

PINNACLE FINANCIAL PARTNERS INC
Form DEF 14A
March 04, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(RULE 14A-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the registrant x
Filed by a party other than the registrant o

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive proxy statement
- Definitive additional materials
- Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

PINNACLE FINANCIAL PARTNERS, INC.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than Registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies
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- (4) Proposed maximum aggregate value of transaction
- (5) Total fee paid

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- (1) Amount previously paid
- (2) Form, Schedule or Registration Statement No.
- (3) Filing Party
- (4) Date Filed

PINNACLE FINANCIAL PARTNERS, INC.
150 Third Avenue South, Suite 900
Nashville, Tennessee 37201
(615) 744-3700

March 4, 2014

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders, which will be held in our offices on the eighth floor of the Pinnacle at Symphony Place at 150 Third Avenue South, Nashville, Tennessee 37201, on Tuesday, April 15, 2014, at 11:00 a.m., CDT. I sincerely hope that you will be able to attend this meeting, and I look forward to seeing you.

This notice of the annual meeting and proxy statement describes the formal business to be transacted at the meeting. We will also report on our operations for the year ended December 31, 2013 and the first quarter of 2014, as well as our plans for the future. Your attention is directed to the proxy statement and notice of meeting accompanying this letter for more information regarding the matters proposed to be acted upon at the meeting.

We have elected to provide access to our proxy materials over the Internet under the Securities and Exchange Commission's "notice and access" rules. We are constantly focused on improving the ways shareholders connect with information about Pinnacle, and believe that providing our proxy materials over the Internet increases the ability of our shareholders to connect with the information they need, while reducing the environmental impact of our Annual Meeting.

Please take this opportunity to become involved in the affairs of Pinnacle Financial Partners, Inc. Whether or not you expect to be present at the meeting, please vote and submit your proxy as soon as possible via the Internet, by phone, or if you have requested to receive printed proxy materials, by mailing a proxy or voting instruction card enclosed with those materials. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If you decide later to attend the meeting, you may withdraw your proxy at any time and vote your shares in person.

Sincerely,

M. Terry Turner
President and Chief Executive Officer

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PINNACLE FINANCIAL PARTNERS, INC.
150 Third Avenue South, Suite 900
Nashville, Tennessee 37201
(615) 744-3700

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 15, 2014

The annual meeting of shareholders of Pinnacle Financial Partners, Inc. (the "Company") will be held on Tuesday, April 15, 2014, at 11:00 a.m., CDT in our offices on the eighth floor of the Pinnacle at Symphony Place at 150 Third Avenue South, Nashville, Tennessee 37201 for the following purposes:

- (1) To elect four persons to serve as Class II directors for a three-year term and to elect one person to serve as a Class I director for a two-year term until their successors are elected and duly qualified;
- (2) To consider and act upon a proposal to adopt the Company's 2014 Equity Incentive Plan;
- (3) To approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers as disclosed in the proxy statement that accompanies this notice;
- (4) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014; and
- (5) To transact any other business as may properly come before the meeting.

The Board of Directors has set the close of business on February 21, 2014, as the record date for determining the shareholders who are entitled to notice of, and to vote at, the meeting.

We are mailing a Notice of Internet Availability of Proxy Materials to many of our shareholders instead of paper copies of our proxy statement and our annual report. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how shareholders can receive a paper copy of our proxy materials, including the proxy statement, our 2013 Annual Report and proxy card.

We hope that you will be able to attend the meeting. We ask, however, whether or not you plan to attend the meeting that you vote as soon as possible. Promptly voting will help ensure that the greatest number of shareholders are present whether in person or by proxy. You may vote over the Internet, as well as by telephone, or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card enclosed with those materials. Please review the instructions on each of your voting options described in this proxy statement, as well as in the Notice you received in the mail.

If you attend the meeting in person, you may revoke your proxy at the meeting and vote your shares in person. You may revoke your proxy at any time before the proxy is exercised. Should you desire to revoke your proxy, you may do so as provided in the accompanying proxy statement.

By Order of the Board of Directors,

Hugh M. Queener, Corporate Secretary

Nashville, Tennessee
March 4, 2014

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PINNACLE FINANCIAL PARTNERS, INC.
150 Third Avenue South, Suite 900
Nashville, Tennessee 37201
(615) 744-3700

* * * * *

PROXY STATEMENT FOR 2014 ANNUAL MEETING

* * * * *

The Board of Directors (the “Board”) of Pinnacle Financial Partners, Inc. (the “Company”) has made this proxy statement and accompanying proxy card available to you on the Internet, or upon your request, has delivered such materials to you in printed form in connection with its solicitation of proxies for use at the 2014 Annual Meeting of Shareholders (the “Meeting”) to be held at 11:00 a.m. CDT on Tuesday, April 15, 2014 in our offices on the eighth floor of the Pinnacle at Symphony Place at 150 Third Avenue South, Nashville, Tennessee 37201, and at any adjournments of the Meeting. The Board is soliciting proxies for the purposes set forth in the notice the Company mailed to you on or about March 4, 2014 (the “Notice of Internet Availability of Proxy Materials”).

The purposes of the Meeting are (i) to elect four Class II directors and one Class I director, (ii) to approve the Company’s 2014 Equity Incentive Plan, (iii) to approve, on a non-binding, advisory basis, the compensation of the Company’s named executive officers, (iv) to ratify the appointment of the Company’s independent registered public accounting firm, and (v) to transact such other business as may properly be brought before the Meeting.

The close of business on February 21, 2014 is the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting. We first mailed the Notice of Internet Availability of Proxy Materials to our shareholders on or about March 4, 2014.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on April 15, 2014:

As outlined in the Notice of Internet Availability of Proxy Materials, this proxy statement, the proxy card and the Company’s 2013 Annual Report are available on the Internet at <http://materials.proxyvote.com/72346Q>.

As of the close of business on the record date, the Company had 90,000,000 shares of Common Stock, \$1.00 par value per share (the “Common Stock”), authorized, of which 35,336,340 shares were issued and outstanding, and 10,000,000 shares of preferred stock, no par value per share (the “Preferred Stock”), authorized, of which no shares were issued and outstanding. Each issued and outstanding share of Common Stock is entitled to one vote on all matters presented at the Meeting.

Pinnacle Financial Partners, Inc.

IMPORTANT MEETING AND VOTING INFORMATION

Proxy Voting Procedures

If you properly vote and submit your proxy card, the persons appointed as proxies will vote your shares according to the instructions you have specified on the proxy card. If you submit your executed proxy card but do not specify how the persons appointed as proxies are to vote your shares, your proxy will be voted as follows:

- FOR the election of the Class II and Class I director nominees;
- FOR the adoption of the Company's 2014 Equity Incentive Plan;
- FOR the non-binding, advisory approval of the compensation of the Company's named executive officers as disclosed in this proxy statement;
- FOR the ratification of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014; and
- In the best judgment of the persons appointed as proxies as to all other matters properly brought before the Meeting.

If any nominee for election to the Board named in this proxy statement becomes unavailable for election for any reason, the proxy will be voted FOR a substitute nominee selected by the Board.

You may also vote in person by attending the meeting to be held at 11:00 a.m. CDT on Tuesday, April 15, 2014 in our offices on the eighth floor of the Pinnacle at Symphony Place located at 150 Third Avenue South, Nashville, Tennessee 37201. Please be aware that cameras and other recording equipment will not be allowed in the Meeting.

Revocability of Proxies

You can revoke your proxy at any time before it is voted by delivering to Mr. Hugh M. Queener, Corporate Secretary, Pinnacle Financial Partners, Inc., 150 Third Avenue South, Suite 900, Nashville, Tennessee 37201, either a written revocation of the proxy or a duly executed proxy bearing a later date, or by casting a new vote by telephone or Internet (only your last proxy submitted prior to the Meeting will be counted). You may also revoke your proxy by attending the Meeting and voting in person. If you hold your investment in Company Common Stock in street name and you wish to cast your vote or change your vote at the Meeting, please bring a copy of your brokerage statement reflecting your share ownership as of the record date for the Meeting.

Shareholder Approval Requirements

A quorum will be present at the Meeting if at least 17,668,171 shares of Common Stock are represented in person or by valid proxy at the Meeting, which is a majority of the Company's outstanding shares of Common Stock as of the record date. According to Tennessee law and the Company's Amended and Restated Charter and Bylaws, the aggregate number of votes entitled to be cast by all shareholders present in person or represented by proxy at the Meeting, whether those shareholders vote "for" or "against" or "abstain" from voting, together with all broker non-votes will be counted for purposes of determining whether a quorum is present.

Broker Proxies. Proxies that are returned to us by brokers that have not received instructions to vote on one or more proposals and do not vote on such proposal(s) are referred to as "broker non-votes" with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum. Under the rules of the New York Stock Exchange (the "NYSE"), if your broker does not receive instructions from you, your broker will not be able to vote your shares with respect to non-routine matters. The election of directors, the proposal to adopt the Company's

2014 Equity Incentive Plan, and the proposal to approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers as disclosed in this proxy statement, are considered non-routine under the rules of the NYSE and failure to instruct your broker on how to vote on these matters will result in a broker non-vote.

Therefore, it is very important that you instruct your broker how you wish your shares to be voted on these matters. The ratification of the appointment of the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014 is considered routine and therefore your broker may vote your shares even if your broker does not receive instructions from you.

Pinnacle Financial Partners, Inc.

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Vote Required to Elect Directors. The directors of the Company are elected by a plurality of the total number of votes cast, which means the nominees who receive the largest number of properly cast votes will be elected as directors. A vote to “withhold authority” for the election of one or more director nominees will be counted for quorum purposes, but because the vote required to elect directors is a plurality vote, a vote to “withhold authority” will not affect the outcome of the election under Tennessee law. However, as explained more fully below, a vote to “withhold authority” will be counted for purposes of determining whether a director nominee received the affirmative vote of holders of a majority of the shares voted as required by the Company’s Corporate Governance Guidelines. So long as a quorum is present, a “broker non-vote” will have no effect on the approval of the nominees to the Company’s Board.

The Company’s Board has adopted Corporate Governance Guidelines, as described in more detail below, which provide that, should an incumbent director receive more “Withhold Authority” votes than “For” votes, that director shall tender his or her resignation to the Chairman of the Board following the shareholder vote. Subsequently, the Company’s Nominating and Corporate Governance Committee shall consider the relevant facts and circumstances, including the factors that may have given rise to the resulting shareholder vote and the service and qualifications of the impacted director(s), and recommend to the Board within ninety days of the shareholder vote as to whether to accept or reject the resignation of the impacted director(s). The Board shall also consider the relevant facts and circumstances as to whether to accept or reject the Nominating and Corporate Governance Committee’s recommendation. Subsequently, the Company shall describe a full explanation of the above process and the decisions reached in a Form 8-K filing with the Securities and Exchange Commission. Any director who tenders his resignation pursuant to this provision shall not participate in any discussion or recommendation related to the above process.

Vote Required to Adopt the Company’s 2014 Equity Incentive Plan, Vote Required to Approve, on a Non-Binding, Advisory Basis, the Compensation of the Company’s Named Executive Officers and Vote Required to Ratify the Appointment of KPMG LLP as Described in this Proxy Statement. The adoption of the Company’s 2014 Equity Incentive plan, the approval, on a non-binding, advisory basis, of the compensation of the Company’s named executive officers as described in this proxy statement as required pursuant to the Dodd-Frank Wall-Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the 2014 fiscal year and any matter other than that expressly enumerated in this proxy statement that properly comes before the Meeting will be approved if the number of shares of Common Stock voted in favor of the proposal exceeds the number of shares of Common Stock voted against it. A properly executed proxy marked "ABSTAIN" with respect to a proposal will not be voted on that proposal, although it will be counted in determining whether there is a quorum. Therefore, abstentions on the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm and abstentions or “broker non-votes” on the adoption of the Company’s 2014 Equity Incentive Plan, the approval, on a non-binding, advisory basis, of the compensation of the Company’s named executive officers as described in this proxy statement as required pursuant to the Dodd-Frank Act and any other proposal that properly comes before the Meeting will have no effect on whether the proposals are approved so long as a quorum is present.

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A summary of the voting provisions, provided a valid quorum is present or represented at the Meeting, for the above matters is as follows:

Vote	Director recommendation	Routine or Non-routine	Vote Requirement
Election of director nominees	FOR	Non-routine, thus if you hold your shares in street name, your broker <u>may not</u> vote your shares for you.	Plurality of shares cast either FOR or WITHHOLD AUTHORITY each candidate will determine the result. WITHHOLD AUTHORITY will not impact vote result but, if more than FOR votes, may impact director's ability to serve. Unmarked ballots will not be considered in vote result.
Adoption of 2014 Equity Incentive Plan Advisory, non-binding approval of compensation of named executive officers	FOR		Higher number of shares cast either FOR or AGAINST each proposal will determine the result. ABSTAIN will not impact vote result. Unmarked ballots will not be considered in vote result.
Ratification of independent registered public accounting firm	FOR	Routine, thus if you hold your shares in street name, your broker <u>may</u> vote your shares for you absent any other instructions from you.	

Proxy Solicitation

Although the Company does not currently plan to engage a proxy solicitation firm, the Company will pay the cost of proxy solicitation. Our directors, officers and employees may, without additional compensation, solicit proxies by personal interview, telephone, fax, or otherwise. We will direct brokerage firms or other custodians, nominees or fiduciaries to forward our proxy solicitation material to the beneficial owners of Common Stock held of record by these institutions and will reimburse them for the reasonable out-of-pocket expenses they incur in connection with this process.

Shareholder Proposals for Next Year's Meeting

In order for shareholder proposals for the 2015 Annual Meeting of Shareholders to be eligible for inclusion in the Company's 2015 proxy statement, all such proposals must be mailed to Hugh M. Queener, Corporate Secretary, Pinnacle Financial Partners, Inc., 150 Third Avenue South, Suite 900, Nashville, Tennessee 37201, and must be received no later than the close of business on November 4, 2014. After this date, a shareholder who intends to raise a proposal to be acted upon at the 2015 Annual Meeting of Shareholders, but who does not desire to include the proposal in the Company's 2015 proxy statement, must inform the Company in writing no later than January 19, 2015. If notice is not provided by that date, such notice will be considered untimely and the Board may exclude such proposals from being acted upon at the 2015 Annual Meeting of Shareholders. Further, if the Board elects not to exclude the proposal from consideration at the meeting (although not included in the proxy statement), the persons named as proxies in the Company's proxy for the 2015 Annual Meeting of Shareholders may exercise their discretionary authority to act upon any such proposal.

CORPORATE GOVERNANCE

The Company has developed sound corporate governance principles which it believes are essential to running the Company's business efficiently and to maintaining the Company's integrity in the marketplace.

Pinnacle Financial Partners, Inc.

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Corporate Governance Guidelines

The Company's Board has established a set of Corporate Governance Guidelines which address such matters as director qualifications, director nominations, board composition, director meetings, board committees and other matters. The Board believes such guidelines to be appropriate for the Company in its effort to maintain "best practices" as to corporate governance. You may access a copy of the Company's Corporate Governance Guidelines by clicking on the "Governance Documents" link on the Company's website at www.pnfp.com. Also, the Company has included other corporate governance documents such as the Audit Committee Charter, Human Resources and Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and Code of Conduct on the Company's website as well.

Director Independence

The Board, upon recommendation of the Nominating and Corporate Governance Committee, has determined that each of the following directors is an "independent director" within the meaning of NASDAQ Listing Rule 5605(a)(2):

Glenda Baskin Glover; Harold Gordon Bone;
Gregory L. Burns; Colleen Conway-Welch;
James C. Cope; William H. Huddleston, IV;
Ed C. Loughry, Jr.; Hal N. Pennington;
Gary L. Scott; and Reese L. Smith III

Conversely, directors Atkinson, Turner and McCabe are not considered independent. As a result, the Company considers 76.9% of its directorate independent at this time. In determining director independence the Board and the Nominating and Corporate Governance Committee considered the following relationships and transactions, none of which for 2013 constituted "related party transactions" that would be required to be disclosed by the rules and regulations of the Securities and Exchange Commission:

Under NASDAQ Listing Rule 5605(a)(2), directors may not be determined to be independent if they are an executive officer or have been employed by a company within the three years preceding the determination of independence. In addition, a director may not be considered independent if the director received more than \$120,000 in compensation (other than director fees, certain deferred compensation and retirement payments) from the Company for any twelve-month period during the preceding three years. Messrs. Turner and McCabe are executive officers of the Company, and accordingly, are not considered independent. Mr. Loughry was employed as Vice Chairman on March 15, 2006 upon the Company's acquisition of Cavalry Bancorp, Inc. ("Cavalry") and served as an executive officer of the Company until his retirement on December 31, 2007. Mr. Scott was employed as an executive officer of the Company upon the Company's acquisition of Mid-America Bancshares, Inc. on November 30, 2007 until his retirement on October 31, 2008. In its determination that Mr. Loughry and Mr. Scott were independent, the Board and the Nominating and Corporate Governance Committee considered the period of time that had elapsed since Mr. Loughry's and Mr. Scott's retirement, the nature and amount of payments they have received from the Company since their retirement, including in the case of Mr. Loughry, payments currently received pursuant to a nonqualified noncontributory supplemental retirement plan established by Cavalry prior to its acquisition by the Company, the nature of their prior positions, and the relatively brief length of their employment with the Company. Mr. Loughry serves on the Nominating and Corporate Governance Committee, all members of which are required to be independent. Mr. Loughry also chairs the Human Resources and Compensation Committee and serves on the Executive Committee during 2012, all of the members of which are required to be independent. Mr. Scott began serving on the Audit Committee during 2012, all members of which are required to be independent. Mr. Scott also serves on the Human Resources and Compensation Committee.

Dr. Conway-Welch and Mr. Smith were among the organizers of the Company and in 2000, in connection with their guarantee of a line of credit for organizational expenses, received ten year warrants to purchase common stock. In its

determination, the Board and the Nominating and Corporate Governance Committee considered that all such warrants have been exercised, and Dr. Conway-Welch and Mr. Smith have never participated in the day-to-day operations of the Company. Dr. Conway-Welch serves on the Community Affairs Committee and Nominating and Corporate Governance Committee. Mr. Smith services on the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee.

Pinnacle Financial Partners, Inc.

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Under NASDAQ Listing Rule 5605(a)(2), a director may not be considered independent if she is a controlling shareholder or executive officer of an organization to which the Company made payments within the preceding three years in excess of \$200,000 or 5% of the recipient's gross revenues for the year, whichever is greater. Ms. Atkinson serves as Chairman of Atkinson Public Relations ("Atkinson PR") which provides public relations services to the Company. The amounts received by Atkinson PR were less than those limits in 2012 and 2013, and not material, but exceeded the NASDAQ rule limits in 2011. Ms. Atkinson serves on the Community Affairs Committee and the Trust Committee.

When considering the independence of Mr. Cope, the Nominating and Corporate Governance Committee and the Board considered amounts paid by the Company to the law firm of which Mr. Cope is a partner as well as amounts currently paid to him pursuant to a nonqualified, noncontributory supplemental retirement plan established by Cavalry prior to its acquisition by the Company. During 2013, 2012 and 2011, the Company paid \$200, \$7,400, and \$500, respectively, to Mr. Cope's firm for legal services, which amounts were considered immaterial to Mr. Cope's firm and the Company. Pursuant to SEC Rule 10A-3(b)(1)(ii), Mr. Cope may not serve as a member of the firm's audit committee given his law firm has received compensatory fees from the Company. Mr. Cope serves on the Nominating and Corporate Governance Committee and the Executive Committee.

When considering the independence of Mr. Huddleston, the Nominating and Corporate Governance Committee and the Board considered the amounts paid by the Company to the engineering firm of which Mr. Huddleston is the President. During 2013, 2012, and 2011, the Company paid to Mr. Huddleston's firm approximately \$35,000, \$63,000, and \$14,000, respectively, for engineering services, which amounts were considered immaterial to Mr. Huddleston's firm and to the Company. Mr. Huddleston serves on the Audit Committee, all members of which are required to be independent. Mr. Huddleston also serves on the Trust Committee.

In its independence determination, the Board considered that directors, family members of directors and companies in which they serve as executives or controlling shareholders have various banking relationships, including loans, deposits and trust, insurance or investment services relationships with our subsidiary, Pinnacle Bank (the "Bank"), and that such services are provided on non-preferential terms generally available to other customers. Loans that are made to such persons do not involve, at the time made, more than the normal risk of collectability or present other unfavorable features to the Bank. For more information regarding these loans, see "Certain Relationships and Related Party Transactions" of this proxy statement.

In 2013, the independent directors held two meetings at which only independent directors were present. The independent directors determined that the chairman of the Company's Nominating and Corporate Governance Committee will serve as lead independent director and chairman of such meetings and at meetings of non-management directors. Mr. Loughry was previously appointed as the Company's lead independent director from March 1, 2012, through February 28, 2014. In connection with his appointment as Chairman of the Nominating and Corporate Governance Committee, Mr. Cope was appointed and designated as the lead independent director beginning March 1, 2014 and will continue as such until his successor is elected and qualified.

Director Qualifications

The Company's Corporate Governance Guidelines contain certain criteria that apply to nominees for a position on the Company's Board. The Company's Board and its Nominating and Corporate Governance Committee have also adopted procedures for the evaluation of director candidates (the "Nominee Procedures") that contain certain minimum qualifications for candidates, including those identified by the Company's shareholders. The Company's Corporate Governance Guidelines provide that the Nominating and Corporate Governance Committee will annually review with the Board the composition of the Board as a whole and will consider with the Board the current composition of the Board in an effort to ensure that the members of the Board have a diversity of age, skills and experience in the context of the needs of the Board. Beyond the Nominee Procedures, the Board has not adopted a formal, written diversity policy. The Board, however, does seek to include directors who, when taken with the other nominees and continuing

directors, will create a Board that offers a diversity of professional experience, background, age, gender, race, perspective, viewpoints and skills that match the diversity of the communities served by the Company.

Pinnacle Financial Partners, Inc.

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The Nominee Procedures provide that the Nominating and Corporate Governance Committee may consider whatever factors it deems appropriate in its assessment of a candidate for board membership and that candidates nominated to serve as directors will, at a minimum, in the Nominating and Corporate Governance Committee's judgment:

- be able to represent the interests of the Company and all of its shareholders and not be disposed by affiliation or interest to favor any individual, group or class of shareholders or other constituency;
- meet the minimum qualifications for directors set forth in the Corporate Governance Guidelines and fulfill the needs of the Board at that time in terms of diversity of age, gender, race, experience and expertise; and
- possess the background and demonstrated ability to contribute to the performance by the Board of its collective responsibilities, through senior executive management experience, relevant professional or academic distinction, and/or a record of relevant civic and community leadership.

In addition to these minimum qualifications, the Nominating and Corporate Governance Committee may also consider whether the candidate:

- is of the highest ethical character and shares the core values of the Company as reflected in the Company's Corporate Governance Guidelines and the Company's Code of Conduct;
- has a reputation, both personal and professional, consistent with the image and reputation of the Company;
- is highly accomplished in the candidate's field;
- has expertise and experience that would complement the expertise and experience of other members of the Board;
- has the ability to exercise sound business judgment; and
- is "independent" as such term is defined by the NASDAQ Listing Rules and the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Nominating and Corporate Governance Committee does not assign specific weights to any particular criteria and no particular criterion is necessarily applicable to all prospective nominees. In addition to the criteria set forth above, the Nominating and Corporate Governance Committee considers how the skills and attributes of each individual candidate or incumbent director work together to create a board that is collegial, engaged and effective in performing its duties. Moreover, the Nominating and Corporate Governance Committee believes that the background and qualifications of the directors, considered as a group, should provide a significant mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. For a discussion of the specific backgrounds and qualifications of our current directors, see "Proposal #1: Election of Directors — Nominees for Election to the Board".

Service Limitations for other Public Company Boards of Directors

The Company's Corporate Governance Guidelines limit the number of public company boards of directors on which the Company's directors may serve. Generally, non-employee directors may serve on the Company's Board and no more than three other public company boards, unless the non-employee director is the chief executive officer of a public company, in which case the limitation is reduced to two other public company boards. Employee directors are limited to the Company's Board plus two other public company boards.

Process for Identifying Candidates

The Nominating and Corporate Governance Committee seeks to identify potential candidates for membership on the Company's Board through conversations with members of the Board, senior management and other members of the communities served by the Company.

Pinnacle Financial Partners, Inc.

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The Nominating and Corporate Governance Committee also considers nominees proposed by the Company's shareholders in accordance with the provisions contained in the Company's Bylaws. The Nominating and Corporate Governance Committee considers candidates recommended by the Company's shareholders within the context of the criteria and procedures described in the Nominee Procedures and under the "Director Qualifications" and "Evaluation of Candidates" sections of this proxy statement. Under the Company's Bylaws, any shareholder may nominate a person for election to the Company's Board at the Meeting, provided that the nomination is received by the Secretary of the Company no later than March 15, 2014 and the nomination satisfies the requirements in the Company's bylaws. Each nomination submitted in this manner shall include the name and address of the nominee(s) and all other information with respect to the nominee as required to be disclosed in the proxy statement for the election of directors under applicable rules of the Securities and Exchange Commission, including the nominee's consent to being named as a nominee and to serving as a director, if elected. Additionally, the nominating shareholder must provide his or her name and address as it appears in the stock records of the Company and the number of shares of Common Stock beneficially owned by the shareholder.

Evaluation of Candidates

The Nominating and Corporate Governance Committee will consider all candidates nominated through the processes described above in accordance with the procedures described under the "Evaluation of Candidates" section. The chair of the Nominating and Corporate Governance Committee will preliminarily assess a candidate's qualifications and suitability, working with staff support and seeking input from the Board, and report such assessment as promptly as practicable to the Nominating and Corporate Governance Committee members. When feasible, the chair of the Nominating and Corporate Governance Committee will interview candidates whom the chair believes are likely to meet the criteria for Board membership as part of the preliminary assessment process. The report may be made to the Nominating and Corporate Governance Committee at a meeting of the committee or informally to each committee member between meetings.

If it is the consensus of the Nominating and Corporate Governance Committee that a candidate is likely to meet the criteria for Board membership, the chair of the Nominating and Corporate Governance Committee will advise the candidate of the committee's preliminary interest and, if the candidate expresses sufficient interest, with the assistance of the Company's corporate secretary's office, will arrange interviews of the candidate with one or more members of the Nominating and Corporate Governance Committee and senior management of the Company, and request such additional information from the candidate as the committee deems appropriate. The Nominating and Corporate Governance Committee of the Company will consider the candidate's qualifications, including the individual's background, skills and abilities, whether such characteristics are consistent with the Company's Corporate Governance Guidelines and the qualifications set forth in the Nominee Procedures and whether the candidate's qualifications and characteristics fulfill the needs of the Board at that time. The Nominating and Corporate Governance Committee will then confer and reach a collective assessment as to the qualifications and suitability of the candidate for membership on the Company's Board. On the basis of its assessment, the Nominating and Corporate Governance Committee will formally consider whether to recommend the candidate's nomination for election to the Board.

Board Leadership Structure

In accordance with the Company's Bylaws, the Board has elected the Company's Chief Executive Officer and its Chairman. Each of these positions may be held by the same person or may be held by two persons. Neither the Corporate Governance Guidelines nor any policy of the Board requires that the role of the Chairman and Chief Executive Officer be separate. Robert A. McCabe, Jr., who is also an employee of the Company, is the Chairman of the Board and has been the Chairman of the Board since the Company's formation. M. Terry Turner currently serves as a director and as the Company's President and Chief Executive Officer and has also held these positions since the Company's formation. Additionally, pursuant to the Company's Corporate Governance Guidelines, the Board elects a Lead Director who shall preside over periodic meetings of all independent directors. Effective March 1, 2014, Mr. Cope serves as the Lead Director of the Company. Mr. Loughry previously served as Lead Director prior to Mr.

Cope's election. The Lead Director's responsibilities include, among other things, supporting the Chairman of the Board in developing the agenda for Board meetings and in serving as a conduit for information flow between management and the non-employee members of the Board.

The Company's Board is currently comprised of 13 directors, ten of whom are considered independent under the NASDAQ Listing Rules and the rules of the Securities and Exchange Commission. The Board currently has five committees, which are the Executive Committee, the Audit Committee, the Community Affairs Committee, the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee, all of which are discussed in more detail below. Certain directors also serve on two Pinnacle Bank committees, the Directors Loan Committee and the Trust Committee; these committees assist the Board in monitoring certain Bank operations.

Pinnacle Financial Partners, Inc.

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The Audit Committee, the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee are composed entirely of independent directors within the meaning of that term in the NASDAQ Listing Rules and the rules and regulations of the Securities and Exchange Commission.

The Company believes that its current leadership structure is appropriate for the Company in that it provides an efficient decision making process with proper independent oversight. The Company's Chairman is highly involved in the day to day operations of the Company. His responsibilities include but are not limited to:

- Direct responsibility for the strategic direction of the various fee businesses of the Company, including wealth management, investment services, trust and insurance services.
- Lead business development officer for commercial clients and affluent consumers.
- Chairman of the Company's asset liability management committee.

Likewise, the Company's President and Chief Executive Officer is also charged with the day to day operations of the Company. His responsibilities include but are not limited to:

- Direct responsibility for the overall strategic direction of the Company.
- Provides leadership to the Company's various communication channels both internal and external, including media and investor relations.
- Chairman of the Company's Leadership Team and Senior Management Committee.

Although people actively employed by the Company provide the primary source of day to day leadership, their actions are still subject to the oversight of the Board and its committees. Pursuant to our Corporate Governance Guidelines, our independent directors are required to meet at least twice a year under the leadership of the Lead Director. Additionally, the Executive Committee, over two-thirds of which is composed of independent directors, meets monthly throughout the year. Finally, over three-fourths of the Board is independent and given the independence of the Audit, Human Resources and Compensation Committee and Nominating and Corporate Governance Committee, the Company believes that its leadership structure encourages a strong leadership platform with an appropriate amount of independent oversight.

Risk Oversight

The Board is responsible for providing oversight of the Company's risk management processes. The Executive Committee is primarily responsible for overseeing the risk management function of the Company on behalf of the Board. In carrying out its responsibilities, the Executive Committee works closely with the Company's Senior Risk Officer and other members of the Company's senior risk management team. The Executive Committee meets at least quarterly with the Senior Risk Officer and other members of management and receives a comprehensive report on risk management, including management's assessment of risk exposures (including risks related to liquidity, credit, operations and regulatory compliance, among others), and the processes in place to monitor and control such exposures. The Executive Committee also receives updates relating to risk oversight matters between these quarterly meetings from the Senior Risk Officer, the Chief Executive Officer, the Chief Financial Officer and other members of management. The Executive Committee provides a report on risk management to the full Board on at least a quarterly basis. In addition, at least annually, the Senior Risk Officer and members of the risk staff make a presentation on enterprise-wide risk management to the full Board.

In addition to the Executive Committee, the other committees of the Board consider the risks within their areas of responsibility. The Human Resources and Compensation Committee considers the risks that may be implicated by our executive compensation programs, and the Audit Committee takes into account risk assessment in its review of the Company's internal audit, data security and external audit programs. For a discussion of the Human Resources and Compensation Committee's review of the Company's senior executive officer compensation plans and employee compensation plans and the risks associated with these plans, see "Executive Compensation — Compensation Risk

Management” of this proxy statement.

Pinnacle Financial Partners, Inc.

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Code of Conduct

The Company has a Code of Conduct that applies to the Company's associates and directors. The purpose of the Code of Conduct is to, among other things, provide written standards that are reasonably designed to deter wrongdoing and to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the Securities and Exchange Commission and other public communications by the Company; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Code of Conduct; and accountability for adherence to the Code of Conduct. Each director and associate is required to read and certify annually that he or she has read, understands and will comply with the Code of Conduct.

Under the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission's related rules, the Company is required to disclose whether it has adopted a Code of Ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Company's Chief Executive Officer and senior financial officers are bound by the Company's Code of Conduct which contains provisions consistent with the Securities and Exchange Commission's description of a Code of Ethics.

A copy of the Company's Code of Conduct can be obtained by clicking on the "Governance Documents" link on the Company's website at www.pnfp.com. The Company intends to disclose any legally required amendments to, or waivers from, the Code of Conduct with respect to its directors and officers in accordance with the rules and regulations of the Securities and Exchange Commission and the NASDAQ Stock Market. If such disclosure is made on the Company's website it will be located in the "Investor Relations" section of the Company's website at www.pnfp.com.

Communications with Members of the Board

The Company's Board has established procedures for the Company's shareholders to communicate with members of the Board. Shareholders may communicate with any of the Company's directors, including the chairperson of any of the committees of the Board, by writing to a director c/o Pinnacle Financial Partners, Inc., 150 Third Avenue South, Suite 900, Nashville, Tennessee 37201.

Board Member Attendance at Annual Meeting

The Company encourages each member of the Board to attend the Annual Meeting of Shareholders. All of the Company's directors who served on the Board at that time attended the 2013 Annual Meeting of Shareholders except for Dr. Wayne J. Riley, MD. Dr. Riley, formerly a Class II director, resigned from the Board effective August 6, 2013.

PROPOSAL #1: ELECTION OF CLASS II DIRECTORS

The Company's Bylaws provide that the Board shall consist of not less than five (5) not more than twenty-five (25) directors, and shall be divided into three classes.

The terms for four (4) of the Company's incumbent Class II directors expire at the Meeting. These directors are James C. Cope, William H. Huddleston, IV, Robert A. McCabe, Jr., and Reese L. Smith III. Messrs. Cope, Huddleston, and McCabe were elected for a three-year term at the 2011 annual meeting. Effective September 17, 2013, Mr. Smith was elected by the Board to serve as a director. Tennessee law and the Company's Bylaws require that each class of directors be as nearly equal in number as possible; accordingly, Mr. Smith was elected as a Class II director. The nomination of directors Cope, Huddleston, McCabe and Smith for their re-election to a three-year term has been recommended by the Nominating and Corporate Governance Committee and approved by the Board. Glenda Baskin Glover was elected to the Board as a Class I director effective November 30, 2013. The nomination of director Glover

for a two-year term has been recommended by the Nominating and Corporate Governance Committee and approved by the Board. The Nominating and Corporate Governance Committee has determined that Messrs. Cope, Huddleston, and Smith and Dr. Glover qualify as independent under the NASDAQ Listing Rules requiring that a majority of the Board meet required independence criteria. There are four (4) directors whose terms expire at the 2015 annual meeting and five (5) directors (including Dr. Glover, if she is elected) whose terms expire at the 2016 annual meeting. In each case, directors are elected until their respective successors are duly elected and qualified. Typically, at each annual meeting, one class of directors is elected for a three year term. Directors elected by the board of directors to fill board vacancies are required to stand for election by the shareholders at the next annual meeting.

Pinnacle Financial Partners, Inc.

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Unless a proxy specifies otherwise, the persons named in the proxy will vote the shares covered thereby FOR the nominees as listed. Each nominee has consented to be a candidate and to serve, if elected. While the Board has no reason to believe that any nominee will be unavailable, if such an event should occur, it is intended that shares represented by proxies will be voted for substitute nominee(s) as selected by the Board.

All of the Company's directors also currently serve as directors of the Bank.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSED DIRECTOR NOMINEES.

Nominees for Election to the Board

The biographies of each of the nominees and continuing directors below contain information regarding the person's service as a director, business experience, director positions for Securities and Exchange Commission reporting companies held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board to determine that the person should serve as a director for the Company.

Class II Directors:

James C. Cope (64) Director since March 15, 2006
Term to expire 2014

Mr. Cope is a member in the law firm of Cope, Hudson, Reed & McCreary PLLC in Murfreesboro, Tennessee and has practiced law continuously in Murfreesboro, Tennessee since 1976. Mr. Cope is a graduate of the University of Tennessee and received his Doctor of Jurisprudence degree from Vanderbilt University in 1974. Mr. Cope serves as attorney for Rutherford County, Tennessee, the Middle Tennessee Electric Membership Corporation, the Consolidated Utility District of Rutherford County, the Murfreesboro Housing Authority, the Smyrna/Rutherford County Airport Authority and otherwise engages in a general practice of civil law. He is admitted to practice before the Sixth Circuit and Eleventh Circuit Courts of Federal Appeals and the Supreme Court of the United States of America. He is a member of the American Bar Association and the Tennessee Bar Association. He has served as a hearing officer appointed by the Supreme Court of the State of Tennessee for the Board of Professional Responsibility (1988-1993). He is past President of the Middle Tennessee State University Foundation and the Murfreesboro Rotary Club. He also served on the board and was an initial class member of Leadership Rutherford. In addition, he also served on the board of the YMCA of Rutherford County.

Prior to our acquisition of Cavalry on March 15, 2006, Mr. Cope served as a director of Cavalry's subsidiary, Cavalry Banking, from 1992 and as a director of Cavalry, which was a registered public bank holding company headquartered in Murfreesboro, Tennessee, from 1998.

Mr. Cope's over thirty years of legal practice in the Rutherford County, Tennessee area, during which he has represented a broad array of corporate and municipal clients, contribute to the breadth and depth of experience on the Board through the inclusion of a member with an understanding of a broad range of legal and regulatory matters as well as skills necessary to serve as the Company's Lead Director. Mr. Cope's reputation and involvement in the Rutherford County community strengthen the Company's ties to one of its important markets.

Pinnacle Financial Partners, Inc.

\$3.85 \$7.46 \$4.00 \$3.77

Cash dividends declared per common share

\$1.81 \$1.60 \$1.81 \$1.60

SELECTED RATIOS (d)

Net interest margin

3.00% 2.92% 3.00% 2.92%

Noninterest income to total revenue (e)

58 76 58 61

Efficiency (f)

61 49 59 62

Return on:

Average common shareholders' equity

12.62% 33.87% 13.10% 17.13%

Average assets

1.44 3.17 1.50 1.60

Certain prior period amounts included in these Consolidated Financial Highlights have been reclassified to conform with the current period presentation.

- (a) Amounts adjusted to exclude the impact of the following items, in each case, as appropriate, adjusted for the tax impact: (1) the gain recognized in connection with the transfer of BlackRock shares to satisfy a portion of our BlackRock LTIP shares obligation, (2) the net mark-to-market adjustment on our remaining BlackRock LTIP shares obligation, and (3) acquisition and BlackRock/MLIM transaction integration costs. See pages 16-19 for additional information.
- (b) Amounts adjusted to exclude the impact of the following items, in each case, as appropriate, adjusted for the tax impact: (1) the gain on the BlackRock/MLIM transaction, (2) the loss on the securities portfolio rebalancing, (3) BlackRock/MLIM transaction integration costs, and (4) the mortgage loan portfolio repositioning loss. Additionally, the amounts are adjusted as if we had recorded our investment in BlackRock on the equity method. See pages 16-19 for additional information.
- (c) Reconciliations of net interest income on a GAAP basis to taxable-equivalent net interest income are provided on page 19.
- (d) Reconciliations of selected ratios from the As Reported (GAAP) basis to the As Adjusted basis are provided on page 18.
- (e) Calculated as noninterest income divided by the sum of net interest income (GAAP basis) and noninterest income. Noninterest income for the 2006 period included the impact of BlackRock on a consolidated basis, primarily consisting of asset management fees. Noninterest income for the 2007 period reflected income from our equity investment in BlackRock included in the Asset management line item.
- (f) Calculated as noninterest expense divided by the sum of net interest income (GAAP basis) and noninterest income. Noninterest expense for the 2006 period included the impact of BlackRock on a consolidated basis.

The PNC Financial Services Group, Inc.

Consolidated Financial Highlights (Unaudited)

<i>In millions</i>	Three months ended			Nine months ended	
	September 30 2007	June 30 2007	September 30 2006	September 30 2007	September 30 2006
BUSINESS EARNINGS SUMMARY (a) (c)					
Retail Banking (b)	\$ 250	\$ 227	\$ 206	\$ 678	\$ 581
Corporate & Institutional Banking (b)	87	122	111	341	328
PFPC	33	32	40	96	93
Other, including BlackRock (b) (c)	37	42	1,127	174	1,217
Total consolidated net income (d)	\$ 407	\$ 423	\$ 1,484	\$ 1,289	\$ 2,219

- (a) Our business segment information is presented based on our management accounting practices and management structure. We refine our methodologies from time to time as our management accounting practices are enhanced and our businesses and management structure change. Certain prior period amounts have been reclassified to conform with the current period presentation.
- (b) Amounts for 2007 include Mercantile, beginning with the acquisition closing on March 2, 2007.
- (c) We consider BlackRock to be a separate reportable business segment but have combined its results with Other for this presentation. Our Quarterly Report on Form 10-Q for the third quarter of 2007 will provide additional business segment disclosures for BlackRock.
- (d) See pages 13-14 and 16-17.

BALANCE SHEET DATA	September 30 2007 (a)	June 30 2007 (a)	September 30 2006
<i>Dollars in millions, except per share data</i>			
Assets	\$ 131,366	\$ 125,651	\$ 98,436
Loans, net of unearned income	65,760	64,714	48,900
Allowance for loan and lease losses	717	703	566
Securities available for sale	28,430	25,903	19,512
Loans held for sale	3,004	2,562	4,317
Goodwill and other intangibles	8,935	8,658	4,008
Equity investments	5,975	5,584	5,130
Deposits	78,409	77,221	64,572
Borrowed funds	27,453	24,516	14,695
Shareholders' equity	14,539	14,504	10,758
Common shareholders' equity	14,532	14,497	10,751
Book value per common share	43.12	42.36	36.60
Common shares outstanding (millions)	337	342	294
Loans to deposits	84%	84%	76%
ASSETS ADMINISTERED (billions)			
Managed	\$ 77	\$ 77	\$ 52
Nondiscretionary	112	111	89
FUND ASSETS SERVICED (billions)			
Accounting/administration net assets	\$ 922	\$ 868	\$ 774
Custody assets	497	467	399
CAPITAL RATIOS			
Tier 1 risk-based (b)	7.5%	8.3%	10.4%
Total risk-based (b)	10.8	11.8	13.6
Leverage (b)	6.8	7.3	9.4
Tangible common equity (c)	5.2	5.5	7.5
Common shareholders' equity to assets	11.1	11.5	10.9
ASSET QUALITY RATIOS			
Nonperforming loans to total loans	.38%	.34%	.34%
Nonperforming assets to total loans and foreclosed assets	.43	.38	.39
Nonperforming assets to total assets	.22	.20	.19

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Net charge-offs to average loans (for the three months ended)	.30	.20	.37
Allowance for loan and lease losses to loans	1.09	1.09	1.16
Allowance for loan and lease losses to nonperforming loans	290	322	339

- (a) Amounts for 2007 include Mercantile, beginning with the acquisition closing on March 2, 2007.
- (b) The ratios as of September 30, 2007 are estimated.
- (c) Common shareholders' equity less goodwill and other intangible assets net of deferred taxes (excluding mortgage servicing rights) divided by assets less goodwill and other intangible assets net of deferred taxes (excluding mortgage servicing rights).

The PNC Financial Services Group, Inc.
RECONCILIATIONS OF AS REPORTED (GAAP) NET INCOME

Consolidated Financial Highlights (Unaudited)

AND DILUTED EPS TO AS ADJUSTED AMOUNTS

In millions, except per share data

THREE MONTHS ENDED

	September 30, 2007			June 30, 2007		
	Adjustments, Pretax	Net Income	Diluted EPS	Adjustments, Pretax	Net Income	Diluted EPS
Net income, as reported		\$ 407	\$ 1.19		\$ 423	\$ 1.22
Adjustments:						
BlackRock LTIP (a)	\$ 50	32	.09	\$ 1		
Integration costs (b)	43	30	.09	16	11	.03
Net income, as adjusted		\$ 469	\$ 1.37		\$ 434	\$ 1.25

	September 30, 2006		
	Adjustments, Pretax	Net Income	Diluted EPS
Net income, as reported		\$ 1,484	\$ 5.01
Adjustments:			
Gain on BlackRock/MLIM transaction (c)	\$ (2,078)	(1,293)	(4.36)
Securities portfolio rebalancing loss (c)	196	127	.43
Integration costs (b)	72	31	.10
Mortgage loan portfolio repositioning loss (c)	48	31	.10
Net income, as adjusted		\$ 380	\$ 1.28

NINE MONTHS ENDED

	September 30, 2007			September 30, 2006		
	Adjustments, Pretax	Net Income	Diluted EPS	Adjustments, Pretax	Net Income	Diluted EPS
Net income, as reported		\$ 1,289	\$ 3.85		\$ 2,219	\$ 7.46
Adjustments:						
BlackRock LTIP (a)	\$ (1)	(1)				
Integration costs (b)	72	49	.15	\$ 91	39	.13
Gain on BlackRock/MLIM transaction (c)				(2,078)	(1,293)	(4.35)
Securities portfolio rebalancing loss (c)				196	127	.43
Mortgage loan portfolio repositioning loss (c)				48	31	.10
Net income, as adjusted		\$ 1,337	\$ 4.00		\$ 1,123	\$ 3.77

- (a) Includes the impact of the gain recognized in connection with PNC's transfer of BlackRock shares to satisfy a portion of our BlackRock LTIP shares obligation and the net mark-to-market adjustment on our remaining BlackRock LTIP shares obligation, as applicable.
- (b) In addition to acquisition integration costs related to recent or pending PNC acquisitions reflected in the 2007 periods, all 2007 and 2006 periods presented include BlackRock/MLIM transaction integration costs. BlackRock/MLIM transaction integration costs recognized by PNC in 2007 were included in noninterest income as a negative component of the Asset management line item, which includes the impact of our equity earnings from our investment in BlackRock. The third quarter and first nine months of 2006 BlackRock/MLIM transaction integration costs were included in noninterest expense.
- (c) Included in noninterest income on a pretax basis.

The tables on pages 16-18 and the first table on page 19 represent reconciliations of certain As Reported (GAAP) amounts to As Adjusted amounts for certain specified items.

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We have provided these adjusted amounts and reconciliations so that investors, analysts, regulators and others will be better able to evaluate the impact of these items on our results for the periods presented. We believe that information as adjusted for the impact of the specified items may be useful due to the extent to which these items are not indicative of our ongoing operations as the result of our management activities.

Adjusted information supplements our results as reported in accordance with GAAP and should not be viewed in isolation from, or as a substitute for, our GAAP results. Our 2006 Form 10-K includes additional information regarding our accounting for the prior year adjustments included in the tables above, the BlackRock/MLIM transaction and the BlackRock LTIP shares obligation. Our first and second quarter 2007 Form 10-Qs provide additional information regarding integration costs.

The PNC Financial Services Group, Inc.

Consolidated Financial Highlights (Unaudited)

RECONCILIATIONS OF AS REPORTED (GAAP) CONDENSED CONSOLIDATED

INCOME STATEMENT TO AS ADJUSTED AMOUNTS

In millions

THREE MONTHS ENDED	September 30, 2007			June 30, 2007		
	As Reported	Adjustments	As Adjusted (a)	As Reported	Adjustments	As Adjusted (a)
Net interest income	\$ 761		\$ 761	\$ 738		\$ 738
Provision for credit losses	65		65	54		54
Noninterest income	990	\$ 52	1,042	975	\$ 2	977
Noninterest expense	1,099	(41)	1,058	1,040	(15)	1,025
Income before income taxes	587	93	680	619	17	636
Income taxes	180	31	211	196	6	202
Net income	\$ 407	\$ 62	\$ 469	\$ 423	\$ 11	\$ 434

THREE MONTHS ENDED	September 30, 2006		
	As Reported	Adjustments	As Adjusted (b)
Net interest income	\$ 567	\$ (3)	\$ 564
Provision for credit losses	16		16
Noninterest income	2,943	(2,111)	832
Noninterest expense	1,167	(295)	872
Income before minority interest and income taxes	2,327	(1,819)	508
Minority interest in income of BlackRock	6	(6)	
Income taxes	837	(709)	128
Net income	\$ 1,484	\$ (1,104)	\$ 380

NINE MONTHS ENDED	September 30, 2007			September 30, 2006		
	As Reported	Adjustments	As Adjusted (c)	As Reported	Adjustments	As Adjusted (b)
Net interest income	\$ 2,122		\$ 2,122	\$ 1,679	\$ (10)	\$ 1,669
Provision for credit losses	127		127	82		82
Noninterest income	2,956	\$ 4	2,960	5,358	(2,777)	2,581
Noninterest expense	3,083	(67)	3,016	3,474	(856)	2,618
Income before minority interest and income taxes	1,868	71	1,939	3,481	(1,931)	1,550
Minority interest in income of BlackRock				47	(47)	
Income taxes	579	23	602	1,215	(788)	427
Net income	\$ 1,289	\$ 48	\$ 1,337	\$ 2,219	\$ (1,096)	\$ 1,123

(a) Third quarter 2007 amounts adjusted to exclude the impact of the following pretax items: (1) the net mark-to-market adjustment of \$50 million on our remaining BlackRock LTIP shares obligation, and (2) acquisition and BlackRock/MLIM transaction integration costs totaling \$43 million. For the second quarter of 2007, these adjustments totaled \$1 million and \$16 million, respectively. The net tax impact of these items is reflected in the adjustment to income taxes.

We believe that information as adjusted for the impact of these items may be useful due to the extent to which these items are not indicative of our ongoing operations as the result of our management activities. Integration costs can vary significantly from period to period depending on

whether or not we have any such transaction pending or in process and depending on the size and nature of the transaction. Our BlackRock LTIP shares obligation results from an agreement entered into in 2002 and predominantly reflects the market price of BlackRock stock at specified times.

- (b) Amounts adjusted to exclude the impact of the following pretax items: (1) the gain of \$2.078 billion on the BlackRock/MLIM transaction, (2) the loss of \$196 million on the securities portfolio rebalancing, (3) BlackRock/MLIM transaction integration costs of \$72 million for the third quarter of 2006 and \$91 million for the first nine months of 2006, and (4) the mortgage loan portfolio repositioning loss of \$48 million. The net tax impact of these items is reflected in the adjustment to income taxes. We believe that information as adjusted for the impact of these items may be useful due to the extent to which these items are not indicative of our ongoing operations as the result of our management activities. See pages 16 and 18-19 for additional information.

Additionally, the amounts are also adjusted as if we had recorded our investment in BlackRock on the equity method. We believe that providing amounts adjusted as if we had recorded our investment in BlackRock on the equity method for all periods presented provides a basis of comparability for the impact of the BlackRock deconsolidation given the magnitude of the impact on various components of our consolidated income statement.

- (c) Amounts adjusted to exclude the impact of the following pretax items: (1) the gain of \$83 million recognized in connection with PNC's transfer of BlackRock shares to satisfy a portion of our BlackRock LTIP shares obligation, (2) the net mark-to-market adjustment totaling \$82 million on our remaining BlackRock LTIP shares obligation, and (3) acquisition and BlackRock/MLIM transaction integration costs totaling \$72 million. The net tax impact of these items is reflected in the adjustment to income taxes.

The PNC Financial Services Group, Inc.
RECONCILIATION OF AS REPORTED (GAAP)

Consolidated Financial Highlights (Unaudited)

SELECTED RATIOS TO AS ADJUSTED RATIOS (a)

	Three months ended		
	September 30 2007	June 30 2007	September 30 2006
Net interest margin, as reported			2.89%
Pretax impact of adjustments			(.01)
Net interest margin, as adjusted			2.88%
Noninterest income to total revenue, as reported	57%		84%
Pretax impact of adjustments	1		(24)
Noninterest income to total revenue, as adjusted	58%		60%
Efficiency, as reported	63%	61%	33%
Pretax impact of adjustments	(4)	(1)	29
Efficiency, as adjusted	59%	60%	62%
Return on:			
Average common shareholders equity, as reported	11.25%	11.61%	65.94%
After-tax impact of adjustments	1.71	.30	(49.06)
Average common shareholders equity, as adjusted	12.96%	11.91%	16.88%
Average assets, as reported	1.27%	1.38%	6.17%
After-tax impact of adjustments	.19	.03	(4.59)
Average assets, as adjusted	1.46%	1.41%	1.58%
	Nine months ended		
	September 30 2007	September 30 2006	
Noninterest income to total revenue, as reported		76%	
Pretax impact of adjustments		(15)	
Noninterest income to total revenue, as adjusted		61%	
Efficiency, as reported	61%	49%	
Pretax impact of adjustments	(2)	13	
Efficiency, as adjusted	59%	62%	
Operating leverage, as reported	(17)%		
Pretax impact of adjustments	22		

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Operating leverage, as adjusted (b)	5%	
Return on:		
Average common shareholders equity, as reported	12.62%	33.87%
After-tax impact of adjustments	.48	(16.74)
Average common shareholders equity, as adjusted	13.10%	17.13%
Average assets, as reported	1.44%	3.17%
After-tax impact of adjustments	.06	(1.57)
Average assets, as adjusted	1.50%	1.60%

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- (a) Adjustments reflected in these reconciliations are disclosed on pages 16-17.
(b) See Operating Leverage table on page 19.

The PNC Financial Services Group, Inc.

Consolidated Financial Highlights (Unaudited)

OPERATING LEVERAGE (a)

<i>NINE MONTHS ENDED</i> <i>Dollars in millions</i>	September 30, 2007		September 30, 2006		Change	
	As Reported	As Adjusted (b)	As Reported	As Adjusted (b)	As Reported	As Adjusted
Net interest income	\$ 2,122	\$ 2,122	\$ 1,679	\$ 1,669		
Noninterest income	2,956	2,960	5,358	2,581		
Total revenue	\$ 5,078	\$ 5,082	\$ 7,037	\$ 4,250	(28)%	20%
Noninterest expense	\$ 3,083	\$ 3,016	\$ 3,474	\$ 2,618	(11)%	15%
Operating leverage					(17)%	5%

(a) See also the reconciliation of the As Reported operating leverage ratio to the As Adjusted ratio on page 18. Operating leverage is presented on a nine-month basis only due to quarterly variations and the impact of seasonality on revenues and expenses.

(b) See adjusted results and related disclosures on page 14.

TAXABLE-EQUIVALENT NET INTEREST INCOME

The interest income earned on certain assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of yields and margins for all earning assets, we also provide revenue on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP in the Consolidated Income Statement.

The following is a reconciliation of net interest income as reported in the Consolidated Income Statement to net interest income on a taxable-equivalent basis:

<i>In millions</i>	Three months ended			Nine months ended	
	September 30 2007	June 30 2007	September 30 2006	September 30 2007	September 30 2006
Net interest income, GAAP basis	\$ 761	\$ 738	\$ 567	\$ 2,122	\$ 1,679
Taxable-equivalent adjustment	6	8	7	20	20
Net interest income, taxable-equivalent basis	\$ 767	\$ 746	\$ 574	\$ 2,142	\$ 1,699