank’s capacity and the needs in the rated area, the level of innovative and flexible loans reflects good responsiveness to the credit needs of the State of South Carolina.

Innovative or Flexible Loans State of South Carolina										
Assessment Area	Fannie Mae/ Freddie Mac/ State Housing		FHA/USDA/VA		Pinnacle 100		SBA		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Charleston MSA	43	13,379	17	5,069	17	3,440	24	40,596	101	62,484
Greenville MSA	11	5,865	5	684	11	1,992	18	11,921	45	20,462
Hilton Head MSA	1	256	3	874	0	0	2	767	6	1,897
Myrtle Beach MSA	3	285	2	396	0	0	5	4,046	10	4,727
Spartanburg MSA	0	0	2	460	2	487	4	5,044	8	5,991
Statewide	9	2,786	8	1,758	4	708	24	42,520	45	47,772
Total	67	22,571	37	9,241	34	6,627	77	104,894	215	143,333

Source: Bank records.

Community Development Loans

The institution has a leader level of CD loans in the State of South Carolina. Its extent, or dollar volume, of CD loans and the CD loans’ responsiveness support this conclusion. Performance in the Charleston MSA assessment area proved consistent with the overall rated area, while performance in the Greenville MSA, Hilton Head MSA, Myrtle Beach MSA, and Spartanburg MSA assessment areas demonstrated inconsistent performance falling below the State of South Carolina conclusion.

The following table shows that, since the previous evaluation, the bank granted 74 CD loans totaling approximately \$227.2 million in this state. The dollar amount equates to 9.3 percent (or 9.4 percent of total CD loans less nationwide and regional activities) of the bank’s overall excellent level of CD loans as compared to the 9.1 percent of overall HMDA and CRA loans attributed to this state.

Community Development Loans State of South Carolina										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Charleston MSA	13	6,650	7	549	3	12,300	10	96,542	33	116,041
Greenville MSA	7	9,559	7	624	1	10,000	3	3,828	18	24,011
Hilton Head MSA	0	0	1	3,400	0	0	0	0	1	3,400
Myrtle Beach MSA	5	17,846	2	2,027	4	21,866	0	0	11	41,739
Spartanburg MSA	1	23	4	451	0	0	0	0	5	474
Statewide	0	0	1	8,000	2	10,024	3	23,500	6	41,524
Total	26	34,078	22	15,051	10	54,190	16	123,870	74	227,189
<i>Source: Bank records.</i>										

Besides their extent, the CD loans reflect good responsiveness to the state’s CD needs. As seen in the table above, 54.5 percent of the dollar volume of the state’s CD loans help revitalize or stabilize low- and moderate-income geographies, while 23.9 percent promote economic development, and 15.0 percent promote affordable housing. An additional 6.6 percent benefits community services for low- and moderate-income individuals.

As noted under the applicable Description of Institution’s Operations sections, activities that provide community services for low- and moderate-income individuals and revitalize or stabilize qualifying geographies represent CD needs in the bank’s assessment areas. Therefore, relative to the bank’s capacity and the extent of CD lending opportunities and needs in its assessment areas, the bank established a leader level in originating CD loans.

The following points discuss the bank’s CD lending activities in the broader statewide area of South Carolina.

- **Revitalize or Stabilize** – The bank originated three loans totaling \$23.5 million to businesses in moderate-income census tracts. The loans assisted in retaining these businesses in moderate-income areas.

INVESTMENT TEST

Pinnacle Bank demonstrated a high satisfactory record in the State of South Carolina for the Investment Test. The significant level of qualified investments and good responsiveness to CD needs outweighed the occasional use of complex investments to support this conclusion. The Greenville MSA and Hilton Head MSA assessment areas demonstrated consistent performance with the State of South Carolina. The Spartanburg MSA assessment area demonstrated inconsistent performance by exceeding that noted for the overall State of South Carolina. Additionally, the Charleston MSA and Myrtle Beach MSA assessment areas demonstrated inconsistent performance by falling below that noted for the State of South Carolina.

Investment and Grant Activity

The bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors in the State of South Carolina. The table below shows that Pinnacle Bank made 246 qualified investments totaling approximately \$97.7 million in the State of South Carolina. By dollar volume, this equates to 10.0 percent of the bank’s total excellent level of qualified investments as compared to 5.7 percent of total deposits attributed to this rated area.

Qualified Investments State of South Carolina										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Charleston MSA	24	14,355	63	1,789	14	3,554	0	0	101	19,698
Greenville MSA	15	26,155	53	149	12	68	0	0	80	26,372
Hilton Head MSA	6	8,862	5	8	0	0	0	0	11	8,870
Myrtle Beach MSA	10	1,287	8	1,005	1	2	0	0	19	2,294
Spartanburg MSA	4	21,385	19	41	0	0	1	8	24	21,434
Statewide Activities	6	16,188	0	0	4	300	1	2,500	11	18,988
Total	65	88,232	148	2,992	31	3,924	2	2,508	246	97,656
<i>Source: Bank Data</i>										

Since Pinnacle Bank’s investments addressed community credit needs inside the bank’s assessment areas, this evaluation includes statewide activities in areas outside of the bank’s assessment areas, but within the State of South Carolina. Pinnacle Bank’s major investments addressed the following statewide need throughout the State of South Carolina.

- **Affordable Housing** - The bank purchased a municipal bond totaling \$4.0 million to provide affordable housing to low- and moderate-income individuals in the State of South Carolina.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank’s CD activities show good responsiveness through use of qualified investments that directly address identified needs in the State of South Carolina. The previous table shows responsiveness to a variety of CD needs by the dollar amount to all four CD purpose categories.

Pinnacle Bank’s major investments addressed the following needs throughout various assessment areas in the State of South Carolina:

- Affordable housing with approximately \$41.7 million for the purchase of MBS with underlying loans to finance single-family and multi-family housing for low- and moderate-income individuals.
- Economic development needs with larger dollar donations to support the financing of small

businesses.

Community Development Initiatives

Pinnacle Bank occasionally uses complex investments to support CD initiatives, given the size of the institution and opportunities available in the State of South Carolina.

Refer to the Charleston MSA assessment area for details regarding the bank's occasional use of investments in EQ2 funds.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record for the State of South Carolina regarding the Service Test. The excellent levels and qualitative aspects regarding the bank's CD services lifted reasonably accessible delivery systems and reasonableness of hours and services to support this conclusion. The Hilton Head and Myrtle Beach MSA assessment areas reflect performance consistent the state level. The Greenville MSA assessment area reflect performance below the state level for accessibility of branches and above the state level for accessibility of alternative delivery systems. The Spartanburg MSA assessment area reflects performance below the state level for accessibility of alternative delivery systems.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas in the State of South Carolina. Reasonably accessible branch distribution and alternative accessible alternative delivery systems support this conclusion. The State of South Carolina reflects consistent conclusions to the institution's Accessibility of Delivery System performance except for the Greenville and Spartanburg MSA assessment areas.

The bank makes its full-service offices reasonably accessible to essentially all portions of the institution's assessment areas in the State of South Carolina.

The bank's level of branch distribution in low-income tracts falls 4.5 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In moderate-income census tracts, the bank's level of branch distribution rises 5.3 percentage points above the population percentage, reflecting adequate performance. The change in census tract designations from the 2020 U.S. Census data resulted in the addition of two branches in moderate-income census tracts, which did not impact the rating conclusion for moderate-income census tracts.

Branch and ATM Distribution by Geography Income Level State of South Carolina												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	36	5.6	118,839	4.5	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	140	21.8	524,581	19.7	5	25.0	5	23.8	0	0.0	0	0.0
Middle	271	42.3	1,201,219	45.1	6	30.0	6	28.6	0	0.0	0	0.0
Upper	181	28.2	800,272	30.1	9	45.0	10	47.6	0	0.0	0	0.0
NA	13	2.0	18,217	0.7	0	0.0	0	0.0	0	0.0	0	0.0
Totals	641	100.0	2,663,128	100.0	20	100.0	21	100.0	0	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to essentially all portions of the bank’s assessment areas in the State of South Carolina.

The bank’s level of ATMs in low-income tracts falls 4.5 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In moderate-income census tracts, the bank’s level of ATMs rises 4.1 percentage points above the population percentage, reflecting adequate performance.

Refer to the Service Test section for the overall bank for details on digital banking services that provide banking access to low- and moderate-income people and tracts. The bank’s COVID response extended financial assistance to help many people avoid serious financial consequences during the pandemic.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the State of South Carolina on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank’s digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications increased over the review period from 15.6 percent in 2020 to 19.1 percent as of 4/30/2023. The 19.1 percentage compares similarly to the percentage of owner-occupied units in low- and moderate-income tracts at 21.6 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 18.9 percent in 2020 to 38.1 percent as of 4/30/2023. This 38.1 percentage compares similarly the population percentage of low- and moderate-income families at 39.4 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts is

stable throughout the review period from 13.7 percent in 2020 to 13.4 percent as of 3/30/2023. This 13.4 percentage compares below the population percentage in low- and moderate-income tracts at 24.2 percent.

- The percentage of online deposit accounts opened in low- and moderate-income tracts significantly increased throughout the review period from 13.8 percent in 2020 to 41.2 percent as of 4/30/2023. This 41.2 percentage compares higher than the population percentage in low- and moderate-income tracts at 24.2 percent.

Changes in Branch Locations

The institution did not have any changes to branch locations since the last evaluation in the State of South Carolina. Therefore, this criterion did not affect the overall Service Test rating for the state.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the State of South Carolina, particularly low- or moderate-income geographies or individuals. The State of South Carolina reflects product offerings, services, and branch hours generally consistent with discussion at the institution level.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are generally from Monday to Friday from 9 a.m. to 5 p.m. The State of South Carolina reflects product offerings, services, and branch hours consistent with discussion at the institution level.

Community Development Services

The institution is a leader in the level of CD services for the State of South Carolina. Excellent performance regarding the extent of CD services and the excellent responsiveness of CD services to available opportunities primarily support this conclusion.

The following table shows that the bank provided 406 CD services since the previous evaluation. This number equates to an average of 5.9 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 21 full-service offices for the 3.3 years since the previous evaluation.

Community Development Services State of South Carolina					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Charleston MSA	19	163	42	0	224
Greenville MSA	2	32	48	0	82
Hilton Head MSA	2	15	0	0	17
Myrtle Beach MSA	7	47	19	0	73
Spartanburg MSA	0	7	1	2	10
Statewide Activities	0	0	0	0	0
Total	30	264	110	2	406
<i>Source: Bank Data (01/27/2020 – 05/02/2023)</i>					

CHARLESTON MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CHARLESTON MSA

The Charleston MSA assessment area includes all 156 census tracts that make up Berkeley, Charleston, and Dorchester Counties, all of the counties that make up the Charleston-North Charleston, SC MSA (Charleston MSA), located in south-eastern South Carolina.

Economic and Demographic Data

The assessment area’s census tracts reflect the following income designations based on 2015 ACS data: 14 low-, 35 moderate-, 59 middle-, 44 upper-income tracts, and 4 tracts with no income designation. FEMA declared this assessment area as a major disaster area due to a Hurricane Ian, severe storms and the COVID-19 pandemic during the majority of the evaluation period. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area						
Charleston MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	156	9.0	22.4	37.8	28.2	2.6
Population by Geography	712,232	6.7	21.4	41.9	29.2	0.8
Housing Units by Geography	309,113	6.7	21.2	40.2	31.1	0.8
Owner-Occupied Units by Geography	173,999	3.3	19.1	42.4	34.9	0.3
Occupied Rental Units by Geography	94,905	12.5	24.4	40.5	21.3	1.4
Vacant Units by Geography	40,209	8.1	22.9	29.9	37.5	1.7
Businesses by Geography	60,837	7.6	18.6	34.6	37.6	1.5
Farms by Geography	1,486	3.4	18.8	44.9	32.4	0.5
Family Distribution by Income Level	173,525	22.6	16.7	19.9	40.8	0.0
Household Distribution by Income Level	268,904	24.5	15.7	17.6	42.2	0.0
Median Family Income MSA - 16700 Charleston-North Charleston, SC MSA		\$65,558	Median Housing Value			\$241,873
			Median Gross Rent			\$1,021
			Families Below Poverty Level			11.4%

*Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

Economy: According to Moody’s Analytics, Precis U.S. Metro - June 2023, the Charleston MSA’s economy is red-hot. The blistering pace of job gains has continued this year, with the metro area ranking sixth in the nation in job growth through April. The outsize professional/business services industry is leading the way, with healthcare and leisure/hospitality also posting solid job gains. The only sources of weakness are retail and wholesale trade. The unemployment rate has fallen this year even as labor force growth has reaccelerated.

The housing market is also a standout. House prices are holding up better than the state and national averages, while new-home construction is on the rise compared with declines nationally. Charleston’s economy will come off the boil this year. Tourism and healthcare will headline private sector job gains, while investments in electric-vehicle and battery production will help drive above average job growth in manufacturing this year and next. Longer term, a diverse set of economic drivers and favorable demographics will make Charleston one of the top-performing metro areas in the Southeast. According to the U. S. Bureau of Labor Statistics as of April 2023, the Charleston unemployment rate at 2.0 percent is below the South Carolina at 3.1 percent and is below the national average at 3.4 percent.

Population: The population distribution age shows age 20 - 39 at 28 percent and age 65+ at 16 percent, with the percentages for both age groups similar to South Carolina. Leveraging data from the U.S. Census ACS 2021 data, foreign born population represents 5.3 percent, near the rate for South Carolina at 5.2 percent.

Housing: According to the U.S. Census ACS 2021 data, the median housing income of \$72,719 is higher than South Carolina at \$59,318. The median housing value at \$315,400 is about 1.5 times above South Carolina at \$213,500 and about 10 percent above the United States at \$281,400.

Business: Based on 2020 business data from the U.S. Census Business Dynamics Statistics, the number of firms by firm size is 1) firm size of 1-19 at 76.8 percent of employment, 2) firm size 20-499 at 15.1 percent of employment, and 3) 500+ at 8.2 percent of employment. Approximately 46,629 jobs were created in 2020, with most jobs in administrative/support/waste management/remediation services and accommodation/food service. The largest existing industries are construction and professional/scientific/technical services. New firm startups comprise 8.8 percent of total firms.

Competition

The area contains a moderate level of competition from within the AA containing 34 institutions with 184 offices. Pinnacle Bank ranks 7th in market share by capturing 4.2 percent of the area's deposits based on the June 30, 2022, FDIC Deposit Market Share Report. However, non-banks heighten the competition level with many offering the remote delivery of products through digital devices. These non-banks include fintech companies, credit unions, mortgage companies, and finance companies. Overall, the competition level allows for lending opportunities.

Credit and Community Development Needs and Opportunities

Consistent with other metropolitan areas, the Charleston MSA AA created varied loan demand for small business and residential real estate loans. Considering information from bank management and demographic and economic information, examiners ascertained that the primary credit needs of the area include home mortgage and small business loans, and construction loans for affordable single family and rental housing.

Demographic data indicates that a high percentage (39.3 percent) of the AA's families receive a designation of low- or moderate-income, with 11.4 percent below the poverty level. This signifies a continued need for community development services. The high percentage of small businesses with revenues of \$1 million or less supports the continued need for economic development. The high percentage (31.4 percent) of low- and moderate-income census tracts, the national COVID-19 major disaster area, and the assessment area's designation as a federal disaster area for other reasons supports the need for revitalization and stabilization efforts. Lastly, the percentage of new firm startups creates a need for financing and financial education to entrepreneurs.

Given that the COVID-19 pandemic affected borrowers in a variety of ways, a significant retail banking service need existed for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to low- and moderate-income borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CHARLESTON MSA

LENDING TEST

Pinnacle Bank demonstrated an outstanding record in the Charleston MSA assessment area regarding the Lending Test. The leader levels of CD loans along with the extensive use of innovative or flexible loans lifted the good borrower profile and adequate geographic distribution to support this conclusion. The bank also exhibited excellent lending levels. Examiners weighed small business loans heavier than home mortgage loans in the Charleston MSA assessment area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the Charleston MSA assessment area. Excellent performance regarding small business and home mortgage loans support this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the Charleston MSA assessment area. For 2021, the bank originated 816 total reportable small business loans totaling approximately \$86.0 million. Pinnacle Bank captured a 3.2 percent market share of the total number of loans and a 7.4 percent market share of the total dollar volume of loans.

The bank's activity by number of loans ranks it 11th out of 161 total lenders in the Charleston MSA assessment area. This ranking lands the bank in the top 6.8 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar volume of loans made by each institution.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the Charleston MSA assessment area. For 2021, the bank originated 373 total reportable home mortgage loans totaling approximately \$183.1 million. Pinnacle Bank captured a 0.6 percent market share of the total number and a 0.8 percent market share of the total dollar volume of home mortgage loans.

The bank's activity by number of loans ranks it 48th out of 711 total lenders in the Charleston MSA assessment area. This ranking lands the bank in the top 6.8 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar amount of loans made by each institution.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Charleston MSA assessment area. Adequate records regarding small business and home mortgage loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate performance in the Charleston MSA assessment area. Adequate performance in both low- and moderate-income geographies supports this conclusion.

As seen in the table below, the bank’s lending in low-income census tracts is lower than the aggregate data by 2.2 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank’s lending level rises 2.9 percentage points higher than aggregate data, also reflecting an adequate level.

Geographic Distribution of Small Business Loans Charleston MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	7.6	7.0	39	4.8	6,751	7.8
Moderate	18.6	16.0	154	18.9	22,923	26.6
Middle	34.6	34.0	271	33.2	29,475	34.3
Upper	37.6	41.3	344	42.2	25,981	30.2
Not Available	1.5	1.7	8	1.0	892	1.0
Totals	100.0	100.0	816	100.0	86,022	100.0

Source: 2021 D&B Data; 2021 CRA Data; 2021CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate performance in the Charleston MSA assessment area. Adequate performances in low- and moderate-income geographies support this conclusion.

As seen in the table below, the bank’s lending in low-income census tracts is higher than the aggregate data by 2.3 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank’s lending level falls 2.3 percentage points below the aggregate data, also reflecting an adequate level.

Geographic Distribution of Home Mortgage Loans Charleston MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.3	2.3	17	4.6	6,960	3.8
Moderate	19.1	11.1	33	8.8	11,117	6.1
Middle	42.4	45.0	111	29.8	61,426	33.7
Upper	34.9	41.2	202	54.2	98,087	53.8
Not Available	0.3	0.4	10	2.7	4,851	2.7
Totals	100.0	100.0	373	100.0	182,441	100.0

Source: 2015 ACS; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes. The good record regarding small business lending outweighed the adequate record regarding home mortgage loans to support this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers’ profiles reflects good performance in the Charleston MSA assessment area. Good performance to businesses with gross annual revenues of \$1 million or less supports this conclusion. The following table illustrates the distribution of lending by borrower revenue levels within the assessment area.

Distribution of Loans to Small Businesses by Gross Annual Revenues Charleston MSA AA											
	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
Assessment Area	#	\$(000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Charleston MSA 2020	1,076	118,465	5.2	21,946	85.1	51.2	38.6	4.5	28.8	10.5	20.0
Charleston MSA 2021	816	86,022	4.7	25,339	85.5	50.1	45.2	4.2	27.7	10.4	22.2
Charleston MSA 2022	450	55,395	4.7	--	92.8	58.0	--	1.9	34.2	5.3	7.8

Source: 2020 D&B Data; 2019-2021 CRA Data; 2019 & 2020 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table above, the bank’s small business lending percentages in 2020 to businesses with gross annual revenues of \$1 million or less is 12.6 percentage points above the 2020 aggregate level, reflecting excellent performance for 2020. The table further shows in 2021 the bank’s small business lending percentages to businesses with gross annual revenues of \$1 million or less is 4.9 percentage points above the 2021 aggregate level, reflecting adequate performance. The bank’s level of small business lending increases in 2022 and the performance remains above prior year’s aggregate level and further supports the good posture.

PPP lending affected the bank’s small business lending percentages in 2020 and 2021 to businesses with gross annual revenues of \$1 million or less as the bank was not required to collect revenue data from the borrower. In 2020 and 2021, the bank originated 135 and 151 PPP loans where collected revenue data was not available, respectively. If the information on PPP loans without collected revenues were removed from the 2020 and 2021 analysis, the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less increased to 58.6 percent and 61.5 percent, respectively.

In 2020 and 2021, the bank originated 72.7 percent and 74.5 percent, respectively, of their small business loans in the assessment area within the loan size category of \$100,000 or less, which shows the bank is meeting the needs of the smallest business borrowers.

Considering all years in the review period, the overall conclusion is good for the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers’ profiles reflects adequate performance in the Charleston MSA assessment area. Adequate performance to both low- and moderate-income borrowers supports this conclusion.

As seen in the table below, the bank’s lending to low-income borrowers is higher than the aggregate data by 1.2 percentage points, reflective of adequate performance. The table further shows that to moderate-income borrowers the bank’s lending level falls 6.3 percentage points below the aggregate data, also reflecting an adequate level.

Distribution of Home Mortgage Loans by Borrower Income Level Charleston MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.6	5.2	24	6.4	3,277	1.8
Moderate	16.7	16.5	38	10.2	7,916	4.3
Middle	19.9	19.7	66	17.7	16,056	8.8
Upper	40.8	37.6	198	53.1	97,690	53.5
Not Available	0.0	21.1	47	12.6	57,502	31.5
Totals	100.0	100.0	373	100.0	182,441	100.0

Source: 2015 ACS; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Innovative or Flexible Lending Practices

The institution makes extensive use of innovative or flexible lending practices in the Charleston MSA assessment area in order to serve assessment area credit needs. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Over 65.4 percent of the total dollar volume of innovative or flexible loans (less nationwide activities) in South Carolina benefitted the Charleston MSA assessment area. Examiners considered the dollar volume relative to the institution’s capacity and the credit needs of the assessment area when arriving at this conclusion. Please refer to the discussion under the State of South Carolina for additional details regarding the innovative or flexible lending practices in the Charleston MSA assessment area.

Community Development Loans

The institution has made a leader level of CD loans in the Charleston MSA assessment area. Its extent, or dollar volume, of CD loans and the CD loans’ responsiveness support this conclusion.

As noted under the rated area level, Pinnacle Bank originated 33 CD loans totaling approximately \$116.0 million in the Charleston MSA assessment area. By dollar volume, this equates to 55.2 percent (or 68.8 percent of total CD loans less statewide activities) of the bank's leader level of CD lending in the State of South Carolina as compared to the 48.3 percent of the bank's home mortgage and small business loans attributed to this assessment area. The following point notes an example of the bank's CD lending in the Charleston MSA assessment area.

- ***Revitalize or Stabilize*** – The bank originated a loan totaling \$39.0 million for the construction of a business in a low-income census tract. The business will help to attract new and retain existing businesses in the area.

INVESTMENT TEST

Pinnacle Bank demonstrated a needs to improve record in the Charleston MSA assessment area regarding the Investment Test. The poor level of qualified investments hampered the adequate responsiveness to CD needs and the occasional use of complex investments to support this conclusion.

Investment and Grant Activity

The bank has a poor level of qualified community development investments and grants, especially considering the available opportunities in this assessment area. The table for the State of South Carolina shows that Pinnacle Bank made 101 qualified investments totaling approximately \$19.7 million in the Charleston MSA assessment area. By dollar volume, this equates to 20.2 percent (or 25.0 percent of total qualified investments less statewide activities) of the total significant level of qualified investment in the State of South Carolina as compared to 50.7 percent of total deposits attributed to this rated area.

The following is an example of a key investment in the Charleston MSA assessment area.

- ***Affordable Housing*** - The bank purchased a municipal bond totaling \$5.6 million to provide affordable housing to low- and moderate-income individuals in the Charleston MSA assessment area.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank's CD activities show adequate responsiveness through use of investments that directly address identified needs in the Charleston MSA assessment area. As noted in the investment table for the State of South Carolina, the Charleston MSA assessment area shows adequate responsiveness to CD needs by the dollar amount in three of the four CD purposes categories, with an emphasis on affordable housing.

Pinnacle Bank's major qualified investments addressed affordable housing needs with approximately \$3.4 million for the purchase of MBS with underlying loans to low- and moderate-income individuals. Larger dollar amount donations supported organizations with community

services for low- and moderate-income individuals, including financial literacy and food needs.

Community Development Initiatives

Pinnacle Bank occasionally uses complex investments to support CD initiatives, given the size of the institution and opportunities available in the Charleston MSA AA.

Pinnacle Bank allocated \$1.0 million to the CLIMB Fund, an EQ2, in the Charleston MSA AA. The CLIMB Fund is a state and nationally chartered CDFI and provides funding to affordable housing developments and to small businesses denied access to traditional capital.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record in the Charleston MSA assessment area regarding the Service Test. The excellent levels and qualitative aspects regarding the bank's CD services lifted reasonably accessible delivery systems and reasonableness of hours and services to support this conclusion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the Charleston MSA assessment area. Reasonably accessible branch distribution and alternative delivery systems support this conclusion. The Charleston MSA assessment area reflects a consistent conclusion to the State of South Carolina's Accessibility of Delivery System performance.

The bank makes its full-service offices reasonably accessible to essentially all portions of the Charleston MSA assessment area.

The bank's level of branch distribution in low-income tracts falls 6.0 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In moderate-income census tracts, the bank's level of branch distribution rises 5.0 percentage points above the population percentage, reflecting adequate performance.

Branch and ATM Distribution by Geography Income Level Charleston MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	13	7.3	48,003	6.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	48	27.0	199,660	25.0	3	30.0	3	30.0	0	0.0	0	0.0
Middle	56	31.5	270,413	33.8	4	40.0	4	40.0	0	0.0	0	0.0
Upper	56	31.5	274,545	34.3	3	30.0	3	30.0	0	0.0	0	0.0
NA	5	2.8	7,015	0.9	0	0.0	0	0.0	0	0.0	0	0.0
Totals	178	100.0	799,636	100.0	10	100.0	10	100.0	0	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to essentially all portions of the Charleston MSA assessment area.

The bank’s level of ATMs in low-income tracts falls 6.0 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In moderate-income census tracts, the bank’s ATMs rises 5.0 percentage points above the population percentage, reflecting adequate performance.

Refer to the Service Test section for the state for details on digital banking services that provide banking access to low- and moderate-income people and tracts.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the Charleston, South Carolina assessment area on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank’s digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications is stable over the review period from 22.0 percent in 2020 to 20.0 percent as of 4/30/2023. The 20.0 percentage compares is below the percentage of owner-occupied units in low- and moderate-income tracts at 27.4 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 19.4 percent in 2020 to 40.0 percent as of 4/30/2023. This 40.0 percentage compares similarly the population percentage of low- and moderate-income families at 39.3 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts is stable throughout the review period from 12.9 percent in 2020 to 13.2 percent as of 3/30/2023. This 13.2 percentage compares significantly below the population percentage in

- low- and moderate-income tracts at 31.0 percent.
- The percentage of online deposit accounts opened in low- and moderate-income tracts significantly increased throughout the review period from 15.4 percent in 2020 to 50.0 percent as of 4/30/2023. This 50.0 percentage compares higher than the population percentage in low- and moderate-income tracts at 31.0 percent.

Changes in Branch Locations

The institution did not have any changes to branch locations since the last evaluation in the Charleston MSA assessment area. Therefore, this criterion did not affect the overall Service Test rating for the Charleston MSA assessment area.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences certain portions of the Charleston MSA assessment area, particularly low- or moderate-income geographies or individuals. The Charleston MSA assessment area reflects product offerings, services, and branch hours consistent with the State of South Carolina.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are from Monday through Friday 9 a.m. to 5 p.m. The Charleston MSA assessment area reflects product offerings, services, and branch hours consistent with discussion for the State of South Carolina.

Community Development Services

The institution provides a leader level of CD services in the Charleston MSA assessment area. Excellent performance regarding the extent of CD services and the good responsiveness of CD services to available opportunities primarily support this conclusion.

The table in the State of South Carolina section shows that the bank provided 224 CD services since the previous evaluation in the Charleston MSA assessment area. This number equates to an average of 6.8 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 10.0 full-service offices for the 3.3 years since the previous evaluation.

Leadership is evident through Board or committee participation in a number of those activities. Service activities primarily demonstrate the responsiveness to community needs for community services to low- and moderate-income individuals.

The following are examples of CD services specific to the Charleston MSA assessment area:

- ***Community Services*** - A bank employee participates in the Volunteer Income Tax Assistance (VITA) Program, which is a free service that assists low- and moderate-income individuals in preparing their taxes and qualifying for Earned Income Tax credits.

- **Community Service** - A bank employee provided financial education to individuals of an organization that provides food, transitional housing, rental assistance, utility assistance, and medical assistance to individuals experiencing homeless. The bank employee provided financial education sessions on topics, such as managing debt, saving on expenses, and financing the purchase of an automobile.
- **Economic Development** - A bank employee served as a Board and finance committee member to an organization that brings business leaders together to promote small businesses, recruit companies, address work force challenges, and solve educational challenges.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for this rated area’s assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. The conclusions did not alter the bank’s overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Greenville MSA	Below	Consistent	Consistent
Hilton Head MSA	Below	Consistent	Consistent
Myrtle Beach MSA	Below	Below	Consistent
Spartanburg MSA	Below	Exceeds	Consistent

Facts and data supporting conclusions for each limited-scope assessment area follow, including a summary of Pinnacle Bank’s operations and activities. The demographic data for the limited-scope assessment areas is in Appendix C.

Greenville MSA AA

The bank’s Greenville MSA AA consists of all of Anderson, Greenville, and Pickens Counties. Pinnacle Bank operates five branches in this AA: one in a middle-income CT and four in upper-income CTs. This distribution of branches proved inconsistent with the institution’s overall conclusion. The availability of alternative delivery systems also demonstrated inconsistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	248	88,462

Activity	#	\$(000s)
Small Business Loans	488	39,391
Small Farm Loans	1	21
Community Development Loans	18	24,011
Investments	80	26,372
CD Services	82	-

Hilton Head MSA AA

The bank's Hilton Head MSA AA consists of all of Beaufort County. Pinnacle Bank operates one branch in this AA in an upper-income CT. This distribution of branches proved consistent with the institution's overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	53	18,336
Small Business Loans	82	8,463
Small Farm Loans	0	0
Community Development Loans	1	3,400
Investments	11	8,870
CD Services	17	-

Myrtle Beach MSA AA

The bank's Myrtle Beach MSA AA consists of all of Brunswick and Horry Counties. Pinnacle Bank operates three branches in this AA: two in moderate-income CTs and one in a middle-income CT. This distribution of branches proved consistent with the Institution's overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	104	70,374
Small Business Loans	197	21,980
Small Farm Loans	2	68
Community Development Loans	10	24,818
Investments	19	2,294
CD Services	73	-

Spartanburg MSA AA

The bank's Spartanburg MSA AA consists of all of Spartanburg County. Pinnacle Bank operates one branch in an upper-income CT. This distribution of branches proved consistent with the institution's overall conclusion. The availability of alternative delivery systems also demonstrated inconsistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	31	7,140
Small Business Loans	138	14,156
Small Farm Loans	1	10
Community Development Loans	5	474
Investments	24	21,434
CD Services	10	-

Geographic Distribution

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																		2021	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Busi-nesses	% Bank Loans	Aggre-gate	% Busi-nesses	% Bank Loans	Aggre-gate	% Busi-nesses	% Bank Loans	Aggre-gate	% Busi-nesses	% Bank Loans	Aggre-gate	% Busi-nesses	% Bank Loans	Aggre-gate
Greenville	488	39,391	2.8	21,330	6.3	3.5	5.6	15.9	13.1	13.8	39.7	37.5	39.1	38.1	45.9	41.5	0.0	0.0	0.0
Hilton Head	82	8,463	0.5	6,193	0.0	0.0	0.0	16.1	13.4	14.9	54.3	51.2	53.3	29.6	35.4	31.8	0.0	0.0	0.0
Myrtle Beach	197	21,980	1.1	15,353	3.7	19.3	4.1	15.8	8.1	14.5	57.6	53.3	60.9	22.4	19.3	20.1	0.5	0.0	0.4
Spartanburg	138	14,156	0.8	7,527	2.4	1.4	1.8	20.8	10.9	17.2	40.2	38.4	42.4	36.7	49.3	38.7	0.0	0.0	0.0

Source: 2021 D&B Data; 2021CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Greenville	248	88,462	2.6	48,993	3.4	2.4	2.9	17.3	8.1	11.6	44.3	35.1	42.1	34.9	54.4	43.5	0.0	0.0	0.0
Hilton Head	53	18,336	0.6	16,921	0.0	0.0	0.0	16.9	5.7	10.3	51.4	34.0	57.5	31.6	60.4	32.2	0.0	0.0	0.0
Myrtle Beach	104	70,374	1.1	46,555	0.4	0.0	0.4	16.1	9.6	11.1	64.9	54.8	63.9	18.4	35.6	24.6	0.2	0.0	0.1
Spartanburg	31	7,140	0.3	18,312	2.3	0.0	1.1	15.6	12.9	9.3	47.1	32.3	42.7	35.1	54.8	46.9	0.0	0.0	0.0

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Borrower Profile

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2021
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Greenville	488	39,391	2.8	21,330	83.6	58.0	47.8	5.0	15.8	11.4	26.2	
Hilton Head	82	8,463	0.5	6,193	87.4	57.3	45.0	4.0	19.5	8.6	23.2	
Myrtle Beach	197	21,980	1.1	15,353	87.4	42.6	47.1	3.4	28.4	9.2	28.9	
Spartanburg	138	14,156	0.8	7,527	82.4	33.3	46.0	5.4	33.3	12.2	33.3	

Source: 2021D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Greenville	248	88,462	2.6	48,993	22.1	4.4	6.3	16.8	13.3	18.0	18.8	12.5	20.7	42.3	60.5	36.9	0.0	9.3	18.1
Hilton Head	53	18,336	0.6	16,921	17.7	0.0	2.6	18.2	3.8	10.4	21.2	7.5	16.9	42.9	86.8	53.6	0.0	1.9	16.6
Myrtle Beach	104	70,374	1.1	46,555	20.1	4.8	4.3	18.4	6.7	14.1	21.3	10.6	18.8	40.3	60.6	46.3	0.0	17.3	16.4
Spartanburg	31	7,140	0.3	18,312	21.0	3.2	6.4	17.4	22.6	21.5	18.9	3.2	22.1	42.7	58.1	30.3	0.0	12.9	19.7

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

TENNESSEE

CRA RATING FOR TENNESSEE: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE

Pinnacle Bank designated six assessment areas in the State of Tennessee as noted in the table below. All of the bank's assessment areas in Tennessee conform to the CRA regulatory requirements.

Description of Tennessee Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Chattanooga MSA	Hamilton	82	3
Cleveland MSA	Bradley	19	1
Knoxville MSA	Anderson, Blount, Knox	158	7
Memphis MSA	DeSoto, Shelby	254	7
Nashville MSA	Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, Wilson	343	30
Tennessee Non-MSA	Bedford	9	1

Source: Bank Records; 2015 ACS data.

SCOPE OF EVALUATION – TENNESSEE

Full-Scope Assessment Area

Of the six assessment areas in Tennessee, examiners applied full-scope procedures to the Nashville MSA assessment area since this assessment area includes the highest percentage of the bank's loans, deposits, and branches in the State of Tennessee. In addition, examiners applied full-scope procedures to the Memphis MSA assessment area. Examiners applied limited-scope procedures to the other Tennessee assessment areas.

Lending Test

Loan Categories Reviewed

Examiners considered the following loans granted inside the bank's Tennessee assessment areas as reported according to either the HMDA or CRA data collection reporting requirements:

Home Mortgage Loans:

- 2020: 6,642 loans totaling \$1,913,372,000
- 2021: 6,068 loans totaling \$2,158,588,000
- 2022: 4,538 loans totaling \$1,708,166,000

Small Business Loans:

- 2020: 11,912 loans totaling \$1,598,285,000
- 2021: 9,410 loans totaling \$1,264,821,000
- 2022: 5,103 loans totaling \$927,426,000

The weightings for the specific loan categories varies for each of the assessment areas. As suggested by the above figures, examiners generally gave more weight to small business loans when arriving at applicable conclusions given the higher number volume of loans.

Assessment Area Weighting

The following table shows that the Nashville MSA assessment area generated the largest percentage of the bank’s Tennessee loans, deposits, and branches. Consequently, examiners weighed records in the Nashville MSA assessment area heaviest when arriving at applicable conclusions and ratings. Examiners weighed performance in each reviewed area consistent with that area’s lending level as reflected in the following table.

Assessment Area Distribution – State of Tennessee						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Chattanooga MSA	1,091,938	11.4	1,572,587	6.7	3	6.1
Cleveland MSA	92,331	0.9	310,590	1.3	1	2.0
Knoxville MSA	1,433,961	14.9	2,446,006	10.5	7	14.3
Memphis MSA	1,215,769	12.7	2,241,007	9.6	7	14.3
Nashville MSA	5,706,156	59.6	16,699,368	71.5	30	61.2
TN Non-MSA	36,528	0.4	94,400	0.4	1	2.0
Total	9,576,683	100.0	23,363,958	100.0	49	100.0

Source: HMDA & CRA Data (2020-2022); FDIC Summary of Deposits (06/30/2022). Due to rounding, totals may not equal 100.0 percent

Investment and Service Tests

The scopes for the Investment and Service Tests remain the same for this rated area as it did for the institution as a whole. Please refer to the institution-level Scope of Examination section.

CONCLUSIONS ON PERFORMANCE CRITERIA IN TENNESSEE

LENDING TEST

Pinnacle Bank demonstrated a high satisfactory record in the State of Tennessee regarding the Lending Test. The leader level of CD loans hampered by the adequate performances regarding geographic distribution and borrower profile primarily support this conclusion. The bank also demonstrated excellent lending levels and makes use of innovative or flexible lending in this state. Conclusions regarding the institution’s performance in the State of Tennessee were consistent in the Nashville MSA, Memphis MSA, Cleveland MSA, and Tennessee Non-MSA assessment areas, but inconsistent in the Chattanooga MSA and Knoxville MSA assessment areas, falling below that of the state.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the State of Tennessee. Excellent performance regarding home mortgage and small business loans support this conclusion. Examiners considered the bank's size, business strategy, and capacity in this state relative to its credit needs when arriving at this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the State of Tennessee. For 2021, the bank originated 9,410 total reportable small business loans totaling approximately \$1.3 billion inside its Tennessee assessment areas. Pinnacle Bank captured a 8.6 percent market share of the total number of small business loans and a 23.1 percent market share of the total dollar volume of loans.

This volume of activity ranks the bank at a commendable 2nd out of 289 total lenders in the bank's Tennessee assessment areas. This ranking lands the bank in the top 0.7 percent of lenders reporting such loans in the bank's Tennessee assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the State of Tennessee. For 2021, the bank originated 6,068 total reportable home mortgage loans totaling approximately \$2.2 billion in its Tennessee assessment areas. Pinnacle Bank captured a 2.4 percent market share of the total number of home mortgage loans and 2.9 percent market share of the total dollar volume of home mortgage loans in the Tennessee assessment areas.

This volume of activity ranks the bank 8th out of 1,059 total lenders in the bank's Tennessee assessment areas. This ranking lands the bank in the top 0.8 percent of lenders reporting such loans in the bank's Tennessee assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the State of Tennessee. This level of performance proved consistent within all of the State of Tennessee assessment areas.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes. All of the State of Tennessee assessment areas displayed consistent performance with the overall conclusion.

Innovative or Flexible Lending Practices

The institution makes use of innovative or flexible lending practices in the State of Tennessee. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution’s capacity and the credit needs of its assessment areas when arriving at this conclusion.

The table below shows that, since the previous evaluation, the bank originated 2,438 innovative or flexible loans totaling approximately \$747.8 million in the State of Tennessee. This dollar figure equates to 31.6 (or 54.3 percent of total innovative and flexible loans less nationwide) of the bank’s overall excellent level of innovative or flexible loans. Given the bank’s capacity and the needs in the rated area, the level of innovative and flexible loans reflects good responsiveness to the credit needs of the State of Tennessee.

Innovative or Flexible Loans State of Tennessee										
Assessment Area	Fannie Mae/ Freddie Mac/ State Housing		FHA/USDA/VA		Pinnacle 100		SBA		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Chattanooga MSA	26	4,423	22	5,214	9	1,492	4	3,769	61	14,898
Cleveland MSA	7	975	3	644	1	195	1	854	12	2,668
Knoxville MSA	110	26,155	106	26,694	80	13,852	17	17,053	313	83,754
Memphis MSA	166	69,753	306	72,989	236	35,684	33	33,426	741	211,852
Nashville MSA	602	161,322	263	80,654	187	49,497	45	75,176	1,097	366,649
TN Non-MSA	4	620	11	1,802	3	653	1	900	19	3,975
Statewide	65	29,845	117	24,308	0	0	13	9,845	195	63,998
Total	980	293,093	828	212,305	516	101,373	114	141,023	2,438	747,794

Source: Bank records.

Community Development Loans

The institution made a leader level of CD loans in the State of Tennessee. Its extent, or dollar volume, of CD loans and the CD loans’ good responsiveness support this conclusion. The Cleveland MSA, Memphis, MSA, and Tennessee Non-MSA assessment areas demonstrated consistent performance with that noted for the State of Tennessee. The Chattanooga MSA, Knoxville MSA, and Nashville MSA demonstrated inconsistent performance, falling below the level noted for the State of Tennessee.

The following table shows that, since the previous evaluation, the bank granted 625 CD loans totaling approximately \$1.4 billion in this state. The dollar amount equates to 58.2 percent (or 59.3 percent of total CD loans less nationwide and regional activities) of the bank’s overall excellent level of CD loans as compared to the 60.9 percent of overall HMDA and CRA loans attributed to this state.

Community Development Lending by Assessment Area State of Tennessee										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Chattanooga MSA	2	1,666	35	18,557	10	24,657	21	76,354	68	121,234
Cleveland MSA	5	869	3	43	3	388	0	0	11	1,300
Knoxville MSA	10	6,146	29	7,767	22	53,504	5	57,705	66	125,122
Memphis MSA	11	28,497	32	21,429	9	140,663	12	56,806	64	247,395
Nashville MSA	28	78,658	187	116,504	89	327,239	84	279,315	388	801,716
TN Non-MSA	1	14	0	0	0	0	1	4,513	2	4,527
Statewide	2	4,675	15	101,239	8	16,459	1	3,700	26	126,073
Total	59	120,525	301	265,539	141	562,910	124	478,393	625	1,427,367

Source: Bank records.

Besides their extent, the CD loans reflect good responsiveness to the state’s CD needs. As seen in the table above, approximately 39.4 percent of the dollar volume of the state’s CD loans promote economic development, 33.5 percent revitalize or stabilize low- and moderate-income geographies, 18.6 percent provides community services for low- and moderate-income individuals, and 8.5 percent promotes affordable housing.

As noted under the applicable Description of Institution’s Operations sections, activities that promote economic development by financing small business and small farms, provide community services for low- and moderate-income individuals and revitalization or stabilization of qualifying geographies represent CD needs in the bank’s assessment areas. Therefore, relative to the bank’s capacity and the extent of CD lending opportunities and needs in its assessment areas, the bank established a relatively high level in originating CD loans.

The following points provide examples of the bank’s CD lending activities in the broader statewide area of Tennessee.

- **Community Service** – The bank originated a loan totaling approximately \$14.1 million to a non-profit health organization that provides medical services to an underserved area. The majority of patients are unable to pay or have Medicaid health coverage; thus, this activity primarily benefits low-income individuals.
- **Revitalize or Stabilize** – The bank originated a loan totaling approximately \$3.7 million to provide financing for a business in a moderate-income area. The business will revitalize and stabilize the area by attracting and retaining businesses.

INVESTMENT TEST

Pinnacle Bank demonstrated a low satisfactory record in the State of Tennessee regarding the Investment Test. The extensive use of complex investments and good responsiveness to CD needs sufficiently lifted the poor level of qualified investments to support this conclusion. The Chattanooga MSA, Nashville MSA, and Tennessee Non-MSA assessment areas display consistent

performance, while the Cleveland MSA, Knoxville MSA, and Memphis MSA assessment areas inconsistent conclusions, exceeding the overall Investment Test performance.

Investment and Grant Activity

The bank has a poor level of qualified community development investments and grants in the State of Tennessee. The table below shows that Pinnacle Bank made 1,127 qualified investments totaling approximately \$447.2 million in the State of Tennessee. By dollar volume, this equates to 45.8 percent of the bank’s excellent level of qualified investments as compared to 71.3 percent of total deposits attributed to this rated area. This level of activity reflects a significant decline from the last evaluation where the QIs in the State of Tennessee equated to 69.1 percent of the bank’s total QIs as compared to 69.3 percent of total deposits.

Qualified Investments State of Tennessee										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Chattanooga MSA	9	10,802	72	206	19	4,876	2	2	102	15,886
Cleveland MSA	2	2	11	15	11	3,344	2	2	26	3,363
Knoxville MSA	26	85,378	136	204	11	5,773	2	5	175	91,360
Memphis MSA	23	55,883	133	1,217	23	11,500	5	258	184	68,858
Nashville MSA	91	186,441	436	3,075	82	27,051	6	13	615	216,580
TN Non-MSA	2	2	7	4	0	0	0	0	9	6
Statewide Activities	14	48,598	0	0	2	2,500	0	0	16	51,098
Total	167	387,106	795	4,721	148	55,044	17	280	1,127	447,151

Source: Bank Data

Since Pinnacle Bank’s investments addressed community credit needs inside the bank’s assessment areas within the State of Tennessee, statewide Tennessee activities includes investments in areas outside of the bank’s designated assessment areas, but within the State of Tennessee. The following point provides an example of the bank’s qualified investment activities in the broader statewide area of Tennessee.

- **Affordable Housing** - The bank made a \$10.0 million investment in a Shared Equity Program of a CDFI that provides affordable housing to low- and moderate-income individuals and families in the State of Tennessee. The Shared Equity Program allows for sustainable, continuous affordable housing solutions through renewable single-family units. The program’s designed for homes to be purchased by and then eventually resold to low- and moderate-income individuals and families, constantly renewing the available affordable housing stock.
- **Affordable Housing** – The bank allocated approximately \$4.5 million in a MBS in the State of Tennessee with the underlying loans to finance multi-family housing for low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank exhibits good responsiveness to credit and CD needs through use of investments that directly address identified needs in the State of Tennessee. While the above table shows responsiveness to CD needs by the dollar amount in all four CD purpose categories, most investment funds financed affordable housing.

Pinnacle Bank's investments addressed the following needs throughout various assessment areas in the State of Tennessee.

- Affordable housing needs with approximately \$85.3 million in assessment area and statewide purchases of MBS with underlying loans to low- and moderate-income individuals.
- Economic development needs with approximately \$4.0 million invested in SBICs that promote economic development by financing small businesses.
- Community services with significant dollar amount donations towards providing elderly care to senior citizens in the home and in long-term facilities, directly benefiting low- and moderate-income individuals.

Community Development Initiatives

Pinnacle Bank made extensive use of complex innovative investments to support CD initiatives given the size of the institution and opportunities available in the State of Tennessee.

Investments in Low-Income Housing Tax Credits (LIHTCs) benefited multiple assessment areas in the State of Tennessee and totaled approximately \$238.1 million or 84.2 percent of the bank's overall LIHTCs. The LIHTC Program incentivizes community development by issuing tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to low-income households. Investments through these programs offer varying degrees of complexity involving special expertise needed by staff and a significant amount of time to coordinate the financing process.

The bank maintains a prior period investment totaling \$18.1 million in the Pinnacle Community Development, Inc. (PCDI), a certified CDE. PCDI's primary mission is to serve low-income communities in the areas served by Pinnacle Bank by providing investment capital for improvements. The organization makes widespread use of CD Tax Credits that allow it to make below market loans to qualified non-profit CD organizations and public housing agencies in Tennessee for affordable housing projects and support community services for low income-residents. PCDI is managed by a Board of Directors consisting of bank officers, but it is accountable to the low-income communities it serves through an advisory board comprised of community residents.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record for the State of Tennessee regarding the Service Test. The excellent levels and qualitative aspects regarding the bank's CD services lifted

reasonably accessible delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion. The Chattanooga, Cleveland, Knoxville, and TN Non-MSA assessment areas reflect performances consistent with the state level.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank’s assessment areas in the State of Tennessee. Reasonably accessible branch distribution and alternative accessible alternative delivery systems support this conclusion. The State of Tennessee reflects consistent conclusions to the institution’s Accessibility of Delivery System performance except for the Memphis MSA and Nashville MSA assessment areas.

The bank makes its full-service offices reasonably accessible to essentially all portions of the institution’s assessment areas in the State of Tennessee.

The bank’s level of branch distribution in low-income tracts falls 7.2 percentage points below the population of low-income census tracts, reflecting poor performance. In moderate-income census tracts, the bank’s level of branch distribution rises 6.0 percentage points above the population percentage, reflecting adequate performance. The change in census tract designations from the 2020 U.S. Census data resulted in the addition of four branches in moderate-income census tracts, which did not impact the rating conclusion for moderate-income census tracts given the range in adequate performance. Examiners placed more weight on moderate-income tracts given the higher demographic percentage.

Branch and ATM Distribution by Geography Income Level State of Tennessee												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	93	9.7	293,961	7.2	0	0.0	1	1.5	0	0.0	0	0.0
Moderate	214	22.3	837,141	20.5	13	26.5	15	22.7	1	20.0	0	0.0
Middle	333	34.7	1,521,268	37.3	14	28.6	13	19.7	1	20.0	0	0.0
Upper	288	30.0	1,377,973	33.8	21	42.9	27	40.9	2	60.0	1	100.0
NA	31	3.2	45,654	1.1	1	2.0	10	15.2	0	0.0	0	0.0
Totals	959	100.0	4,075,997	100.0	49	100.0	66	100.0	4	100.0	1	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to essentially all portions of the bank’s assessment areas in the State of Tennessee.

The bank’s level of ATMs in low-income tracts falls 5.7 percentage points below the population of low-income census tracts, reflecting adequate performance. The change in census tract designations

from the 2020 U.S. Census resulted in the decline of six ATMs in low-income census tracts, which did not impact the rating conclusion for low-income census tracts given the range in adequate performance. In moderate-income census tracts, the bank's level of ATMs rises 2.2 percentage points above the population percentage, reflecting adequate performance. The change in census tract designations from the 2020 U.S. Census data resulted in the addition of two ATMs in moderate-income census tracts, which did not impact the rating conclusion for moderate-income census tracts.

Refer to the Service Test section for the overall bank for details on digital banking that provide banking access to low- and moderate-income people and tracts. The bank's COVID response extended financial assistance to help many people avoid serious financial consequences during the pandemic.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the State of Tennessee on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank's digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications increased significantly over the review period from 12.4 percent in 2020 to 24.6 percent as of 4/30/2023. The 24.6 percentage above the percentage of owner-occupied units in low- and moderate-income tracts at 19.1 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications is stable over the review period from 20.4 percent in 2020 to 21.7 percent as of 4/30/2023. This 21.7 percentage compares significantly below the population percentage of low- and moderate-income families at 38.8 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts is stable throughout the review period from 15.5 percent in 2020 to 14.0 percent as of 3/30/2023. This 14.0 percentage compares significantly below the population percentage in low- and moderate-income tracts at 27.7 percent.
- The percentage of online deposit accounts opened in low- and moderate-income tracts declined throughout the review period from 20.0 percent in 2020 to 15.7 percent as of 4/30/2023. This 15.7 percentage compares below the population percentage in low- and moderate-income tracts at 27.7 percent.

The bank has six LPOs in the State of Tennessee, three of which are located in low- and moderate-income tracts.

Lastly, the bank offers free office space located in low- and moderate-income tracts to 13 nonprofit organizations to hold committee meetings, outreach events, and financial education training. All locations for the free office space were in the State of North Carolina or the State of Tennessee.

Changes in Branch Locations

The institution's record of opening and closing of branches in the State of Tennessee has not adversely affected low- and moderate-income geographies or individuals of geographies. One branch has opened in a moderate-income census tract, increasing the bank's percentage of branches in moderate-income tracts from 25 percent to 26.5 percent. As noted in the preceding table, four other branches opened in middle- or upper-income tracts. Additionally, one branch located in an upper-income tract closed since the last evaluation.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the State of Tennessee, particularly low- or moderate-income geographies or individuals. The State of Tennessee reflects product offerings, services, and branch hours generally consistent with discussion at the institution level.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are generally Monday to Thursday from 8:30 a.m. to 4 p.m. and Friday 8:30 a.m. to 5 p.m. The State of Tennessee reflects product offerings, services, and branch hours consistent with discussion at the institution level.

Community Development Services

The institution is a leader in the level of CD services for the State of Tennessee. Excellent performance regarding the extent of CD services and the good responsiveness of CD services to available opportunities primarily support this conclusion.

The following table shows that the bank provided 917 CD services since the previous evaluation. This number equates to an average of 5.8 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 47.6 full-service offices for the 3.3 years since the previous evaluation.

Pinnacle Bank started grant application assistance for a new FHLB program since the prior evaluation called the Disaster Recovery Program. The FHLB awarded grants totaling \$279,008 to assist 18 families with tornado repairs through the Disaster Recovery Program.

Pinnacle Bank continues to offer grant application assistance for grants from FHLB Cincinnati. As a result of assistance from Pinnacle Bank on applications, the FHLB awarded six down payment assistance grants totaling \$30,000 through the Welcome Home Funds grant. The primary purpose of the funds help to pay settlement costs or to provide down payment assistance for families whose income is less than 80 percent of the MSA's median income. These grants are forgivable as long as the homebuyer remains in the home for five years. Additionally, the FHLB awarded grants totaling \$3,532,000 through its Affordable Housing program to provide funds for the creation of owner occupied housing and rental housing units for persons that are at or below the median income. Thus, these services primarily benefit low- and moderate-income individuals. The largest percentage of the FHLB projects occurred in the State of Tennessee. This is a \$472,250 decrease from the awards through these programs at the previous evaluation.

Pinnacle Bank continues to offer individual development accounts (IDAs), which are asset building savings accounts designed to help low- and moderate-income families purchasing affordable housing with down payment assistance. Customers opening an IDA account meeting the program’s guidelines receive matching up to \$1,000 of their down payment money on their home purchase. Since the previous evaluation, the opening of 50 accounts within the State of Tennessee helped individuals receive matching funds of \$48,761. This is a \$108,982 decrease from the matching funds received at the previous evaluation.

Since the previous evaluation, the bank’s loan operation associates provide free loan servicing on 1,240 loans for Habitat for Humanity affiliates and other nonprofit housing agencies. This CD service primary benefit low- and moderate-income individuals. This service enables Habitat for Humanity affiliates to focus on business development, family training, post purchase counseling, and other services that the Habitat families need. The service also helps keep the expertise of servicing available without increasing the organization’s staff costs or size. The number of loans with free loan serving decreased by 200 loans from the previous evaluation,

Community Development Services State of Tennessee					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Chattanooga MSA	4	52	17	0	73
Cleveland MSA	5	14	1	0	20
Knoxville MSA	18	130	30	0	178
Memphis MSA	3	117	27	0	147
Nashville MSA	57	328	77	0	462
Tennessee Non-MSA	1	5	1	0	7
Statewide Activities	5	23	2	0	30
Total	93	669	155	0	917
<i>Source: Bank Data (01/27/2020 – 05/02/2023)</i>					

Leadership is evident through Board or committee participation in a number of those activities. In addition to the extent of services, CD services reflect good responsiveness to available opportunities as illustrated by their level of addressing identified CD needs in the bank's assessment areas. Additional opportunities exist to revitalize or stabilize low- and moderate-income areas or FEMA designated disaster areas given the number of these tracts in the institution’s wide geographic area for the State of Tennessee.

The following are notable examples of CD services specific to the State of Tennessee:

- **Community Services-** A group of 15 employees volunteered with an organization that works with students from low- and moderate-income areas in the State of Tennessee to develop interviewing skills and to acquire professional networking experience.

- ***Economic Development*** – A bank employee served as a Board member on a community development financial institution (CDFI) with a program to help small businesses in the State of Tennessee obtain access to capital, including small businesses who may not qualify through traditional financing sources.

NASHVILLE MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NASHVILLE MSA

The Nashville MSA assessment area includes all 343 census tracts that make up Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, and Wilson, eight of the 13 counties that make up the Nashville-Davidson-Murfreesboro-Franklin, TN MSA (Nashville MSA), located in middle Tennessee.

Economic and Demographic Data

The assessment area’s census tracts reflect the following income designations based on 2015 ACS data: 32 low-, 80 moderate-, 130 middle-, 96 upper-income tracts, and 5 tracts with no income designation. FEMA declared this assessment area as a major disaster area due to severe storms, and the COVID-19 pandemic during the majority of the evaluation period. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area						
Nashville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	343	9.3	23.3	37.9	28.0	1.5
Population by Geography	1,589,908	6.8	23.0	39.5	30.3	0.3
Housing Units by Geography	649,147	7.2	23.8	39.7	29.3	0.1
Owner-Occupied Units by Geography	389,254	3.3	17.1	43.1	36.4	0.1
Occupied Rental Units by Geography	209,745	13.3	34.8	34.0	17.9	0.0
Vacant Units by Geography	50,148	11.9	29.4	36.8	21.8	0.1
Businesses by Geography	184,014	7.4	19.0	30.4	42.4	0.8
Farms by Geography	4,233	3.7	16.3	43.4	36.1	0.5
Family Distribution by Income Level	393,220	20.2	17.3	20.2	42.4	0.0
Household Distribution by Income Level	598,999	22.0	16.7	18.2	43.1	0.0
Median Family Income MSA - 34980 Nashville-Davidson--Murfreesboro-- Franklin, TN MSA		\$66,441	Median Housing Value			\$205,616
			Median Gross Rent			\$907
			Families Below Poverty Level			9.8%

Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

Economy: According to Moody’s Analytics, Precis U.S. Metro – May 2023, the Nashville MSA’s economy is holding strong. Nonfarm employment growth during the last three months is leading that of the state and nation. Professional/business services are leading the way, contributing nearly half of the net new jobs since the start of 2023. Factories are on the upswing despite weakness in nondurable manufacturing. The labor market is exceedingly tight and the unemployment rate is near its pre-pandemic low, despite a labor force that is growing as fast as the lofty regional average over the last six months. The housing market is in recession, but price declines are slowing. Nashville’s economy will moderate in the coming year. A tight labor market and heightened economic uncertainty will slow growth in private services, but the housing market will see a rise. In the longer run, strong demographic trends, a skilled workforce, and lower costs will keep Nashville at the front of the pack. According to the U. S. Bureau of Labor Statistics as of April 2023, the Nashville’s unemployment rate at 2.1 percent is below Tennessee at 3.3 percent and is below the national average at 3.4 percent.

Population: The population distribution age shows age 20 - 39 at 29 percent similar to Tennessee and age 65+ at 14 percent, about 80 percent of Tennessee. Leveraging data from the U.S. Census ACS 2021 data, foreign-born population represents 8.5 percent, which is about 1.5 times the rate for Tennessee at 5.3 percent.

Housing: According to the U.S. Census ACS 2021 data, the median housing income of \$72,725 is higher than Tennessee at \$59,695. The median housing value at \$344,900 is about 1.5 times the

amount of Tennessee at \$235,200 and about 25 percent higher than the United States at \$281,400

Business: Based on 2020 business data from the U.S. Census Business Dynamics Statistics, the number of firms by firm size is 1) firm size of 1-19 at 77.2 percent of employment, 2) firm size 20-499 at 15.9 percent of employment, and 3) 500+ at 6.9 percent of employment. Approximately 133,461 jobs were created in 2020, with most jobs in finance/insurance and health care/social assistance. The largest existing industries are other services and professional/scientific/technical services. New firm startups comprise 10.1 percent of total firms.

Competition

The area contains a moderate level of competition from other chartered banks with 60 institutions that operate 524 offices in the AA. Pinnacle Bank ranks 1st in market share by capturing 18.9 percent of the area's deposits based on the June 30, 2022, FDIC Deposit Market Share Report. However, non-banks heighten the competition level with many offering the remote delivery of products through digital devices. These non-banks include fintech companies, credit unions, mortgage companies, and finance companies. Overall, the competition level allows for lending opportunities.

Community Contact

As part of the evaluation process, examiners contacted a third party active in the assessment area to assist in identifying the credit needs. This information helps determine local financial institution's responsiveness to these needs. It also shows what credit opportunities are available.

Examiners utilized a contact from an organization whose mission is to create affordable housing and strong neighborhoods for over 20 years. The organization's primary geographic focus is Davidson and Williamson Counties within the Nashville MSA. Affordable housing for low- and moderate-income residents is a significant concern for the area. The contact indicated that most banks in the area have been proactive in seeking out community development projects and in lending to low- and moderate-income communities and individuals both directly and indirectly. While the economy in the Nashville area is strong overall, the influx of out of state residents and investors has overinflated land and housing prices. The contact indicated the number one need in the area is additional land to build affordable housing; however, there is none remaining. Most people that live in these counties have a 30 plus minute commute to get to work as most are forced to live outside of the area. The contact indicated there are minimal opportunities to support affordable housing due to the lack of land in the area.

Credit and Community Development Needs and Opportunities

Consistent with other metropolitan areas, the Nashville MSA AA created varied loan demand for small business and residential real estate loans. Considering information from bank management and demographic and economic information, examiners ascertained that the primary credit needs of the area include home mortgage and small business loans, and construction loans for affordable single family and rental housing.

Demographic data indicates that a high percentage (37.5 percent) of the AA's families receive a designation of low- or moderate-income, with 9.8 percent below the poverty level. This signifies a continued need for community development services. The high percentage of small businesses with revenues of \$1 million or less supports the continued need for economic development. The high percentage (32.6 percent) of low- and moderate-income census tracts, the national COVID-19 major disaster area, and the assessment area's designation as a federal disaster area for other reasons supports the need for revitalization and stabilization efforts. Lastly, the percentage of new firm startups creates a need for financing and financial education to entrepreneurs.

Given that the COVID-19 pandemic affected borrowers in a variety of ways, a significant retail banking service need existed for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to low- and moderate-income borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NASHVILLE MSA

LENDING TEST

Pinnacle Bank demonstrated a high satisfactory record in the Nashville MSA assessment area regarding the Lending Test. The relatively high level of CD lending enhanced the adequate records of geographic distribution and borrower profile to support this conclusion. In addition, the bank demonstrated excellent lending levels and makes limited use of innovative and flexible lending practices within this assessment area. Examiners weighed home mortgage loans heavier than small business loans in the Nashville MSA assessment area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the Nashville MSA assessment area. Excellent performance regarding home mortgage and small business loans support this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the Nashville MSA assessment area. For 2021, the bank originated 5,679 total reportable small business loans totaling approximately \$715.4 million. Pinnacle Bank captured a 10.3 percent market share of the total number of loans and a 26.7 percent market share of the total dollar volume of loans.

The bank's activity by number of loans ranks it 3rd out of 239 total lenders in the Nashville MSA assessment area. This ranking lands the bank in the top 1.3 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar volume of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for small business loans.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the Nashville MSA assessment area. For 2021, the bank originated 3,611 total reportable home mortgage loans totaling approximately \$1.3 billion. Pinnacle Bank captured a 2.6 percent market share of the total number and a 3.0 percent market share of the total dollar volume of home mortgage loans.

The bank's activity by number of loans ranks it 6th out of 897 total lenders in the Nashville MSA assessment area. This ranking lands the bank in the top 0.7 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar amount of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for home mortgage loans.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Nashville MSA assessment area. Adequate records regarding home mortgage and small business loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate performance in the Nashville MSA assessment area. Adequate performance in low- and moderate-income geographies supports this conclusion.

As seen in the table below, the bank's lending in low-income census tracts is higher than the aggregate data by 1.8 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank's lending level falls slightly below aggregate data by 0.5 percentage points, reflecting an adequate level.

Geographic Distribution of Small Business Loans Nashville MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	7.4	7.6	533	9.4	74,583	10.4
Moderate	19.0	18.5	1,025	18.0	140,306	19.6
Middle	30.4	30.9	1,446	25.5	139,896	19.6
Upper	42.4	42.1	2,613	46.0	344,122	48.1
Not Available	0.8	0.8	62	1.1	16,477	2.3
Totals	100.0	100.0	5,679	100.0	715,384	100.0

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate performance in the Nashville MSA assessment area. Adequate performances in low- and moderate-income

geographies support this conclusion.

As seen in the table below, the bank’s lending in low-income census tracts falls slightly below the aggregate data by 0.5 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank’s lending level is lower than aggregate data by 3.4 percentage points, also reflecting an adequate level.

Geographic Distribution of Home Mortgage Loans Nashville MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.3	4.3	137	3.8	40,105	3.0
Moderate	17.1	14.1	386	10.7	126,249	9.5
Middle	43.1	40.6	1,260	34.9	347,224	26.1
Upper	36.4	40.9	1,828	50.6	814,480	61.3
Not Available	0.1	0.1	0	0.0	0	0.0
Totals	100.0	100.0	3,611	100.0	1,328,058	100.0

Source: 2015 ACS; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes. Adequate records regarding home mortgage and small business loans support this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers’ profiles reflects adequate performance in the Nashville MSA assessment area. Adequate performance to businesses with gross annual revenues of \$1 million or less supports this conclusion. The following table illustrates the distribution of lending by borrower revenue levels within the assessment area.

Distribution of Loans to Small Businesses by Gross Annual Revenues Nashville MSA AA											
Assessment Area	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Nashville MSA 2020	7,464	929,519	35.9	50,420	86.7	45.4	41.7	4.2	27.4	9.1	27.2
Nashville MSA 2021	5,679	715,384	32.9	54,970	88.3	45.9	48.6	3.6	24.7	8.1	29.4
Nashville MSA 2022	2,523	476,668	26.6	--	89.8	46.5	--	3.0	36.5	7.2	16.9

Source: 2021 D&B Data; 2020-2021 CRA Data; 2020 & 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table above, the bank’s small business lending percentages in 2020 to businesses with gross annual revenues of \$1 million or less is 3.7 percentage points above the 2020 aggregate level, reflecting adequate performance for 2020. The table further shows in 2021 the bank’s small business lending percentages to businesses with gross annual revenues of \$1 million or less is 2.7 percentage points below the 2021 aggregate level, also reflecting adequate performance. The bank’s level of small business lending slightly increased in 2022 though the performance falls below the prior year’s aggregate level.

PPP lending affect the bank’s small business lending percentages in 2020 and 2021 to businesses with gross annual revenues of \$1 million or less as the bank was not required to collect revenue data from the borrower. In 2020 and 2021, the bank originated 1,375 and 1,256 PPP loans where collected revenue data was not available, respectively. If the information on PPP loans without collected revenues were removed from the 2020 and 2021 analysis, the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less increased to 55.7 percent and 58.9 percent, respectively.

In 2020 and 2021, the bank originated 69.7 percent and 70.7 percent, respectively, of their small business loans in the assessment area within the loan size category of \$100,000 or less, which shows the bank is meeting the needs of the smallest business borrowers.

Considering all years in the review period, the overall conclusion is adequate for the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers’ profiles reflects adequate performance in the Nashville MSA assessment area. Adequate performances to low- and moderate-income borrowers support this conclusion.

As seen in the table below, the bank’s lending to low-income borrowers is higher than the aggregate data by 0.8 percentage points, reflective of adequate performance. The table further shows that to moderate-income borrowers the bank’s lending level rises 0.5 percentage points above the aggregate data, reflecting an adequate level.

Distribution of Home Mortgage Loans by Borrower Income Level Nashville MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.2	4.7	197	5.5	27,717	2.1
Moderate	17.3	15.8	588	16.3	120,249	9.1
Middle	20.2	19.3	558	15.5	127,974	9.6
Upper	42.4	40.9	2,036	56.4	860,331	64.8
Not Available	0.0	19.3	232	6.4	191,787	14.4
Totals	100.0	100.0	3,611	100.0	1,328,058	100.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Innovative or Flexible Lending Practices

The institution makes limited use of innovative or flexible lending practices in the Nashville MSA assessment area in order to serve assessment area credit needs. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution's capacity and the credit needs of the assessment area when arriving at this conclusion. Please refer to the discussion under the State of Tennessee for additional details regarding the innovative or flexible lending practices in the Nashville MSA assessment area.

Community Development Loans

The institution has a relatively high level of CD loans in the Nashville MSA assessment area. Its extent, or dollar volume, of CD loans and the CD loans' responsiveness support this conclusion.

As noted under the rated area level, Pinnacle Bank originated 388 CD loans totaling approximately \$801.7 million in the Nashville MSA assessment area. By dollar volume, this equates to 56.2 percent (or 61.6 percent of total CD loans less statewide activities) of the bank's leader level of CD loans in the State of Tennessee as compared to the 59.6 percent of the bank's home mortgage and small business loans attributed to this assessment area. This level of CD loans is higher than the \$494.0 million noted at the previous evaluation. The following points provide examples of the bank's CD loans in the Nashville MSA assessment area.

- ***Community Service*** – The bank originated an \$8.7 million loan for a training and learning facility that provides services to low- and moderate-income families.
- ***Revitalize or Stabilize*** – The bank granted an \$8.6 million loan to build a parking garage as a part of a redevelopment project in a low-income area. The loan revitalized a qualifying geography and provided a stabilizing effect by attracting and retaining businesses and residents in the area.

In addition, the CD loans reflect adequate responsiveness to the CD needs of the assessment area. Approximately 41.6 percent of the dollar volume of the assessment area's CD loans help to promote economic development, 35.5 percent helps revitalize and stabilize low- and moderate-income geographies, 14.8 percent are for community services to low- and moderate-income individuals, and 8.1 percent promotes affordable housing. As noted under the Description of Institution's Operations, activities that help revitalize low- and moderate-income geographies and community services for low- and moderate-income individuals represent CD needs in the bank's assessment area.

INVESTMENT TEST

Pinnacle Bank demonstrated a poor record in the Nashville MSA assessment area. The poor level of qualified investments outweighed the good responsiveness to CD needs and the significant use of complex investments to support this conclusion.

Investment and Grant Activity

The bank has a poor level of qualified investments and grants in the Nashville MSA assessment area, considering the bank's resources in this urban, rapidly growing market and widespread investment opportunities. The table for the State of Tennessee shows that Pinnacle Bank made 615 qualified investments totaling approximately \$216.6 million in the Nashville MSA assessment area. By dollar volume, this equates to 48.4 percent (or 54.7 percent of total qualified investments less statewide activities) of the State of Tennessee's low satisfactory level of investments as compared to 71.5 percent of total deposits attributed to this assessment area.

The following provides an example of a key investment in the Nashville MSA assessment area.

- ***Economic Development*** – The bank maintained a prior period investment totaling \$7.5 million in an EQ2 fund that promoted economic development by financing small businesses.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank exhibits good responsiveness to credit and CD needs through use of qualified investments that directly address identified needs in the Nashville MSA assessment area. As noted in the investment table for the State of Tennessee, the Nashville MSA assessment area shows good responsiveness to CD needs by the dollar amount in CD purposes categories, with an emphasis on affordable housing.

Pinnacle Bank's major investments addressed affordable housing needs with approximately \$43.3 million in MBS with the underlying loans to low- and moderate-income individuals. Larger dollar amount donations support financial literacy programs for low- and moderate-income individuals.

Community Development Initiatives

Pinnacle Bank made significant use of complex investments to support CD initiatives in the Nashville MSA AA.

The bank invested approximately \$129.6 million in LIHTCs benefiting the Nashville MSA AA. The LIHTC Program incentivizes community development by issuing tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to low-income households. Investments through these programs offer varying degrees of complexity involving special expertise needed by staff and a significant amount of time to coordinate the financing process.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record in the Nashville MSA assessment area regarding the Service Test. The excellent levels and qualitative aspects regarding the bank's CD services lifted the reasonably accessible delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the Nashville MSA assessment area. Reasonably accessible branch distribution outweighed the access to limited portions for alternative delivery systems to support this conclusion. The Nashville MSA assessment area reflects inconsistent conclusion to the State of Tennessee’s Accessibility of Delivery System performance.

The bank makes its full-service offices reasonably accessible to essentially all portions of the Nashville MSA assessment area.

The bank’s level of branch distribution in low-income tracts falls 4.5 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. Typically, in moderate-income census tracts, the bank’s level of branch distribution rises 8.1 percentage points above the population percentage, reflecting good performance. The change in census tract designations from the 2020 U.S. Census data resulted in the addition of one branch in moderate-income census tracts, which did impact the rating conclusion for moderate-income census tracts by lowering to adequate performance.

Branch and ATM Distribution by Geography Income Level Nashville MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	20	5.3	78,289	4.5	0	0.0	1	2.4	0	0.0	0	0.0
Moderate	89	23.7	381,668	21.9	9	30.0	11	26.2	1	33.3	0	0.0
Middle	141	37.6	676,070	38.8	8	26.7	8	19.0	0	0.0	0	0.0
Upper	116	30.9	591,389	33.9	12	40.0	17	40.5	2	66.7	0	0.0
NA	9	2.4	17,085	1.0	1	3.3	5	11.9	0	0.0	0	0.0
Totals	375	100.0	1,744,501	100.0	30	100.0	42	100.0	3	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems accessible to limited portions of the Nashville MSA assessment area. The bank’s record of digital banking services outweighed the ATM performance to support this conclusion.

The bank’s level of ATMs in low-income tracts falls 2.1 percentage points below the population of low-income census tracts, reflecting adequate performance. The change in census tract designations from the 2020 U.S. Census data resulted in the decline of one ATM in low-income census tracts, which did not impact the rating conclusion for low-income census tracts given the range in adequate performance. In moderate-income census tracts, the bank’s level of ATMs rises 4.3 percentage points above the population percentage, reflecting adequate performance. The change in census

tract designations from the 2020 U.S. Census data resulted in the decline of one ATM in moderate-income census tracts, which did not impact the rating conclusion for moderate-income census tracts.

Refer to the Service Test section for the state for details on digital banking services that provide banking access to low- and moderate-income people and tracts.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the Nashville, Tennessee assessment area on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data. For Nashville, all alternative delivery system metrics are below demographics, with access to limited portions of the assessment area, particularly low- and moderate-income.

- The following data provides insights to the bank’s digital mortgage presence for low- and moderate-income individuals or tracts:
 - The percentage of online mortgage applications from low- and moderate-income tracts to total applications increased over the review period from 11.7 percent in 2020 to 17.7 percent as of 4/30/2023. The 17.7 percentage is below the percentage of owner-occupied units in low- and moderate-income tracts at 19.7 percent.
 - The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 18.9 percent in 2020 to 26.1 percent as of 4/30/2023. This 26.1 percentage compares below the population percentage of low- and moderate-income families at 37.0 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts slightly declined throughout the review period from 16.8 percent in 2020 to 14.4 percent as of 3/30/2023. This 14.4 percentage compares significantly below the population percentage in low- and moderate-income tracts at 26.4 percent.
- The percentage of online deposit accounts opened in low- and moderate-income tracts declined throughout the review period from 21.6 percent in 2020 to 16.0 percent as of 4/30/2023. This 16.0 percentage compares below the population percentage in low- and moderate-income tracts at 26.4 percent.

Changes in Branch Locations

The institution’s record of opening and closing of branches in the Nashville MSA has not adversely affected low- and moderate- income geographies or individuals of geographies. One branch has opened in a moderate-income census tract, increasing the bank’s percentage of branches in moderate-income tracts from 27.6 percent to 30.0 percent. As noted in the preceding table, two other branches opened in upper-income tracts. Additionally, no branches closed since the last evaluation.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the Nashville MSA assessment area, particularly low- or moderate-income geographies or individuals. The Nashville MSA assessment area reflects product offerings, services, and branch hours consistent with the State of Tennessee.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are from Monday through Friday 8:30 a.m. to 4 p.m. and Friday 8:30 a.m. to 5 p.m. The Nashville MSA assessment area reflects product offerings, services, and branch hours consistent with discussion for the State of Tennessee.

Community Development Services

The institution is a leader in the level of CD services in the Nashville MSA assessment area. Excellent performance regarding the extent of CD services and the excellent responsiveness of CD services to available opportunities primarily support this conclusion.

The table in the State of Tennessee section shows that the bank provided 462 CD services since the previous evaluation in the Nashville MSA assessment area. This number equates to an average of 4.9 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 28.6 full-service offices for the 3.3 years since the previous evaluation.

Leadership is evident through Board or committee participation in a number of those activities. Service activities primarily demonstrate the responsiveness to community needs for community services to low- and moderate-income individuals.

The following are examples of CD services specific to the Nashville MSA assessment area:

- ***Affordable Housing*** - A bank employee served as a Board member on a local nonprofit providing credit counseling for low- and moderate-income families.
- ***Community Services*** - A bank employee served as a Board member to a foundation operating a thrift store that provides employment to young adults from low- and moderate-income families with disabilities who would not otherwise have the opportunity to work and earn a paycheck.

MEMPHIS MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MEMPHIS MSA

The Memphis MSA assessment area includes all 254 census tracts that make up Desoto and Shelby Counties, two of the seven counties that make up the Memphis, TN-MS-AR MSA (Memphis MSA), located in west Tennessee.

Economic and Demographic Data

The assessment area's census tracts reflect the following income designations based on 2015 ACS data: 65 low-, 53 moderate-, 49 middle-, 81 upper-income tracts, and 6 tracts with no income designation. FEMA declared this assessment area as a major disaster area due to a winter storm,

severe storms, Hurricane Ida, and the COVID-19 pandemic during the majority of the evaluation period. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area						
Memphis MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	254	25.6	20.9	19.3	31.9	2.4
Population by Geography	1,106,336	18.7	20.2	19.5	41.0	0.6
Housing Units by Geography	465,036	21.3	20.2	19.1	39.2	0.3
Owner-Occupied Units by Geography	243,050	11.4	16.6	20.4	51.5	0.1
Occupied Rental Units by Geography	164,184	29.4	24.2	18.6	27.4	0.3
Vacant Units by Geography	57,802	39.5	23.7	14.9	20.7	1.1
Businesses by Geography	94,777	12.8	15.9	19.5	50.9	0.9
Farms by Geography	1,874	8.1	12.3	18.9	59.9	0.9
Family Distribution by Income Level	264,658	24.3	15.4	17.1	43.2	0.0
Household Distribution by Income Level	407,234	25.3	15.3	16.4	43.0	0.0
Median Family Income MSA - 32820 Memphis, TN-MS-AR MSA		\$58,214	Median Housing Value			\$136,284
			Median Gross Rent			\$879
			Families Below Poverty Level			15.1%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Economy: According to Moody’s Analytics, Precis U.S. Metro – May 2023, the Memphis MSA’s economy is growing, but the details reveal emerging weakness. Nonfarm employment growth during the last three months is keeping pace with the regional average. However, the scope of hiring has narrowed, with most employment gains concentrated in lower-paying professional/business services.

The unemployment rate is flat, but this is a result of a declining labor force. The housing market is holding up better than the rest of the state, and house price declines have halted. Memphis’ economy will moderate in 2023. The large healthcare industry will recover, but a struggling logistics sector will prevent stronger growth. Longer term, a high concentration of low-wage jobs and weak demographics will prevent growth from outpacing the national average. According to the U. S. Bureau of Labor Statistics as of April 2023, the Memphis’ unemployment rate at 3.2 percent is below the national average at 3.4 percent.

Population: The population distribution age shows age 20 - 39 at 26 percent is similar to Tennessee and age 65+ at 15 percent is below the Mississippi and the United States. Leveraging data from the U.S. Census ACS 2021 data, foreign-born population represents 5.7%, more than double the rate of Mississippi and about two fifths of rate in the United States.

Housing: According to the U.S. Census ACS 2021 data, the median housing income of \$55,840 is higher than Mississippi at \$48,761. The median housing value at \$212,800 is about 1.5 times the amount of Mississippi and about three-quarters of the amount in the United States at \$281,400.

Business: Based on 2020 business data from the U.S. Census Business Dynamics Statistics, the number of firms by firm size is 1) firm size of 1-19 at 72.9 percent of employment, 2) firm size 20-499 at 17.9 percent of employment, and 3) 500+ at 9.2 percent of employment. Approximately 64,583 jobs were created in 2020, with most jobs in transportation/warehousing and accommodation/food service. The largest existing industries are retail trade and other services. New firm startups comprise 7.2 percent of total firms.

Competition

The area contains a moderate level of competition from other chartered banks with 36 institutions operating 265 branches in the AA. Pinnacle Bank ranks 3rd in market share by capturing 6.1 percent of the area's deposits based on the June 30, 2022, FDIC Deposit Market Share Report. However, non-banks heighten the competition level with many offering the remote delivery of products through digital devices. These non-banks include fintech companies, credit unions, mortgage companies, and finance companies. Overall, the competition level allows for lending opportunities.

Credit and Community Development Needs and Opportunities

Consistent with other metropolitan areas, the Memphis MSA AA created varied loan demand for small business and residential real estate loans. Considering information from bank management and demographic and economic information, examiners ascertained that the primary credit needs of the area include home mortgage and small business loans, and construction loans for affordable single family and rental housing.

Demographic data indicates that a high percentage (39.7 percent) of the AA's families receive a designation of low- or moderate-income, with 15.1 percent below the poverty level. This signifies a continued need for community development services. The high percentage of small businesses with revenues of \$1 million or less supports the continued need for economic development. The high percentage (46.5 percent) of low- and moderate-income census tracts, the national COVID-19 major disaster area, and the assessment area's designation as a federal disaster area for other reasons supports the need for revitalization and stabilization efforts. Lastly, the percentage of new firm startups creates a need for financing and financial education to entrepreneurs.

Given that the COVID-19 pandemic affected borrowers in a variety of ways, a significant retail banking service need existed for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to low- and moderate-income borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MEMPHIS MSA

LENDING TEST

Pinnacle Bank demonstrated a high satisfactory record in the Memphis MSA assessment area regarding the Lending Test. Adequate geographic distribution and good borrower profile plus a leader level of CD lending primarily supports this conclusion. In addition, the bank demonstrated excellent lending levels and makes extensive use of innovative and flexible lending practices within this assessment area. Examiners weighed home mortgage loans heavier than small business loans in the Memphis MSA assessment area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the Memphis MSA assessment area. Excellent performance regarding home mortgage and small business loans support this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the Memphis MSA assessment area. For 2021, the bank originated 1,208 total reportable small business loans totaling approximately \$127.6 million. Pinnacle Bank captured a 4.5 percent market share of the total number of loans and an 11.1 percent market share of the total dollar volume of loans.

The bank's activity by number of loans ranks it 8th out of 164 total lenders in the Memphis MSA assessment area. This ranking lands the bank in the top 4.9 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar volume of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for small business loans.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the Memphis MSA assessment area. For 2021, the bank originated 1,106 total reportable home mortgage loans totaling approximately \$297.9 million. Pinnacle Bank captured a 2.2 percent market share of the total number and a 2.5 percent market share of the total dollar volume of home mortgage loans.

The bank's activity by number of loans ranks it 12th out of 607 total lenders in the Memphis MSA assessment area. This ranking lands the bank in the top 2.0 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar amount of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for home mortgage loans.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Memphis MSA assessment area. Adequate records regarding both home mortgage and small business loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate performance in the Memphis MSA assessment area. Adequate performances in both low- and moderate-income geographies support this conclusion.

As seen in the table below, the bank's lending in low-income census tracts falls below the aggregate data by 1.2 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank's lending level falls 2.0 percentage points below the aggregate data, also reflecting an adequate level.

Geographic Distribution of Small Business Loans Memphis MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	12.8	11.9	129	10.7	18,826	14.8
Moderate	15.9	15.7	165	13.7	25,678	20.1
Middle	19.5	19.4	189	15.6	17,571	13.8
Upper	50.9	52.1	707	58.5	62,532	49.0
Not Available	0.9	0.9	18	1.5	3,025	2.4
Totals	100.0	100.0	1,208	100.0	127,632	100.0

Source: 2021 D&B Data; 2021 HMDA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate performance in the Memphis MSA assessment area. Adequate performance in both low- and moderate-income geographies supports this conclusion.

As seen in the table below, the bank's lending in low-income census tracts is higher than the aggregate data by 1.1 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank's lending level is slightly below aggregate data by 0.6 percentage points, reflecting an adequate level.

Geographic Distribution of Home Mortgage Loans Memphis MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	11.4	4.2	59	5.3	5,743	1.9
Moderate	16.6	9.2	95	8.6	18,840	6.3
Middle	20.4	18.5	143	12.9	32,076	10.8
Upper	51.5	68.1	809	73.1	240,339	80.9
Not Available	0.1	0.0	0	0.0	0	0.0
Totals	100.0	100.0	1,106	100.0	296,998	100.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes. Good records regarding small business loans outweighed adequate records regarding home mortgage loans to support this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers' profiles reflects good performance in the Memphis MSA assessment area. Good performance to businesses with gross annual revenues of \$1 million or less supports this conclusion. The following table illustrates the distribution of lending by borrower revenue levels within the assessment area.

Distribution of Loans to Small Businesses by Gross Annual Revenues Memphis MSA AA											
Assessment Area	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Memphis MSA 2020	1,082	127,302	5.2	22,697	83.6	47.6	33.3	5.3	28.9	11.2	23.5
Memphis MSA 2021	1,208	127,632	7.0	26,796	86.1	47.2	39.1	4.3	22.7	9.6	30.1
Memphis MSA 2022	898	104,634	9.5	--	87.9	53.7	--	3.5	27.2	8.5	19.2

Source: 2021 D&B Data; 2020-2021 CRA Data; 2020 & 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table above, the bank's small business lending percentages in 2020 to businesses with gross annual revenues of \$1 million or less is 14.3 percentage points above the 2020 aggregate level, reflecting excellent performance for 2020. The table further shows in 2021 the bank's small business lending percentages to businesses with gross annual revenues of \$1 million or less is 8.1

percentage points above the 2021 aggregate level, reflecting good performance. The bank’s level of small business lending increased in 2022 and the performance is above the prior year’s aggregate level further supporting a good record.

PPP lending affected the bank’s small business lending percentages in 2020 and 2021 to businesses with gross annual revenues of \$1 million or less, for which the bank was not required to collect revenue data from the borrower. In 2020 and 2021, the bank originated 122 and 245 PPP loans where collected revenue data was not available, respectively. If the information on PPP loans without collected revenues were removed from the 2020 and 2021 analysis, the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less increased to 53.6 percent and 59.2 percent, respectively.

In 2020 and 2021, the bank originated 73.4 percent and 75.0 percent, respectively, of small business loans in the assessment area within the loan size category of \$100,000 or less, which shows the bank is meeting the needs of the smallest business borrowers.

Considering all years in the review period, the overall conclusion is good for the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers’ profiles reflects adequate performance in the Memphis MSA assessment area. Adequate performance to both low- and moderate-income borrowers support this conclusion.

As seen in the table below, the bank’s lending to low-income borrowers is higher than the aggregate data by 0.7 percentage points, reflective of adequate performance. The table further shows that, to moderate-income borrowers, the bank’s lending level rises 6.4 percentage points above the aggregate data, also reflecting an adequate level.

Distribution of Home Mortgage Loans by Borrower Income Level Memphis MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.3	3.3	44	4.0	4,212	1.4
Moderate	15.4	11.1	193	17.5	26,646	9.0
Middle	17.1	17.6	166	15.0	31,379	10.6
Upper	43.2	43.9	656	59.3	206,095	69.4
Not Available	0.0	24.1	47	4.3	28,666	9.7
Totals	100.0	100.0	1,106	100.0	296,998	100.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Innovative or Flexible Lending Practices

The institution makes extensive use of innovative or flexible lending practices in the Memphis MSA AA in order to serve assessment area credit needs. The number and dollar volume of

innovative loan products and flexible lending practices supports this conclusion. Over 31.0 percent of the total dollar volume of innovative or flexible loans (less nationwide activities) in Tennessee benefitted the Memphis MSA assessment area. Examiners considered the dollar volume relative to the institution's capacity and the credit needs of the assessment area when arriving at this conclusion. Please refer to the discussion under the State of Tennessee for additional details regarding the innovative or flexible lending practices in the Memphis MSA AA.

Community Development Loans

The institution made a leader level of CD loans in the Memphis MSA assessment area. Its extent, or dollar volume, of CD loans and the CD loans' responsiveness support this conclusion.

As noted under the rated area level, Pinnacle Bank originated 64 CD loans totaling approximately \$247.4 million in the Memphis MSA assessment area. By dollar volume, this equates to 17.2 percent (or 19.2 percent of total CD loans less statewide activities) of the bank's leader level of CD loans in the State of Tennessee as compared to the 12.7 percent of the bank's home mortgage and small business loans attributed to this assessment area. The level of CD loans increased from the prior evaluation when the bank reported \$109 million for this assessment area. The following points discuss the bank's CD loans in the Memphis MSA assessment area.

- ***Community Service*** – The bank originated a loan totaling \$4.0 million for the construction of a middle-school adjacent to an existing elementary school. A majority of the schools' students qualify for free or reduced lunch programs. Thus, the activity benefits an organization that provides community services, in the form of educational services, targeted to low- and moderate-income individuals.
- ***Revitalize or Stabilize*** – The bank originated a loan totaling \$22.0 million for a business located in a moderate-income census tract. The loan helps to retain this business in a moderate-income census tract. Thus, the activity revitalizes and stabilizes a qualifying geography by helping to attract new, or retain existing, businesses or residents.

In addition, the CD loans reflect adequate responsiveness to the CD needs of the assessment area. Approximately 56.9 percent of the dollar volume of the assessment area's CD loans help to promote economic development, 23.0 percent helps revitalize and stabilize low- and moderate-income geographies, 11.5 percent promotes affordable housing, and 8.7 percent are for community services to low- and moderate-income individuals.

INVESTMENT TEST

Pinnacle Bank demonstrated a high satisfactory record in the Memphis MSA assessment area regarding the Investment Test. The significant level of qualified community development investments combined with the good responsiveness to CD needs and the significant use of complex investments supports this conclusion.

Investment and Grant Activity

The bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors in the Memphis MSA assessment area. The table for the State of Tennessee shows that Pinnacle Bank made 184 qualified investments totaling approximately \$68.9 million in the Memphis MSA assessment area. By dollar volume, this equates to 15.4 percent (or 17.4 percent of total qualified investments less statewide activities) of the State of Tennessee's low satisfactory level of investments as compared to 9.6 percent of total deposits attributed to this assessment area.

The following is an example of a key investment in the Memphis MSA assessment area.

- ***Affordable Housing*** – The bank allocated approximately \$14.3 million in a MBS in the Memphis MSA assessment area with the underlying loans to finance multi-family housing for low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank exhibits good responsiveness to credit and CD needs through use of qualified investments that directly address identified needs in the Memphis MSA assessment area. As noted in the investment table for the State of Tennessee, the Memphis MSA assessment area shows good responsiveness to CD needs by the dollar amount in all four CD purposes categories, with an emphasis on affordable housing.

Pinnacle Bank's major investments addressed affordable housing needs with approximately \$31.1 million in MBS with the underlying loans to low- and moderate-income individuals. Larger dollar amount donations support food banks that provide services to low- and moderate-income individuals.

Community Development Initiatives

Pinnacle Bank made significant use of complex investments to support CD initiatives given the size of the institution and opportunities available in the Memphis MSA AA.

The bank invested approximately \$21.6 million in LIHTCs benefiting the Memphis MSA AA. The LIHTC Program incentivizes community development by issuing tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to low-income households. Investments through these programs offer varying degrees of complexity involving special expertise needed by staff and a significant amount of time to coordinate the financing process.

The bank also maintains a prior period investment totaling \$5.0 in the Memphis Small Business Opportunity Fund (MSBOF). The fund was created to improve access to capital for underserved small businesses, particularly for minority- and women-owned businesses in the Memphis MSA assessment area that do not qualify for traditional bank financing. The initial development of the MSBOF started with collaboration between Pinnacle Bank and the staff at Epicenter, a regional economic development organization, to address a gap in the capital stack of available products and services in the market. The public-private partnership grew to include Pathway Lending (a CDFI) and two additional financial institutions. The bank's investment is innovative based on creating a

unique fund in the Memphis MSA assessment area by bringing together multiple participating organizations.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record in the Memphis MSA assessment area regarding the Service Test. The excellent levels and qualitative aspects regarding the bank’s CD services lifted the limited accessible delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion.

Accessibility of Delivery Systems

Delivery systems are accessible to limited portions of the Memphis MSA assessment area. Limited accessible branch distribution and alternative delivery systems support this conclusion. The Memphis MSA assessment area reflects an inconsistent conclusion to the State of Tennessee’s Accessibility of Delivery System performance.

As noted in the following table, the bank’s level of branch distribution in low-income tracts falls 12.9 percentage points below the population of low-income census tracts, reflecting poor performance. The bank’s level of branch distribution in moderate-income tracts falls 25.6 percentage points below the population of moderate-income census tracts, reflecting poor performance. Examiners observed the bank’s full-service branches are in close proximity to low- and moderate-income census tracts in the area south of Memphis in Shelby County allowing some access to banking services to moderate-income tracts. However, the bank’s full-service branches are not in close proximity to the low- and moderate-income tracts in the areas north of Memphis in Shelby County.

Branch and ATM Distribution by Geography Income Level Memphis MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	51	17.6	143,782	12.9	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	77	26.6	285,857	25.6	0	0.0	0	0.0	0	0.0	0	0.0
Middle	62	21.4	267,159	24.0	2	28.6	1	9.1	1	50.0	0	0.0
Upper	88	30.3	405,105	36.3	5	71.4	5	45.5	0	0.0	1	100.0
NA	12	4.1	13,155	1.2	0	0.0	5	45.5	0	0.0	0	0.0
Totals	290	100.0	1,115,058	100.0	7	100.0	11	100.0	1	100.0	1	100.0
<i>Source: 2020 U.S. Census & Bank Data Due to rounding, totals may not equal 100.0%</i>												

The bank makes its alternative delivery systems accessible to limited portions of the Memphis MSA assessment area.

The bank's level of ATMs in low-income tracts falls 12.9 percentage points below the population of low-income census tracts, reflecting poor performance. The bank's level of ATMs in moderate-income tracts falls 25.6 percentage points below the population of moderate-income census tracts, reflecting poor performance. For the overall conclusion, the bank's ATM accessibility is limited or reflects poor performance.

Refer to the Service Test section for the state for details on digital banking services that provide banking access to low- and moderate-income people and tracts.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the Memphis, Tennessee assessment area on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank's digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications significantly increased over the review period from 14.6 percent in 2020 to 40.9 percent as of 4/30/2023. The 40.9 percentage compares significantly higher than the percentage of owner-occupied units in low- and moderate-income tracts at 28.7 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications is stable over the review period from 20.7 percent in 2020 to 19.7 percent as of 4/30/2023. This 19.7 percentage compares significantly below the population percentage of low- and moderate-income families at 39.2 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts is stable throughout the review period from 9.7 percent in 2020 to 11.3 percent as of 3/30/2023. This 11.3 percentage compares substantially below the population percentage in low- and moderate-income tracts at 38.5 percent.
- The percentage of online deposit accounts opened in low- and moderate-income tracts is stable throughout the review period from 20.8 percent in 2020 to 20.6 percent as of 4/30/2023. This 20.6 percentage compares significantly below the population percentage in low- and moderate-income tracts at 38.5 percent.

Changes in Branch Locations

To the extent changes have been made, the institution's record of opening and closing of branches in the Memphis MSA assessment area has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. No branch changes occurred in low- and moderate-income tracts in the Memphis MSA assessment area. One branch opened in low-income tract according to the 2015 ACS data moved to a middle-income tract according to the 2020 U.S. Census data.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the Memphis MSA assessment area, particularly low- or moderate-income geographies or individuals. The Memphis MSA assessment area reflects product offerings, services, and branch hours consistent with the State of Tennessee.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are generally from Monday through Friday 8:30 a.m. to 4 p.m. and Friday 8:30 a.m. to 5 p.m. The Memphis MSA assessment area reflects product offerings, services, and branch hours consistent with discussion for the State of Tennessee.

Community Development Services

The institution is a leader in the level of CD services in the Memphis MSA assessment area. Excellent performance regarding the extent of CD services and the excellent responsiveness of CD services to available opportunities primarily support this conclusion.

Pinnacle Bank has further provided additional services through the opening of the first Pinnacle Empowerment Resource Center (PEER) Center in a low-income census tract of the Memphis AA. PEER Centers serve as a hub for the financial help and support tailored to local, unique community needs, including education and counseling, affordable products and services, and access to community nonprofits. Target communities for PEER Centers are underserved, underbanked, majority-minority and low- and moderate-income areas. While they are open to any client with any need, each PEER Center has a staff of Pinnacle Bank associates dedicated to this specific work. The change in census tract designations from the 2020 U.S. Census resulted in this PEER Center no longer designated in a low-income census tract.

The table in the State of Tennessee section shows that the bank provided 147 CD services since the previous evaluation in the Memphis MSA assessment area. This number equates to an average of 6.4 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank averaged 7.0 full-service offices for the 3.3 years since the previous evaluation.

Leadership is evident through Board or committee participation in a number of those activities. Service activities primarily demonstrate the responsiveness to community needs for community services to low- and moderate-income individuals.

The following are examples of CD services specific to Memphis MSA Assessment area:

- ***Community Services***- a bank employee serves as a Board member to a local nonprofit that helps transform the financial well-being of low-and moderate-income families. This organization provides financial literacy tools and incentives to help families build assets and make better financial choices.
- ***Community Services***- A bank employee served as a Board member to an organization that provides health care to low- and moderate-income individuals in Memphis.

- ***Economic Development*** - A bank employee served as an executive Board member on a chamber of commerce and economic development organization that focuses on promoting entrepreneurial start-ups, new job creation for low- and moderate-income individuals, and workforce development.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for this rated area’s assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. The conclusions did not alter the bank’s overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Chattanooga MSA	Below	Consistent	Consistent
Cleveland MSA	Consistent	Exceeds	Consistent
Knoxville MSA	Below	Exceeds	Consistent
Tennessee Non-MSA	Consistent	Consistent	Consistent

Facts and data supporting conclusions for each limited-scope assessment area follow, including a summary of Pinnacle Bank’s operations and activities. The demographic data for the limited-scope assessment areas is in Appendix C.

Chattanooga MSA AA

The bank’s Chattanooga MSA AA consists of all of Hamilton County. Pinnacle Bank operates three branches in this AA: one in a moderate-income CT, one in a middle-income CT and one in an upper-income CT. This distribution of branches proved consistent with the institution’s overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	452	217,782
Small Business Loans	1,151	199,924
Small Farm Loans	2	63
Community Development Loans	68	121,234
Investments	102	15,886
CD Services	73	--

Cleveland MSA AA

The bank’s Cleveland MSA AA consists of all of Bradley County. Pinnacle Bank operates one branch in this AA in a moderate-income CT. This distribution of branches proved consistent with the institution’s overall conclusion. The availability of alternative delivery systems also

demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	46	13,731
Small Business Loans	137	18,164
Small Farm Loans	2	50
Community Development Loans	11	1,301
Investments	26	3,363
CD Services	20	--

Knoxville MSA AA

The bank’s Knoxville MSA AA consists of all of Anderson, Blount, and Knox Counties. Pinnacle Bank operates seven branches in this AA: two in moderate-income CTs, two in middle-income CTs and three in upper-income CTs. This distribution of branches proved consistent with the institution’s overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	812	294,006
Small Business Loans	1,175	196,897
Small Farm Loans	5	81
Community Development Loans	66	125,120
Investments	175	81,360
CD Services	178	--

Tennessee Non-MSA AA

The bank’s Tennessee Non-MSA AA consists of all of Bedford County. Pinnacle Bank operates one branch in this AA in a middle-income CT. This distribution of branches proved consistent with the institution’s overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	41	8,013

Activity	#	\$(000s)
Small Business Loans	60	6,820
Small Farm Loans	19	625
Community Development Loans	2	4,528
Investments	9	6
CD Services	7	--

Geographic Distribution

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Chattanooga	452	217,782	4.8	21,396	4.2	4.0	3.4	11.7	5.8	8.7	37.2	30.8	35.2	46.9	59.5	52.7	0.0	0.0	0.0
Cleveland	46	13,731	0.5	5,709	4.7	0.0	4.2	3.2	10.9	3.7	45.6	28.3	42.8	46.4	60.9	49.3	0.0	0.0	0.0
Knoxville	812	294,006	8.6	41,261	2.6	3.6	2.1	10.9	9.1	9.1	51.6	41.3	48.1	34.9	46.1	40.6	0.0	0.0	0.0
TN Non-MSA	41	8,013	0.4	2,715	0.0	0.0	0.0	11.3	4.9	10.9	71.0	61.0	72.6	17.8	34.1	16.5	0.0	0.0	0.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2021
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate
Chattanooga	1,151	199,924	6.7	9,810	8.0	13.4	9.5	14.5	11.7	13.8	35.8	33.4	35.2	41.4	41.4	41.5	0.3	0.1	0.1
Cleveland	137	18,164	0.8	1,856	7.7	5.8	6.5	10.9	15.3	10.3	48.6	45.3	43.8	32.8	33.6	39.5	0.0	0.0	0.0
Knoxville	1,175	196,897	6.8	15,043	4.2	2.7	3.6	13.6	8.8	12.3	40.5	44.8	41.3	40.8	43.6	42.4	0.8	0.2	0.5
TN Non-MSA	60	6,820	0.3	802	0.0	0.0	0.0	17.8	21.7	16.1	66.4	58.3	65.1	15.9	20.0	18.8	0.0	0.0	0.0

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Borrower Profile

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Chattanooga	452	217,782	4.8	21,396	4.2	4.0	3.4	11.7	5.8	8.7	37.2	30.8	35.2	46.9	59.5	52.7	0.0	0.0	0.0
Cleveland	46	13,731	0.5	5,709	4.7	0.0	4.2	3.2	10.9	3.7	45.6	28.3	42.8	46.4	60.9	49.3	0.0	0.0	0.0
Knoxville	812	294,006	8.6	41,261	2.6	3.6	2.1	10.9	9.1	9.1	51.6	41.3	48.1	34.9	46.1	40.6	0.0	0.0	0.0
TN Non-MSA	41	8,013	0.4	2,715	0.0	0.0	0.0	11.3	4.9	10.9	71.0	61.0	72.6	17.8	34.1	16.5	0.0	0.0	0.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues													2021
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Chattanooga	1,151	199,924	6.7	9,810	86.8	42.7	44.7	4.1	30.0	9.1	27.3		
Cleveland	137	18,164	0.8	1,856	86.0	48.2	49.7	4.1	24.8	9.9	27.0		
Knoxville	1,175	196,897	6.8	15,043	84.9	41.0	47.2	4.6	32.2	10.4	26.8		
TN Non-MSA	60	6,820	0.3	802	85.5	56.7	60.0	4.1	11.7	10.4	31.7		

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

VIRGINIA

CRA RATING FOR VIRGINIA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN VIRGINIA

Pinnacle Bank designated two assessment areas in the State of Virginia as noted in the table below. All of the bank's assessment areas in Virginia conform to the CRA regulatory requirements.

Description of Tennessee Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Lynchburg MSA	Bedford, Campbell, Lynchburg City	48	1
Roanoke MSA	Franklin, Roanoke, Roanoke City, Salem City	56	8

Source: Bank Records; 2015 ACS data.

SCOPE OF EVALUATION – VIRGINIA

Full-Scope Assessment Area

Of the two assessment areas in Virginia, examiners applied full-scope procedures to the Roanoke MSA assessment area since this assessment area includes the highest percentage of the bank's loans, deposits, and branches in the State of Virginia. Examiners applied limited-scope procedures to the other Virginia assessment area.

Lending Test

Loan Categories Reviewed

Examiners considered the following loans granted inside the bank's Virginia assessment areas as reported according to either the HMDA or CRA data collection reporting requirements:

Home Mortgage Loans:

- 2020: 191 loans totaling \$51,842,000
- 2021: 209 loans totaling \$64,607,000
- 2022: 149 loans totaling \$29,878,000

Small Business Loans:

- 2020: 649 loans totaling \$85,969,000
- 2021: 469 loans totaling \$65,406,000
- 2022: 313 loans totaling \$47,486,000

The weightings for the specific loan categories varies for each of the assessment areas. As

suggested by the above figures, small business loans generally received the heaviest weighting given the higher number volume of loans followed by home mortgage loans.

Assessment Area Weighting

The following table shows that the Roanoke MSA assessment area generated the largest percentage of the bank’s Virginia loans, deposits, and branches. Consequently, examiners weighed records in the Roanoke MSA assessment area heaviest when arriving at applicable conclusions and ratings. Examiners weighed performance in each reviewed area consistent with that area’s lending level as reflected in the following table.

Assessment Area Distribution – State of Virginia						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Lynchburg MSA	61,576	17.8	22,701	2.3	1	11.1
Roanoke MSA	283,941	82.2	950,255	97.7	8	88.9
Total	345,517	100.0	972,956	100.0	9	100.0

Source: HMDA & CRA Data (2020-2022); FDIC Summary of Deposits (06/30/2022). Due to rounding, totals may not equal 100.0 percent

Investment and Service Tests

The scopes for the Investment and Service Tests remain the same for this rated area as it did for the institution as a whole. Please refer to the institution-level Scope of Examination section.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA

LENDING TEST

Pinnacle Bank demonstrated a low satisfactory record in the State of Virginia regarding the Lending Test. Adequate performance records regarding borrower profile and geographic distribution plus a relatively high level of CD lending primarily support this conclusion. The bank also demonstrated excellent lending levels and use of innovative and flexible lending in this rated area. Conclusions regarding the institution’s performance in the State of Virginia were consistent in the Roanoke MSA assessment area, but inconsistent in the Lynchburg MSA assessment area, where performance exceeds the rated area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the State of Virginia. Excellent performance regarding small business and home mortgage loans support this conclusion. Examiners considered the bank’s size, business strategy, and capacity in this state relative to its credit needs when arriving at this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the State of Virginia. For 2021, the bank originated 469 total reportable small business loans totaling

approximately \$65.4 million inside its Virginia assessment areas. Pinnacle Bank captured a 4.6 percent market share of the total number of small business loans and a 12.2 percent market share of the total dollar volume of loans.

This volume of activity ranks the bank 9th out of 104 total lenders in the bank's Virginia assessment areas. This ranking lands the bank in the top 8.7 percent of lenders reporting such loans in the bank's Virginia assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the State of Virginia. For 2021, the bank originated 209 total reportable home mortgage loans totaling approximately \$64.9 million in its Virginia assessment areas. Pinnacle Bank captured a 0.9 percent market share of the total number of home mortgage loans and 1.2 percent market share of the total dollar volume of home mortgage loans in the Virginia assessment areas.

This volume of activity ranks the bank 30th out of 461 total lenders in the bank's Virginia assessment areas. This ranking lands the bank in the top 6.5 percent of lenders reporting such loans in the bank's Virginia assessment areas. The ranking considers the total number and dollar amount of loans made by each institution.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the State of Virginia. The Roanoke and Lynchburg MSA assessment areas demonstrated consistent performance. Examiners placed the most weight on the bank's Roanoke MSA assessment area.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes. All of the State of Virginia assessment areas displayed consistent performance with the overall conclusion.

Innovative or Flexible Lending Practices

The institution makes use of innovative or flexible lending practices in order to serve assessment area credit needs in the State of Virginia. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution's capacity and the credit needs of its assessment areas when arriving at this conclusion.

The table below shows that, since the previous evaluation, the bank originated 118 innovative or flexible loans totaling approximately \$74.5 million in the State of Virginia. This dollar figure equates to 3.1 percent (or 5.4 percent of total innovative and flexible loans less nationwide) of the bank's total innovative or flexible loans. Given the bank's capacity and the needs in the rated area,

the level of innovative and flexible loans reflects good responsiveness to the credit needs of the State of Tennessee.

Innovative or Flexible Loans State of Virginia										
Assessment Area	Fannie Mae/ Freddie Mac/ State Housing		FHA/USDA/VA		Pinnacle 100		SBA		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Lynchburg MSA	2	359	1	147	1	155	2	2,639	6	3,300
Roanoke MSA	26	4,348	9	1,781	29	4,491	7	15,730	71	26,350
Statewide	16	17,853	7	1,802	1	89	17	25,071	41	44,815
Total	44	22,560	17	3,730	31	4,735	26	43,440	118	74,465

Source: Bank records.

Community Development Loans

The institution made a relatively high level of CD loans in the State of Virginia. Its extent, or dollar volume, of CD loans and the CD loans' good responsiveness support this conclusion. The Roanoke MSA assessment area displayed inconsistent performance, falling below the rated area. The Lynchburg MSA displayed inconsistent performance, exceeding the rated area.

The following table shows that, since the previous evaluation, the bank granted 47 CD loans totaling approximately \$53.8 million in this state. The dollar amount equates to 2.2 percent of the bank's excellent level of CD loans as compared to the 2.2 percent of overall HMDA and CRA loans attributed to this state.

Community Development Lending by Assessment Area State of Virginia										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Lynchburg MSA	1	125	8	4,480	0	0	4	22,792	13	27,397
Roanoke MSA	6	2,036	19	5,123	4	12,201	1	1,143	30	20,503
Statewide	2	2,113	2	3,834	0	0	0	0	4	5,947
Total	9	4,274	29	13,437	4	12,201	5	23,935	47	53,847

Source: Bank records.

Besides their extent, the CD loans reflect good responsiveness to the state's CD needs. As seen in the table above, approximately 44.5 percent of the dollar volume of the state's CD loans help revitalize or stabilize low- and moderate-income geographies, 25.0 percent provides community services for low- and moderate-income individuals, 22.7 percent promotes economic development, and 7.9 percent promotes affordable housing.

As noted under the applicable Description of Institution's Operations sections, activities that provide community services for low- and moderate-income individuals and revitalize or stabilize qualifying geographies represent CD needs in the bank's assessment areas. Therefore, relative to the bank's

capacity and the extent of CD lending opportunities and needs in its assessment areas, the bank established a relatively high level in originating CD loans.

The following point provides an example of the bank’s CD lending activities in the broader statewide area of Virginia.

- **Community Service** – The bank originated a loan totaling approximately \$1.3 million to a non-profit organization that provides housing and support services to low- and moderate-income families.

INVESTMENT TEST

Pinnacle Bank demonstrated a low satisfactory record in the State of Virginia regarding the Investment Test. The significant level of qualified investments hampered by the adequate responsiveness to CD needs and rare use of complex investments supports this conclusion. The Lynchburg MSA and Roanoke MSA assessment areas reflect consistent performance with the overall State of Virginia.

Investment and Grant Activity

The bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors in the State of Virginia. The table below shows that Pinnacle Bank made 85 qualified investments totaling approximately \$30.4 million in the State of Virginia. By dollar volume, this equates to 3.1 percent of the bank’s overall excellent level of qualified investments as compared to 3.0 percent of total deposits attributed to this rated area.

Qualified Investments State of Virginia										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Lynchburg MSA	4	287	20	26	9	18	0	0	33	331
Roanoke MSA	9	9,882	35	5,131	7	70	0	0	51	15,083
Statewide Activities	1	15,000	0	0	0	0	0	0	1	15,000
Total	14	25,169	55	5,157	16	88	0	0	85	30,414
<i>Source: Bank Data</i>										

Since Pinnacle Bank’s investments addressed community credit needs inside the bank’s assessment areas within the State of Virginia, statewide Virginia activities includes investments in areas outside of the bank’s designated assessment areas, but within the State of Virginia. The following point provides an example of the bank’s qualified investment activities in the broader statewide area of Virginia.

- **Affordable Housing** – The bank allocated approximately \$15.0 million in a MBS in the State of Virginia with the underlying loans to finance multi-family housing for low- and moderate-

income individuals.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank exhibits adequate responsiveness to credit and CD needs through use of investments that directly address identified needs in the State of Virginia. The previous table shows adequate responsiveness to CD needs by the dollar amount in three of the four CD purpose categories, with an emphasis on affordable housing.

Pinnacle Bank's major investments addressed the following needs throughout the assessment areas in the State of Virginia.

- Affordable housing with approximately \$210,000 for the purchase of MBS, where the underlying loans originated to low- and moderate-income individuals in the Lynchburg MSA assessment area.
- Economic development with larger dollar amount donations to an organization that focuses on entrepreneurial start-ups, business expansion and retention, new job creations, and workforce development.

Community Development Initiatives

Pinnacle Bank made rare use of complex investments to support CD initiatives given the size of the institution and opportunities available in the State of Virginia.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record for the State of Virginia regarding the Service Test. The excellent levels and qualitative aspects regarding the bank's CD services lifted the reasonably accessible of its delivery systems, changes in branch locations, and reasonableness of hours and services to support this conclusion. The Lynchburg MSA assessment area reflects performance consistent with the state level.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas in the State of Virginia. Reasonably accessible branch distribution and alternative accessible alternative delivery systems support this conclusion. The State of Virginia reflects consistent conclusions to the institution's Accessibility of Delivery System performance.

The bank makes its full-service offices reasonably accessible to portions of the institution's assessment areas in the State of Virginia.

As noted in the following table, the bank's level of branch distribution in low-income tracts falls 3.7 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In moderate-income census tracts, the bank's level of branch distribution falls 9.6 percentage points below the population percentage,

typically reflecting poor performance. However, the change in census tract designations from the 2020 U.S. Census resulted in the decline of one branch in moderate-income census tracts, which did impact the rating conclusion for moderate-income census tracts by raising to adequate performance.

Branch and ATM Distribution by Geography Income Level State of Virginia												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	6	4.9	18,317	3.7	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	28	22.8	101,752	20.7	1	11.1	1	12.5	0	0.0	0	0.0
Middle	61	49.6	237,752	48.4	5	55.6	4	50.0	1	100.0	0	0.0
Upper	26	21.1	124,877	25.4	3	33.3	3	37.5	0	0.0	0	0.0
NA	2	1.6	8,232	1.7	0	0.0	0	0.0	0	0.0	0	0.0
Totals	123	100.0	490,930	100.0	9	100.0	8	100.0	1	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to essentially all portions of the bank’s assessment areas in the State of Virginia.

The bank’s level of ATMs in low-income tracts falls 3.7 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In moderate-income census tracts, the bank’s level of ATMs falls 8.2 percentage points below the population percentage, typically reflecting poor performance. However, the change in census tract designations from the 2020 U.S. Census resulted in the decline of one ATM in moderate-income census tracts, which did impact the rating conclusion for moderate-income census tracts by raising to adequate performance.

Refer to the Service Test section for the overall bank for details on digital banking that provide banking access to low- and moderate-income people and tracts. The bank’s COVID response extended financial assistance to help many people avoid serious financial consequences during the pandemic.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the State of Virginia on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank’s digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications significantly increased over the review period from 4.0 percent in 2020 to 31.6 percent as of 4/30/2023. The 31.6 percentage compares

significantly higher than the percentage of owner-occupied units in low- and moderate-income tracts at 18.2 percent.

- o The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 18.0 percent in 2020 to 36.4 percent as of 4/30/2023. This 36.4 percentage compares similarly to the population percentage of low- and moderate-income families at 37.3 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts is stable throughout the review period from 11.8 percent in 2020 to 12.3 percent as of 3/30/2023. This 12.3 percentage compares below the population percentage in low- and moderate-income tracts at 24.4 percent.
- The percentage of online deposit accounts opened in low- and moderate-income tracts increased throughout the review period from 21.9 percent in 2020 to 27.3 percent as of 4/30/2023. This 27.3 percentage compares similarly to the population percentage in low- and moderate-income tracts at 24.4 percent.

Changes in Branch Locations

To the extent changes have been made, the institution's record of opening and closing of branches in the State of Virginia has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. No branch changes occurred in low- and moderate-income tracts in the State of Virginia. One branch opened in a middle-income tract.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the State of Virginia, particularly low- or moderate-income geographies or individuals. The State of Virginia reflects product offerings, services, and branch hours generally consistent with discussion at the institution level.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are Monday to Friday from 9 a.m. to 5 p.m. The State of Virginia reflects product offerings, services, and branch hours consistent with discussion at the institution level.

Community Development Services

The institution is a leader in the level of CD services for the State of Virginia. Excellent performance regarding the extent of CD services and the good responsiveness of CD services to available opportunities primarily support this conclusion.

The following table shows that the bank provided 265 CD services since the previous evaluation. This number equates to an average of 9.1 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank had 8.8 full-service offices for the 3.3 years since the previous evaluation.

Community Development Services State of Virginia					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Lynchburg MSA	0	20	17	0	37
Roanoke MSA	11	191	24	0	226
Statewide Activities	0	2	0	0	2
Total	11	213	41	0	265
<i>Source: Bank Data (01/27/2020 – 05/02/2023)</i>					

Leadership is evident through Board or committee participation in a substantial number of those activities. Service activities demonstrate responsiveness to community needs for small business technical assistance, general financial literacy, access to housing for homeless, access to after school care for low- and moderate-income youth, and access to affordable health care for low- and moderate-income individuals.

CD services reflect good responsiveness to available opportunities as illustrated by their level of addressing identified CD needs in the bank's assessment areas. Additional opportunities exist to revitalize or stabilize low- and moderate-income areas or FEMA designated disaster areas given the number of these tracts in the institution's wide geographic area for the State of Virginia.

The following is a notable example of CD services specific to the State of Virginia:

- **Community Services-** A bank employee served as a Board member for an organization with a mission to meet the needs of low- and moderate-income families by providing education and food.

ROANOKE MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ROANOKE MSA

The Roanoke MSA assessment area includes all 56 census tracts that make up Franklin, Roanoke, Roanoke City, and Salem City Counties, four of the six counties that make up the Roanoke, VA MSA (Roanoke MSA), located in west Tennessee.

Economic and Demographic Data

The assessment area's census tracts reflect the following income designations based on 2015 ACS data: 3 low-, 13 moderate-, 27 middle-, and 13 upper-income tracts. FEMA declared this assessment area as a major disaster area due to a severe storm and the COVID-19 pandemic during the majority of the evaluation period. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area						
Roanoke MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	56	5.4	23.2	48.2	23.2	0.0
Population by Geography	273,849	3.8	24.7	47.2	24.3	0.0
Housing Units by Geography	128,030	3.6	24.6	46.8	25.0	0.0
Owner-Occupied Units by Geography	75,785	1.6	21.6	48.4	28.4	0.0
Occupied Rental Units by Geography	37,852	6.9	29.9	44.8	18.4	0.0
Vacant Units by Geography	14,393	5.1	26.9	43.1	24.9	0.0
Businesses by Geography	27,440	3.1	16.7	51.6	28.6	0.0
Farms by Geography	827	2.3	22.7	46.6	28.4	0.0
Family Distribution by Income Level	72,556	20.5	17.8	22.6	39.0	0.0
Household Distribution by Income Level	113,637	24.8	16.4	19.1	39.8	0.0
Median Family Income MSA - 40220 Roanoke, VA MSA		\$61,791	Median Housing Value			\$177,020
			Median Gross Rent			\$747
			Families Below Poverty Level			10.6%

Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

Economy: According to Moody’s Analytics, Precis U.S. Metro – February 2023, Roanoke’s recovery is stunted. The metro area has chronically underperformed both the nation and state in employment growth and has still failed to recover many of the jobs it lost during the pandemic. Most industries have started pumping the brakes. Healthcare hiring is starting to slow from its breakneck speed, even as it accelerates nationally. The majority of jobs in Roanoke are in low-paying industries. Consequently, as higher-paying industries such as healthcare and manufacturing moderated through the latter half of the year, average weekly earnings fell in Roanoke despite growing nationally. Roanoke will continue to underperform the state. Near-term strength in healthcare will be crucial, but lackluster gains in manufacturing will keep growth from shifting to the next gear. Longer term, the dearth of dynamic private industries and demographic woes will keep growth below average in the South. According to the U. S. Bureau of Labor Statistics as of April 2023, the Roanoke MSA unemployment rate at 2.4 percent is below Virginia at 3.1 percent and below the national average at 3.4 percent.

Population: The population distribution age shows age 20 - 39 at 24 percent which is similar to Virginia and age 65+ at 21 percent, with the percentage about 1.3 times that of Virginia at 16 percent. Leveraging data from the U.S. Census ACS 2021 data, foreign-born population represents 4.8 percent, about two-fifths of the rate in Virginia at 12.4 percent.

Housing: According to the U.S. Census ACS 2021 data, the median housing income of \$59,630 is about three-quarters of Virginia’s at \$80,963. The median housing value at \$220,900 is about two-thirds of Virginia at \$330,600 and about 80 percent of the United States at \$281,400.

Business: Based on 2020 business data from the U.S. Census Business Dynamics Statistics, the number of firms by firm size is 1) firm size of 1-19 at 15.5 percent of employment, 2) firm size 20-499 at 29.6 percent of employment, and 3) 500+ at 54.9 percent of employment. Approximately 13,292 jobs were created in 2020, with most jobs in healthcare and manufacturing. The largest existing industries are retail trade and health care. New firm startups comprise 16.3 percent of total firms.

Competition

The area contains a moderate level of competition from other chartered banks with 13 institutions operating 79 offices in the AA. Pinnacle Bank ranks 3rd in market share by capturing 10.51 percent of the area's deposits based on the June 30, 2022, FDIC Deposit Market Share Report. However, non-banks heighten the competition level with many offering the remote delivery of products through digital devices. These non-banks include fintech companies, credit unions, mortgage companies, and finance companies. Overall, the competition level allows for lending opportunities.

Credit and Community Development Needs and Opportunities

Consistent with other metropolitan areas, the Roanoke MSA AA created varied loan demand for small business and residential real estate loans. Considering information from bank management and demographic and economic information, examiners ascertained that the primary credit needs of the area include home mortgage and small business loans, and construction loans for affordable single family and rental housing.

Demographic data indicates that a high percentage (38.3 percent) of the AA's families receive a designation of low- or moderate-income, with 10.6 percent below the poverty level. This signifies a continued need for community development services. The high percentage of small businesses with revenues of \$1 million or less supports the continued need for economic development. The high percentage (28.6 percent) of low- and moderate-income census tracts, the national COVID-19 major disaster area, and the assessment area's designation as a federal disaster area for other reasons supports the need for revitalization and stabilization efforts. Lastly, the percentage of new firm startups creates a need for financing and financial education to entrepreneurs.

Given that the COVID-19 pandemic affected borrowers in a variety of ways, a significant retail banking service need existed for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to low- and moderate-income borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ROANOKE MSA

LENDING TEST

Pinnacle Bank demonstrated a low satisfactory record in the Roanoke MSA assessment area regarding the Lending Test. The adequate performances regarding geographic distribution and borrower profile and the low level of community development loans, primarily support this conclusion. In addition, the bank demonstrated an excellent lending level and use of innovative and flexible lending practices. Examiners weighed small business loans heavier than home mortgage loans in the Roanoke MSA assessment area.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs in the Roanoke MSA assessment area. Excellent performance regarding small business and home mortgage loans support this conclusion.

Small Business Loans

Small business lending levels reflect excellent responsiveness to assessment area credit needs in the Roanoke MSA assessment area. For 2021, the bank originated 390 total reportable small business loans totaling approximately \$53.7 million. Pinnacle Bank captured a 6.4 percent market share of the total number of loans and a 14.7 percent market share of the total dollar volume of loans.

The bank's activity by number of loans ranks it 6th out of 85 total lenders in the Roanoke MSA assessment area. This ranking lands the bank in the top 7.1 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar volume of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for small business loans.

Home Mortgage Loans

Home mortgage lending levels reflect excellent responsiveness to assessment area credit needs in the Roanoke MSA assessment area. For 2021, the bank originated 180 total reportable home mortgage loans totaling approximately \$43.7 million. Pinnacle Bank captured a 1.3 percent market share of the total number and a 1.5 percent market share of the total dollar volume of home mortgage loans.

The bank's activity by number of loans ranks it 21st out of 377 total lenders in the Roanoke MSA assessment area. This ranking lands the bank in the top 5.6 percent of lenders reporting such loans in this assessment area. The ranking considers the total number and dollar amount of loans made by each institution. Given the considerations previously noted, the activity level reflects excellent performance for home mortgage loans.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Roanoke MSA assessment area. An adequate record regarding small business loans and home mortgage loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the

Roanoke MSA assessment area. The good performance in low-income geographies lifted the poor performance in moderate-income geographies to support this conclusion.

As seen in the table below, the bank’s lending in low-income census tracts is 7.8 percentage points higher than aggregate data, reflective of good performance. The table further shows that in moderate-income census tracts the bank’s lending level falls 8.8 percentage points below the aggregate data, reflecting a poor level. While examiners typically weight performance in moderate-income tracts with greater weight, the bank’s percentage in low-income tracts is triple aggregate performance. Therefore, the overall conclusion is adequate for this performance factor.

Geographic Distribution of Small Business Loans Roanoke MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.1	3.7	45	11.5	6,759	12.6
Moderate	16.7	16.5	30	7.7	3,004	5.6
Middle	51.6	50.6	203	52.1	29,244	54.5
Upper	28.6	29.1	112	28.7	14,687	27.4
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	390	100.0	53,694	100.0

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Roanoke MSA assessment area. Adequate performance in both low- and moderate-income geographies support this conclusion.

As seen in the table below, the bank’s lending in low-income census tracts is slightly higher than aggregate data by 0.3 percentage points, reflective of adequate performance. The table further shows that in moderate-income census tracts the bank’s lending level falls 4.1 percentage points below the aggregate data, reflecting an adequate level.

Geographic Distribution of Home Mortgage Loans Roanoke MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.6	1.4	3	1.7	234	0.5
Moderate	21.6	15.8	21	11.7	4,192	9.6
Middle	48.4	49.6	76	42.2	13,686	31.4
Upper	28.4	33.2	80	44.4	25,420	58.4
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	180	100.0	43,532	100.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes. Adequate records regarding both small business and home mortgage loans support this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers’ profiles reflects adequate performance in the Roanoke MSA assessment area. Adequate performance to businesses with gross annual revenues of \$1 million or less supports this conclusion. The following table illustrates the distribution of lending by borrower revenue levels within the assessment area.

Distribution of Loans to Small Businesses by Gross Annual Revenues Roanoke MSA AA											
Assessment Area	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Roanoke MSA 2020	579	77,519	2.8	6,141	85.0	32.3	41.4	4.3	24.9	10.7	42.8
Roanoke MSA 2021	390	53,694	2.3	6,038	85.9	47.2	49.5	3.8	30.5	10.2	22.3
Roanoke MSA 2022	232	39,303	2.4	--	87.9	50.0	--	3.1	36.2	9.0	13.8

Source: 2020-2022 D&B Data; 2020-2022 CRA Data; 2020 & 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent

As shown in the table above, the bank’s small business lending percentages in 2020 to businesses with gross annual revenues of \$1 million or less is 9.1 percentage points below the 2020 aggregate level, reflecting poor performance for 2020. The table further shows in 2021 the bank’s small business lending percentages to businesses with gross annual revenues of \$1 million or less is 2.3 percentage points below the 2021 aggregate level, reflecting adequate performance. The bank’s level of small business lending increased in 2022 and the performance is similar to the prior year’s aggregate level further supporting an adequate record.

PPP lending affected the bank’s small business lending percentages in 2020 and 2021 to businesses with gross annual revenues of \$1 million or less. In 2020 and 2021, the bank originated 335 and 161 PPP loans where collected revenue data was not available, respectively. If the information on PPP loans without collected revenues were removed from the 2020 and 2021 analysis, the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less increased to 56.5 percent and 60.7 percent, respectively.

In 2020 and 2021, the bank originated 67.4 percent and 64.9 percent, respectively, of small business loans in the assessment area within the loan size category of \$100,000 or less, which shows the bank is meeting the needs of the smallest business borrowers.

Considering all years in the review period, the overall conclusion is adequate for the bank’s small business lending performance to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers’ profiles reflects adequate performance in the Roanoke MSA assessment area. Adequate performance to both low- and moderate-income borrowers supports this conclusion.

As seen in the table below, the bank’s lending to low-income borrowers rises 0.9 percentage points higher than the aggregate data, reflective of adequate performance. The table further shows that to moderate-income borrowers the bank’s lending level falls 2.0 percentage points below the aggregate data, reflecting an adequate level.

Distribution of Home Mortgage Loans by Borrower Income Level Roanoke MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.5	9.1	18	10.0	1,620	3.7
Moderate	17.8	21.4	35	19.4	4,667	10.7
Middle	22.6	19.5	24	13.3	3,921	9.0
Upper	39.0	31.3	77	42.8	25,657	58.9
Not Available	0.0	18.7	26	14.4	7,667	17.6
Totals	100.0	100.0	180	100.0	43,532	100.0

Source: 2015 ACS Data; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Innovative or Flexible Lending Practices

The institution makes use of innovative or flexible lending practices in the Roanoke MSA AA in order to serve assessment area credit needs. The number and dollar volume of innovative loan products and flexible lending practices supports this conclusion. Examiners considered the dollar volume relative to the institution’s capacity and the credit needs of the assessment area when arriving at this conclusion. Please refer to the discussion under the State of Virginia for additional details regarding the innovative or flexible lending practices in the Roanoke MSA AA.

Community Development Loans

The institution made a low level of CD loans in the Roanoke MSA assessment area. Its extent, or dollar volume, of CD loans and the CD loans’ responsiveness support this conclusion.

As noted under the rated area level, Pinnacle Bank originated 30 CD loans totaling approximately \$20.5 million in the Roanoke MSA assessment area. By dollar volume, this equates to 38.1 percent

(or 42.8 percent of total CD loans less statewide activities) of the bank's relatively high level of CD loans in the State of Virginia as compared to the 82.2 percent of the bank's home mortgage and small business loans attributed to this assessment area. The bank's level of CD loans in the Roanoke MSA assessment area is higher than the \$10.2 million noted at the last evaluation. The following point provide an example of the bank's CD loans in the Roanoke MSA assessment area.

- ***Revitalize or Stabilize*** – The bank originated a \$1.1million loan to help retain a business in a low-income census tract. The business helps to attract new and retain existing businesses in the area.

INVESTMENT TEST

Pinnacle Bank demonstrated a low satisfactory record in the Roanoke MSA assessment area regarding the Investment Test. The significant level of qualified investments hampered by the adequate responsiveness to CD needs and rare use of complex investments supports this conclusion.

Investment and Grant Activity

The bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors in the Roanoke MSA assessment area. The table for the State of Virginia shows that Pinnacle Bank made 51 investments totaling approximately \$15.1 million in the Roanoke MSA assessment area. By dollar volume, this equates to 49.6 percent (or 97.9 percent of total qualified investments less statewide activities) of the overall significant level of qualified investments in the State of Virginia as compared to 97.7 percent of total deposits attributed to this assessment area.

The following is an example of a key investment in the Roanoke MSA assessment area.

- ***Affordable Housing*** – The bank allocated \$8.8 million in a MBS in the Roanoke MSA AA where the underlying loans finance single-family housing for low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

Pinnacle Bank's CD activities show adequate responsiveness to CD needs through use of investments that directly address identified needs in the Roanoke MSA assessment area. The investment table for the State of Virginia shows shows adequate responsiveness to CD needs by the dollar amount in three of the four CD purpose categories, with an emphasis on affordable housing.

Pinnacle Bank's major investments addressed the following needs throughout the Roanoke MSA assessment area:

- Affordable housing needs with approximately \$864,000 in a prior period investment in a Housing Equity Fund that invests in low-income residential rental properties providing affordable housing to low- and moderate-income individuals.
- Community service needs through larger dollar amount donations to a community action

agency that provides education, workforce development, and affordable housing to low- and moderate-income individuals.

Community Development Initiatives

Pinnacle Bank made rare use of complex or innovative investments to support CD initiatives, given the size of the institution and opportunities available in the Roanoke MSA assessment area.

SERVICE TEST

Pinnacle Bank demonstrated a high satisfactory record in the Roanoke MSA assessment area regarding the Service Test. The excellent levels and qualitative aspects regarding the bank’s CD services lifted the reasonably accessible delivery systems and reasonableness of hours and services to support this conclusion.

Accessibility of Delivery Systems

The bank makes its full-service offices reasonably accessible to essentially all portions of the Roanoke MSA assessment area.

As shown in the following table, the bank’s level of branch distribution in low-income tracts falls 4.9 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In the moderate-income census tracts, the bank’s level of branch distribution falls 12.5 percentage points below the population percentage, typically reflecting poor performance. However, the change in census tract designations from the 2020 U.S. Census resulted in the decline of one branch in moderate-income census tracts, which did impact the rating conclusion for moderate-income census tracts by raising to adequate performance.

Branch and ATM Distribution by Geography Income Level												
Assessment Area: Roanoke MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	4	5.9	13,484	4.9	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	18	26.5	69,288	25.0	1	12.5	1	12.5	0	0.0	0	0.0
Middle	28	41.2	116,666	42.2	4	50.0	4	50.0	0	0.0	0	0.0
Upper	18	26.5	77,325	27.9	3	37.5	3	37.5	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Totals	68	100.0	276,763	100.0	8	100.0	8	100.0	0	100.0	0	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

The bank makes its alternative delivery systems reasonably accessible to essentially all portions of

the Roanoke MSA assessment area.

The bank's level of ATMs in low-income tracts falls 4.9 percentage points below the population of low-income census tracts, reflecting adequate performance given the nominal percentage of population. In the moderate-income census tracts, the bank's level of ATMs falls 12.5 percentage points below the population percentage, typically reflecting poor performance. However, the change in census tract designations from the 2020 U.S. Census data resulted in the decline of one ATM in moderate-income census tracts, which did impact the rating conclusion for moderate-income census tracts by raising to adequate performance.

Refer to the Service Test section for the state for details on digital banking services that provide banking access to low- and moderate-income people and tracts.

In addition to the overall bank statistics on digital banking channels, the bank provided data for the Roanoke, Virginia assessment area on the banking access to low- and moderate-income people and tracts compared to 2020 U.S. Census data:

- The following data provides insights to the bank's digital mortgage presence for low- and moderate-income individuals or tracts:
 - o The percentage of online mortgage applications from low- and moderate-income tracts to total applications significantly increased over the review period from 4.4 percent in 2020 to 42.9 percent as of 4/30/2023. The 42.9 percentage compares is significantly higher than the percentage of owner-occupied units in low- and moderate-income tracts at 24.7 percent.
 - o The percentage of online mortgage applications from low- and moderate-income individuals to total applications significantly increased over the review period from 17.4 percent in 2020 to 35.7 percent as of 4/30/2023. This 35.7 percentage compares below the population percentage of low- and moderate-income families at 39.9 percent.
- The percentage of all online banking transactions in low- and moderate-income tracts is stable throughout the review period from 12.8 percent in 2020 to 13.8 percent as of 3/30/2023. This 13.8 percentage compares significantly below the population percentage in low- and moderate-income tracts at 29.9 percent.
- The percentage of online deposit accounts opened in low- and moderate-income tracts is stable throughout the review period from 28.6 percent in 2020 to 50.0 percent as of 4/30/2023. This 50.0 percentage compares significantly higher than the population percentage in low- and moderate-income tracts at 29.9 percent.

Changes in Branch Locations

The institution did not have any changes to branch locations since the last evaluation in the Roanoke MSA assessment area. Therefore, this criterion did not affect the overall Service Test rating for the assessment area.

Reasonableness of Business Hours and Services

Services, including where appropriate, business hours, do not vary in a way that inconveniences portions of the Roanoke MSA assessment area, particularly low- or moderate-income geographies or individuals. The Roanoke MSA assessment area reflects product offerings, services, and branch hours consistent with the State of Virginia.

The bank's branches have the same product offerings and services, and branch locations have similar hours. Branch hours are from Monday through Friday 9 a.m. to 5 p.m. The Roanoke MSA assessment area reflects product offerings, services, and branch hours consistent with discussion for the State of Virginia.

Community Development Services

The institution provides an excellent level of CD services in the Roanoke MSA assessment area. Excellent performance regarding the extent of CD services and the excellent responsiveness of CD services to available opportunities primarily support this conclusion.

The table in the State of Virginia section shows that the bank provided 226 CD services since the previous evaluation in the Roanoke MSA assessment area. This number equates to an average of 8.6 CD services, per office, per year, since the previous evaluation, thereby reflecting an excellent level. The bank had 8 full-service offices for the 3.3 years since the previous evaluation.

Leadership is evident through Board or committee participation in a number of those activities. Service activities primarily demonstrate the responsiveness to community needs for community services to low- and moderate-income individuals.

The following are examples of CD services specific to the Roanoke MSA assessment area:

- ***Affordable Housing***- A bank employee served as Board Member on an organization that works to improve the homes and lives of low- and moderate-income homeowners. The organization works to preserve and revitalize houses to ensure low- and moderate-income homeowners have a safe and healthy place to live.
- ***Community Services*** - A bank employee taught a financial education class on how to manage checking account activities at a nonprofit location. The nonprofit aims to empower low- and moderate-income youth and their parents by teaching financial literacy, entrepreneurship, and community service.
- ***Revitalize and Stabilize*** - A bank employee served as a Board member on an organization taking actions to revitalize and stabilize low- and moderate-income areas in downtown Roanoke.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for this rated area’s assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. The conclusions did not alter the bank’s overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Lynchburg MSA	Exceeds	Consistent	Consistent

Facts and data supporting conclusions for each limited-scope assessment area follow, including a summary of Pinnacle Bank’s operations and activities. The demographic data for the limited-scope assessment areas is in Appendix C.

Lynchburg MSA AA

The bank’s Lynchburg MSA AA consists of all of Bedford, Campbell, and Lynchburg City Counties. This distribution of branches proved consistent with the Institution’s overall conclusion. The availability of alternative delivery systems also demonstrated consistent performance with the institution overall. Finally, the product offerings, services, and branch hours do not vary in a way that inconveniences certain individuals or areas.

Pinnacle Bank operates one branch in this AA in a middle-income CT. The bank originated and engaged in the following activities in the assessment area during the review period.

Activity	#	\$(000s)
Home Mortgage Loans	29	21,075
Small Business Loans	79	11,712
Small Farm Loans	1	7
Community Development Loans	13	27,397
Investments	33	331
CD Services	37	--

Geographic Distribution

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2021
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Lynchburg	79	11,712	0.5	4,171	1.4	8.9	1.4	21.3	17.7	20.1	50.7	32.9	50.6	26.6	40.5	28.0	0.0	0.0	0.0

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Lynchburg	29	21,075	0.3	10,650	1.9	0.0	1.3	14.2	10.3	16.3	59.7	58.6	53.2	24.3	31.0	29.1	0.0	0.0	0.0	

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Borrower Profile

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues													2021
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Lynchburg	79	11,712	0.5	4,171	87.3	53.2	51.6	3.5	32.9	9.1	13.9		

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0.

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Lynchburg	29	21,075	0.3	10,650	20.8	0.0	8.2	17.4	6.9	19.9	21.5	13.8	20.9	40.3	58.6	33.2	0.0	20.7	17.8

Source: 2015 ACS Census; 2021 HMDA Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

APPENDICES

APPENDIX A - LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

APPENDIX B - SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Alabama	Low Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Georgia	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
North Carolina	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
South Carolina	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Tennessee	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Virginia	Low Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

APPENDIX C - DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

ALABAMA

Birmingham MSA

The Birmingham MSA AA consists of all of Jefferson County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Birmingham MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	163	19.0	29.4	26.4	24.5	0.6
Population by Geography	659,026	14.4	26.1	27.2	31.6	0.7
Housing Units by Geography	303,755	16.1	28.0	26.1	29.3	0.5
Owner-Occupied Units by Geography	164,894	8.8	23.0	30.7	37.4	0.1
Occupied Rental Units by Geography	96,035	24.2	32.6	20.6	21.4	1.2
Vacant Units by Geography	42,826	26.4	36.7	20.6	15.6	0.7
Businesses by Geography	53,296	10.8	25.5	22.7	39.0	2.0
Farms by Geography	951	6.3	18.6	24.4	49.6	1.1
Family Distribution by Income Level	166,460	26.3	15.9	17.4	40.4	0.0
Household Distribution by Income Level	260,929	28.2	15.9	16.0	39.9	0.0
Median Family Income MSA - 13820 Birmingham-Hoover, AL MSA		\$63,259	Median Housing Value			\$161,491
			Median Gross Rent			\$805
			Families Below Poverty Level			15.0%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 38 institutions operated 188 offices within this AA. Of these institutions, Pinnacle ranked 27th with 0.15 percent deposit market share. The top 3 financial institutions account for 64.9 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#231 by rank and 0.1% by market share), small business (#34 by rank and 0.3% by market share), and zero small farm loans.

NORTH CAROLINA

Asheville MSA

The Asheville MSA AA consists of all of Buncombe, Haywood, and Henderson Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Asheville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	99	2.0	14.1	59.6	22.2	2.0
Population by Geography	416,225	1.6	13.1	63.7	21.5	0.0
Housing Units by Geography	205,711	2.0	12.9	63.4	21.8	0.0
Owner-Occupied Units by Geography	117,110	1.4	10.9	64.1	23.6	0.0
Occupied Rental Units by Geography	56,940	3.2	17.9	59.2	19.7	0.0
Vacant Units by Geography	31,661	2.2	10.8	68.0	19.0	0.0
Businesses by Geography	48,528	3.0	14.7	53.5	28.8	0.0
Farms by Geography	1,672	1.3	14.0	63.5	21.2	0.0
Family Distribution by Income Level	107,409	20.1	18.3	20.5	41.1	0.0
Household Distribution by Income Level	174,050	23.2	16.5	18.2	42.2	0.0
Median Family Income MSA - 11700 Asheville, NC MSA		\$57,243	Median Housing Value			\$194,389
			Median Gross Rent			\$795
			Families Below Poverty Level			11.1%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 19 institutions operated 95 offices within this AA. Of these institutions, Pinnacle ranked 13th with 0.55 percent deposit market share. The top 3 financial institutions account for 54.5 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#94 by rank and 0.3% by market share), small business (#23 by rank and 1.6% by market share), and zero small farm loans.

Burlington MSA

The Burlington MSA AA consists of all of Alamance County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Burlington MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	25.0	47.2	27.8	0.0
Population by Geography	155,258	0.0	28.9	46.0	25.0	0.0
Housing Units by Geography	67,804	0.0	28.9	45.7	25.3	0.0
Owner-Occupied Units by Geography	40,273	0.0	22.9	47.8	29.3	0.0
Occupied Rental Units by Geography	21,272	0.0	39.2	41.8	19.0	0.0
Vacant Units by Geography	6,259	0.0	33.1	45.5	21.3	0.0
Businesses by Geography	11,556	0.0	24.8	48.4	26.7	0.0
Farms by Geography	404	0.0	17.6	53.7	28.7	0.0
Family Distribution by Income Level	40,938	21.8	17.8	18.3	42.1	0.0
Household Distribution by Income Level	61,545	23.8	17.2	17.3	41.8	0.0
Median Family Income MSA - 15500 Burlington, NC MSA		\$53,234	Median Housing Value			\$139,707
			Median Gross Rent			\$764
			Families Below Poverty Level			14.4%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 14 institutions operated 29 offices within this AA. Of these institutions, Pinnacle ranked 9th with 3.1 percent deposit market share. The top 3 financial institutions account for 60.3 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#53 by rank and 0.5% by market share), small business (#11 by rank and 7.1% by market share), and small farm (#7 by rank and 2.1% by market share).

Durham MSA

The Durham MSA AA consists of all of Chatham, Durham, and Orange Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Durham MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	101	10.9	20.8	26.7	37.6	4.0
Population by Geography	494,892	8.7	20.0	32.3	37.7	1.4
Housing Units by Geography	211,614	9.1	19.0	33.3	38.6	0.0
Owner-Occupied Units by Geography	114,365	2.9	13.3	36.2	47.5	0.0
Occupied Rental Units by Geography	80,413	16.9	26.1	28.9	28.1	0.1
Vacant Units by Geography	16,836	13.8	23.7	34.1	28.3	0.0
Businesses by Geography	54,450	6.5	15.6	32.2	44.1	1.6
Farms by Geography	1,565	3.0	11.9	51.4	33.5	0.1
Family Distribution by Income Level	117,903	22.5	16.2	17.6	43.7	0.0
Household Distribution by Income Level	194,778	24.2	15.1	16.9	43.7	0.0
Median Family Income MSA - 20500 Durham-Chapel Hill, NC MSA		\$68,020	Median Housing Value			\$224,974
			Median Gross Rent			\$904
			Families Below Poverty Level			10.8%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 19 institutions operated 95 offices within this AA. Of these institutions, Pinnacle ranked 9th with 1.4 percent deposit market share. The top 3 financial institutions account for 76.3 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#62 by rank and 0.3% by market share), small business (#12 by rank and 6.8% by market share), and small farm (#12 by rank and 0.3% by market share).

Greensboro MSA

The Greensboro MSA AA consists of all of Guilford and Randolph Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Greensboro MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	147	6.8	25.9	35.4	31.3	0.7
Population by Geography	649,133	5.6	23.7	39.6	31.1	0.0
Housing Units by Geography	283,278	5.6	24.1	39.8	30.6	0.0
Owner-Occupied Units by Geography	158,588	2.3	16.9	41.9	38.8	0.0
Occupied Rental Units by Geography	95,459	10.2	33.4	36.6	19.7	0.0
Vacant Units by Geography	29,231	7.8	32.2	38.4	21.6	0.0
Businesses by Geography	68,536	4.2	22.0	33.7	39.9	0.1
Farms by Geography	1,931	2.0	14.3	46.5	37.2	0.0
Family Distribution by Income Level	164,636	21.1	18.0	18.2	42.7	0.0
Household Distribution by Income Level	254,047	22.6	16.5	17.3	43.5	0.0
Median Family Income MSA - 24660 Greensboro-High Point, NC MSA		\$55,218	Median Housing Value			\$151,009
			Median Gross Rent			\$764
			Families Below Poverty Level			13.1%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 23 institutions operated 129 offices within this AA. Of these institutions, Pinnacle ranked 4th with 12.5 percent deposit market share. The top 3 financial institutions account for 56.9 percent of the total deposit market share.

For 2021, the bank’s market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank’s market share for deposits by dollar amount in the AA. In 2021, the bank’s ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#19 by rank and 1.3% by market share), small business (#5 by rank and 16.6% by market share), and small farm (#4 by rank and 3.1% by market share).

North Carolina Non-MSA

The North Carolina Non-MSA AA consists of all of Stanley County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: North Carolina Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	0.0	7.7	53.8	38.5	0.0
Population by Geography	60,586	0.0	9.8	51.5	38.7	0.0
Housing Units by Geography	27,216	0.0	11.0	53.0	36.0	0.0
Owner-Occupied Units by Geography	16,815	0.0	6.7	52.2	41.1	0.0
Occupied Rental Units by Geography	6,852	0.0	20.1	50.8	29.1	0.0
Vacant Units by Geography	3,549	0.0	13.9	61.1	25.0	0.0
Businesses by Geography	4,162	0.0	17.0	43.0	39.9	0.0
Farms by Geography	274	0.0	2.6	56.6	40.9	0.0
Family Distribution by Income Level	16,472	18.2	18.1	18.6	45.1	0.0
Household Distribution by Income Level	23,667	21.4	16.2	16.7	45.7	0.0
Median Family Income Non-MSAs - NC		\$47,217	Median Housing Value			\$127,343
			Median Gross Rent			\$639
			Families Below Poverty Level			12.9%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 7 institutions operated 18 offices within this AA. Of these institutions, Pinnacle ranked 2nd with 16.6 percent deposit market share. The top 3 financial institutions account for 70.94 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#10 by rank and 1.9% by market share), small business (#4 by rank and 18.6% by market share), and small farm (#3 by rank and 15.6% by market share).

Raleigh MSA

The Raleigh MSA AA consists of all of Wake County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Raleigh MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	187	6.4	19.3	30.5	42.2	1.6
Population by Geography	976,019	6.2	22.8	31.8	38.8	0.5
Housing Units by Geography	392,813	5.6	22.7	33.1	38.5	0.0
Owner-Occupied Units by Geography	234,084	2.1	19.2	34.3	44.5	0.0
Occupied Rental Units by Geography	130,585	11.5	29.1	30.9	28.4	0.0
Vacant Units by Geography	28,144	7.6	22.9	33.3	36.1	0.0
Businesses by Geography	134,888	3.9	19.7	32.0	44.2	0.2
Farms by Geography	2,797	3.0	18.3	40.8	37.9	0.0
Family Distribution by Income Level	243,940	19.9	16.2	18.8	45.1	0.0
Household Distribution by Income Level	364,669	20.9	16.6	17.8	44.7	0.0
Median Family Income MSA - 39580 Raleigh-Cary, NC MSA		\$78,057	Median Housing Value			\$247,494
			Median Gross Rent			\$966
			Families Below Poverty Level			7.9%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 35 institutions operated 236 offices within this AA. Of these institutions, Pinnacle ranked 12th with 1.2 percent deposit market share. The top 3 financial institutions account for 64.0 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#97 by rank and 0.4% by market share), small business (#18 by rank and 4.1% by market share), and small farm (#18 by rank and 0.3% by market share).

Winston-Salem MSA

The Winston-Salem MSA AA consists of all of Davidson and Forsyth Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Winston-Salem MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	127	12.6	18.1	34.6	33.1	1.6
Population by Geography	525,551	9.5	19.8	35.7	34.3	0.8
Housing Units by Geography	232,643	9.6	20.1	36.7	33.3	0.4
Owner-Occupied Units by Geography	135,138	4.3	13.7	40.8	41.2	0.1
Occupied Rental Units by Geography	72,368	18.5	29.8	29.2	21.6	1.0
Vacant Units by Geography	25,137	12.2	26.5	36.0	24.8	0.4
Businesses by Geography	43,988	7.1	17.4	33.2	41.5	0.7
Farms by Geography	1,305	3.1	11.0	41.3	44.3	0.4
Family Distribution by Income Level	135,001	22.3	17.0	18.3	42.3	0.0
Household Distribution by Income Level	207,506	23.3	16.7	16.9	43.1	0.0
Median Family Income MSA - 49180 Winston-Salem, NC MSA		\$56,536	Median Housing Value			\$147,944
			Median Gross Rent			\$717
			Families Below Poverty Level			13.4%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 18 institutions operated 103 offices within this AA. Of these institutions, Pinnacle 6th with 5.9 percent deposit market share. The top 3 financial institutions account for 61.4 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#20 by rank and 1.4% by market share), small business (#4 by rank and 18.4% by market share), and small farm (#4 by rank and 12.1% by market share).

SOUTH CAROLINA

Greenville MSA

The Greenville MSA AA consists of all of Anderson, Greenville, and Pickens Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Greenville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	178	8.4	24.2	41.0	26.4	0.0
Population by Geography	786,242	5.8	20.2	42.4	31.6	0.0
Housing Units by Geography	336,396	6.3	21.0	43.2	29.5	0.0
Owner-Occupied Units by Geography	202,752	3.4	17.3	44.3	34.9	0.0
Occupied Rental Units by Geography	95,779	11.0	27.4	39.8	21.7	0.0
Vacant Units by Geography	37,865	9.5	24.7	45.5	20.3	0.0
Businesses by Geography	56,423	6.3	15.9	39.7	38.1	0.0
Farms by Geography	1,506	3.1	15.5	50.5	31.0	0.0
Family Distribution by Income Level	200,884	22.1	16.8	18.8	42.3	0.0
Household Distribution by Income Level	298,531	24.5	15.7	16.6	43.2	0.0
Median Family Income MSA - 24860 Greenville-Anderson, SC MSA		\$58,097	Median Housing Value			\$146,420
			Median Gross Rent			\$749
			Families Below Poverty Level			12.0%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 36 institutions operated 221 offices within this AA. Of these institutions, Pinnacle ranked 13th with 1.5 percent deposit market share. The top 3 financial institutions account for 43.6 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#56 by rank and 0.6% by market share), small business (#14 by rank and 4.0% by market share), and small farm (#19 by rank and 0.5% by market share).

Hilton Head MSA

The Hilton Head MSA AA consists of all of Beaufort County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Hilton Head MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	41	0.0	26.8	39.0	31.7	2.4
Population by Geography	171,420	0.0	26.6	50.3	23.1	0.0
Housing Units by Geography	93,858	0.0	21.6	45.2	33.2	0.0
Owner-Occupied Units by Geography	46,204	0.0	16.9	51.4	31.6	0.0
Occupied Rental Units by Geography	19,771	0.0	34.4	49.0	16.6	0.0
Vacant Units by Geography	27,883	0.0	20.2	32.1	47.6	0.0
Businesses by Geography	16,266	0.0	16.1	54.3	29.6	0.0
Farms by Geography	446	0.0	23.5	56.1	20.4	0.0
Family Distribution by Income Level	44,911	17.7	18.2	21.2	42.9	0.0
Household Distribution by Income Level	65,975	20.6	16.5	18.3	44.5	0.0
Median Family Income MSA - 25940 Hilton Head Island-Bluffton, SC MSA		\$63,345	Median Housing Value			\$312,936
			Median Gross Rent			\$1,054
			Families Below Poverty Level			8.7%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 19 institutions operated 53 offices within this AA. Of these institutions, Pinnacle ranked 14th with 0.98 percent deposit market share. The top 3 financial institutions account for 45.7 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#62 by rank and 0.3% by market share), small business (#19 by rank and 3.7% by market share), and zero small farm loans.

Myrtle Beach MSA

The Myrtle Beach MSA AA consists of all of Brunswick and Horry Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Myrtle Beach MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	105	1.9	19.0	56.2	19.0	3.8
Population by Geography	406,656	1.5	19.0	63.6	15.7	0.2
Housing Units by Geography	271,514	1.5	14.4	60.7	23.2	0.1
Owner-Occupied Units by Geography	119,389	0.4	16.1	64.9	18.4	0.2
Occupied Rental Units by Geography	48,542	3.6	20.6	61.7	13.9	0.2
Vacant Units by Geography	103,583	1.7	9.5	55.5	33.2	0.1
Businesses by Geography	36,447	3.7	15.8	57.6	22.4	0.5
Farms by Geography	1,168	0.9	24.1	60.4	14.0	0.5
Family Distribution by Income Level	110,740	20.1	18.4	21.2	40.3	0.0
Household Distribution by Income Level	167,931	23.1	16.4	19.1	41.4	0.0
Median Family Income MSA - 34820 Myrtle Beach-Conway-North Myrtle Beach, SC-NC MSA		\$53,695	Median Housing Value			\$194,604
			Median Gross Rent			\$849
			Families Below Poverty Level			12.8%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 23 institutions operated 141 offices within this AA. Of these institutions, Pinnacle ranked 14th with 3.0 percent deposit market share. The top 3 financial institutions account for 36.1 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#93 by rank and 0.5% by market share), small business (#18 by rank and 3.8% by market share), and small farm (#10 by rank and 1.1% by market share).

Spartanburg MSA

The Spartanburg MSA AA consists of all of Spartanburg County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Spartanburg MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	69	8.7	24.6	40.6	26.1	0.0
Population by Geography	291,240	4.8	20.8	43.6	30.8	0.0
Housing Units by Geography	123,931	5.3	21.5	43.8	29.4	0.0
Owner-Occupied Units by Geography	75,378	2.3	15.6	47.1	35.1	0.0
Occupied Rental Units by Geography	34,514	10.7	31.1	38.8	19.5	0.0
Vacant Units by Geography	14,039	8.7	29.8	38.3	23.2	0.0
Businesses by Geography	18,668	2.4	20.8	40.2	36.7	0.0
Farms by Geography	566	1.1	16.1	45.8	37.1	0.0
Family Distribution by Income Level	76,454	21.0	17.4	18.9	42.7	0.0
Household Distribution by Income Level	109,892	23.6	15.6	17.3	43.5	0.0
Median Family Income MSA - 43900 Spartanburg, SC MSA		\$53,959	Median Housing Value			\$122,515
			Median Gross Rent			\$695
			Families Below Poverty Level			13.5%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 17 institutions operated 56 offices within this AA. Of these institutions, Pinnacle ranked 13th with 1.4 percent deposit market share. The top 3 financial institutions account for 56.6 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#102 by rank and 0.2% by market share), small business (#17 by rank and 3.9% by market share), and small farm (#13 by rank and 0.5% by market share).

TENNESSEE

Chattanooga MSA

The Chattanooga MSA AA consists of all of Hamilton County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Chattanooga MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	82	12.2	14.6	37.8	32.9	2.4
Population by Geography	348,121	8.8	13.5	35.9	41.8	0.0
Housing Units by Geography	153,730	9.4	14.7	37.4	38.6	0.0
Owner-Occupied Units by Geography	87,922	4.2	11.7	37.2	46.9	0.0
Occupied Rental Units by Geography	48,397	16.3	18.9	38.2	26.6	0.0
Vacant Units by Geography	17,411	16.0	17.9	36.0	30.1	0.0
Businesses by Geography	39,905	8.0	14.5	35.8	41.4	0.3
Farms by Geography	878	5.4	12.2	38.7	43.7	0.0
Family Distribution by Income Level	88,629	20.2	17.0	18.9	44.0	0.0
Household Distribution by Income Level	136,319	23.9	15.6	17.0	43.4	0.0
Median Family Income MSA - 16860 Chattanooga, TN-GA MSA		\$58,694	Median Housing Value			\$159,123
			Median Gross Rent			\$769
			Families Below Poverty Level			11.3%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 20 institutions operated 95 offices within this AA. Of these institutions, Pinnacle ranked 4th with 12.7 percent deposit market share. The top 3 financial institutions account for 59.1 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#14 by rank and 3.3% by market share), small business (#2 by rank and 30.8% by market share), and small farm (#11 by rank and 2.5% by market share).

Cleveland MSA

The Cleveland MSA AA consists of all of Bradley County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Cleveland MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	15.8	10.5	47.4	26.3	0.0
Population by Geography	102,062	10.8	6.4	44.4	38.4	0.0
Housing Units by Geography	42,258	10.9	5.9	45.5	37.7	0.0
Owner-Occupied Units by Geography	25,108	4.7	3.2	45.6	46.4	0.0
Occupied Rental Units by Geography	13,358	21.4	10.1	45.1	23.4	0.0
Vacant Units by Geography	3,792	14.5	9.4	45.4	30.7	0.0
Businesses by Geography	7,903	7.7	10.9	48.6	32.8	0.0
Farms by Geography	268	1.1	2.6	46.3	50.0	0.0
Family Distribution by Income Level	26,469	22.2	16.8	18.4	42.6	0.0
Household Distribution by Income Level	38,466	24.2	16.1	16.2	43.4	0.0
Median Family Income MSA - 17420 Cleveland, TN MSA		\$52,007	Median Housing Value			\$143,104
			Median Gross Rent			\$707
			Families Below Poverty Level			15.1%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 11 institutions operated 24 offices within this AA. Of these institutions, Pinnacle ranked 4th with 13.2 percent deposit market share. The top 3 financial institutions account for 46.4 percent of the total deposit market share.

For 2021, the bank’s market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank’s market share for deposits by dollar amount in the AA. In 2021, the bank’s ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#34 by rank and 1.1% by market share), small business (#2 by rank and 18.8% by market share), and small farm (#7 by rank and 7.6% by market share).

Knoxville MSA

The Knoxville MSA AA consists of all of Anderson, Blount, and Knox Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Knoxville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	158	6.3	17.1	43.7	29.7	3.2
Population by Geography	644,966	5.0	14.9	48.3	31.0	0.9
Housing Units by Geography	288,630	5.4	16.9	48.5	29.1	0.1
Owner-Occupied Units by Geography	172,682	2.6	10.9	51.6	34.9	0.0
Occupied Rental Units by Geography	87,692	10.7	27.1	42.0	20.2	0.1
Vacant Units by Geography	28,256	6.2	21.8	50.0	21.7	0.3
Businesses by Geography	56,785	4.2	13.6	40.5	40.8	0.8
Farms by Geography	1,441	2.2	10.6	49.6	37.2	0.4
Family Distribution by Income Level	164,123	21.0	15.9	19.4	43.7	0.0
Household Distribution by Income Level	260,374	23.4	15.9	16.2	44.5	0.0
Median Family Income MSA - 28940 Knoxville, TN MSA		\$59,829	Median Housing Value			\$163,667
			Median Gross Rent			\$776
			Families Below Poverty Level			11.2%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 37 institutions operated 176 offices within this AA. Of these institutions, Pinnacle ranked 4th with 11.4 percent deposit market share. The top 3 financial institutions account for 50.0 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#16 by rank and 2.1% by market share), small business (#2 by rank and 22.9% by market share), and small farm (#7 by rank and 5.6% by market share).

Tennessee Non-MSA

The Tennessee Non-MSA AA consists of all of Bedford County. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Tennessee Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	11.1	66.7	22.2	0.0
Population by Geography	45,986	0.0	17.5	68.8	13.8	0.0
Housing Units by Geography	18,519	0.0	16.6	68.7	14.7	0.0
Owner-Occupied Units by Geography	11,401	0.0	11.3	70.9	17.8	0.0
Occupied Rental Units by Geography	5,320	0.0	26.8	65.9	7.3	0.0
Vacant Units by Geography	1,798	0.0	19.9	62.7	17.4	0.0
Businesses by Geography	2,787	0.0	17.8	66.4	15.9	0.0
Farms by Geography	192	0.0	6.3	64.1	29.7	0.0
Family Distribution by Income Level	12,185	19.4	17.7	20.7	42.2	0.0
Household Distribution by Income Level	16,721	19.0	16.9	16.6	47.4	0.0
Median Family Income Non-MSAs - TN		\$46,066	Median Housing Value			\$114,884
			Median Gross Rent			\$692
			Families Below Poverty Level			13.0%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 8 institutions operated 10 offices within this AA. Of these institutions, Pinnacle ranked 5th with 8.7 percent deposit market share. The top 3 financial institutions account for 72.2 percent of the total deposit market share.

For 2021, the bank’s market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank’s market share for deposits by dollar amount in the AA. In 2021, the bank’s ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#17 by rank and 1.3% by market share), small business (#4 by rank and 17.1% by market share), and small farm (#1 by rank and 16.4% by market share).

VIRGINIA

Lynchburg MSA

The Lynchburg MSA AA consists of all of Bedford, Campbell, and Lynchburg City Counties. Demographic data for this AA is included in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Lynchburg MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	48	2.1	25.0	56.3	16.7	0.0
Population by Geography	209,633	2.3	21.3	55.4	21.1	0.0
Housing Units by Geography	92,898	2.6	21.7	56.6	19.1	0.0
Owner-Occupied Units by Geography	55,880	1.9	14.2	59.7	24.3	0.0
Occupied Rental Units by Geography	25,030	3.8	37.9	45.2	13.2	0.0
Vacant Units by Geography	11,988	3.3	23.2	66.5	7.0	0.0
Businesses by Geography	18,961	1.4	21.3	50.7	26.6	0.0
Farms by Geography	831	0.8	10.1	65.2	23.8	0.0
Family Distribution by Income Level	53,342	20.8	17.4	21.5	40.3	0.0
Household Distribution by Income Level	80,910	24.3	15.8	18.1	41.8	0.0
Median Family Income MSA - 31340 Lynchburg, VA MSA		\$60,256	Median Housing Value			\$171,188
			Median Gross Rent			\$752
			Families Below Poverty Level			11.2%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2022, 17 institutions operated 63 offices within this AA. Of these institutions, Pinnacle ranked 15th with 0.39 percent deposit market share. The top 3 financial institutions account for 54.6 percent of the total deposit market share.

For 2021, the bank's market share of home mortgage, small business, and small farm lending by dollar volume in the AA is reasonable in comparison with the bank's market share for deposits by dollar amount in the AA. In 2021, the bank's ranking by loan products based on number of loans and market share percentage based on dollar volume in the AA is as follows: home mortgage (#72 by rank and 0.7% by market share), small business (#13 by rank and 6.9% by market share), and small farm (#14 by rank and 0.1% by market share).

APPENDIX D - GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.