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Smart



SmartFinancial
2019 ANNUAL REPORT



SmartBank, known for its progressiveness and innovative style of banking, was organized in 2006 and has been building a foundation of strong leadership, forward thinking and a sincere desire to provide incomparable client service.



SmartFinancial

LETTER TO THE SHAREHOLDERS

WE BEGIN our annual letter again with a thank you to our shareholders, clients, and associates for their support in helping our company accomplish another year of outstanding performance.

Our performance for 2019 was the strongest in our company's history. Net income for the year totaled \$26.5 million, equating to an earnings per diluted share of \$1.89. This strong, consistent earnings stream has allowed us to initiate the payment of our first quarterly dividend.

We ended the year with assets in excess of \$2.4 billion, ranking us as the 6th largest bank chartered in the state of Tennessee. We have also continued to grow our franchise in Alabama, opening a new facility in Fairhope, and in Florida, with a new branch in Panama City. In addition to



those expansions, we continue to solidify our position in several Southeastern markets. We have made outstanding team additions in Murfreesboro, Chattanooga and Maryville in Tennessee, as well as Tuscaloosa and Huntsville in Alabama. These are some of the strongest markets in our region and we are investing in these areas for future growth.

We continued our focus on franchise growth by taking advantage of the expanding markets where we operate. While the growth is exciting, the quality of the growth has been outstanding. Our continued focus on credit quality remains one of our top priorities. Balancing growth and credit quality is a key strength of our company.

During 2019, we focused on efficiency gains and expense reduction initiatives to better leverage the acquisitions we have made over the past couple of

years. This work will yield great results beyond just the current year. Our team remains diligent on growing the core earnings momentum of the company with a key focus on earnings per share. We now can leverage the foundation we have in place to accomplish those goals and look forward to watching this company become even stronger.

As we look ahead, the future is very bright for SmartFinancial. Our markets, our associates and our clients make this an extremely unique organization. It is with great pride that we end this letter with a word on the outstanding culture we're building. Our company is consistently getting recognized regionally as a "top workplace" and the energy within our team is tremendous. On behalf of our fellow board members, our management team and nearly 400 associates, thank you for your support and loyalty to SmartFinancial and SmartBank.

Sincerely,



Miller Welborn
Chairman of the Board
SmartFinancial, Inc.



Billy Carroll
President & CEO
SmartFinancial, Inc.

VISION

Our vision is to build exceptional value for our brand and for our **SHAREHOLDERS, ASSOCIATES, CLIENTS,** and **COMMUNITIES** by delivering more than they think possible.

We build exceptional value for our **SHAREHOLDERS** by managing growth and maximizing profitability, return on investment, stock value, dividends, and liquidity.

We build exceptional value for our **ASSOCIATES** by fostering a more fulfilling environment that respects individual needs, establishes high expectations and recognizes achievement.

We build exceptional value for our **CLIENTS** by demonstrating incomparable care for their needs and increasing their financial wealth.

We build exceptional value in our **COMMUNITIES** by providing lasting solutions to their problems and protecting their greatest assets.

We've achieved this through the integrity and innovation of our Associates and Directors – it's **THE SMARTBANK WAY.**

MISSION



MILLER WELBORN

Chairman



BILLY CARROLL

President & CEO



BILL CARROLL

Vice-Chairman

VIC BARRETT

Co-founder and Partner of
The Track Recreation Center



MONIQUE BERKE

Vice President of Business
Transformation at CBL Properties



CLIFTON MILLER

Managing Director of Henry,
McCord, Bean, Miller, Gabriel
& LaBar, P.L.L.C.



TED MILLER

Business Manager & Partner
of Dolly Parton Productions



DAVID OGLE

President and Co-founder of
Five Oaks Development Group



STEVE TUCKER

Principal in TriCo Resources
and BTI Real Estate



DR. KEITH WHALEY

Founder of Whaley
Family Eyecare



BEAU WICKS

President of
Southeast Logistics, Inc.

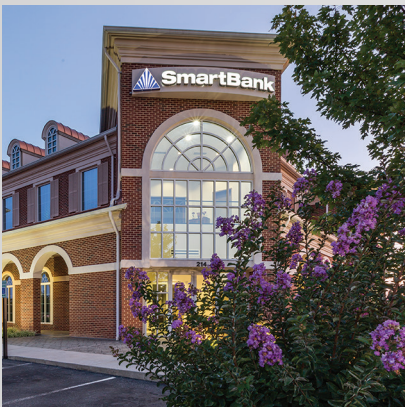


GEOFF WOLPERT

Owner of The Park Grill and
The Peddler Steakhouse

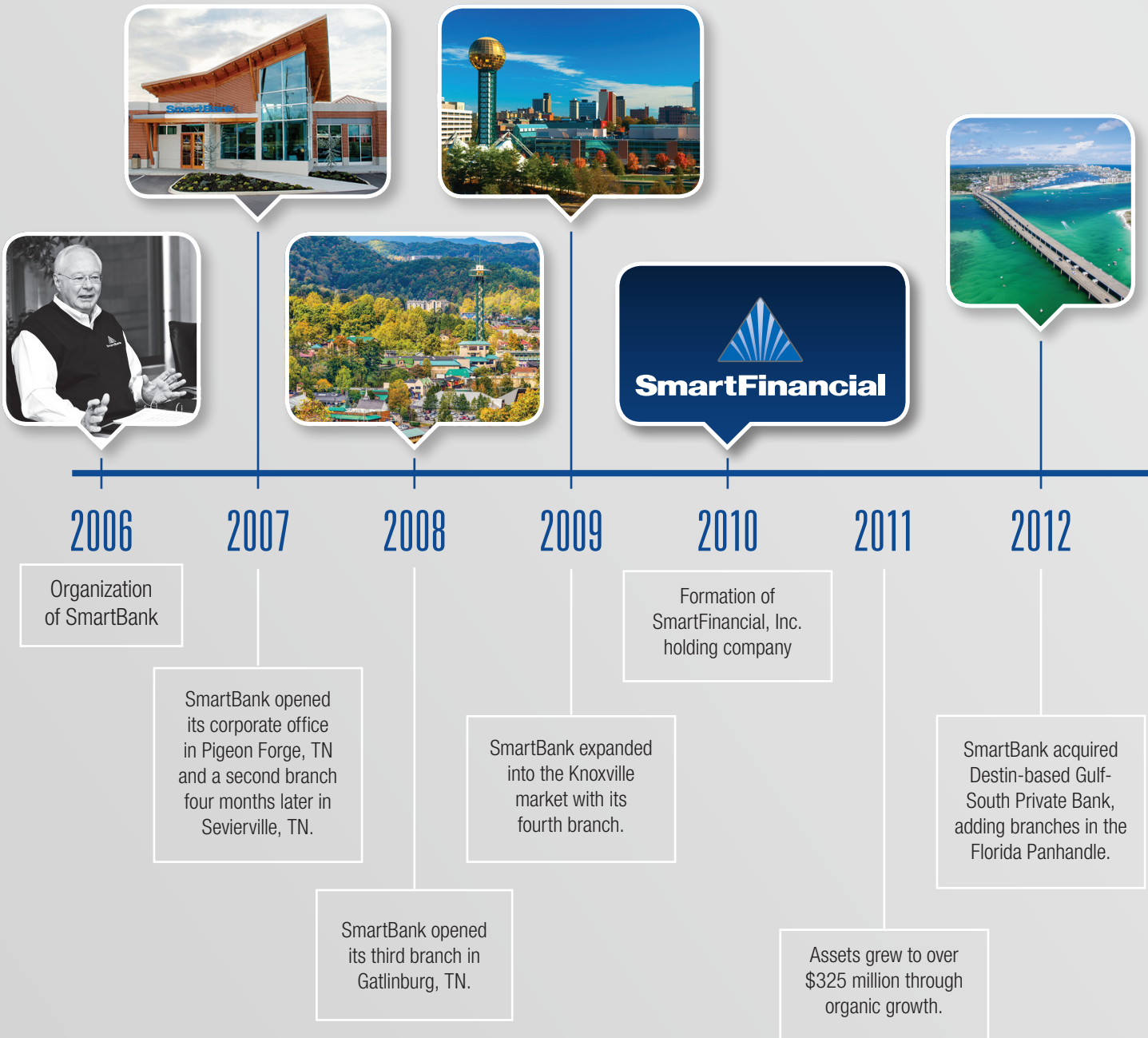
2019 HIGHLIGHTS

- ▲ Successfully completed the acquisition and integration of **Maryville, TN**-based Foothills Bank & Trust
- ▲ Opened a Loan Production Office in **Tallahassee, FL**
- ▲ Named to *Fortune Magazine's* Annual **100 Fastest-Growing Companies** list
- ▲ Constructed and relocated our Fairhope Branch Team into a brand-new office in **Fairhope, AL**
- ▲ Constructed and relocated our Panama City Branch and Mortgage Teams into a brand-new office in **Panama City, FL**
- ▲ Renovated SmartFinancial corporate headquarters and Bearden branch in **Knoxville, TN**
- ▲ Awarded a **Top Workplace** designation for the **third year in a row**
- ▲ Announced the company's 7th acquisition of Progressive Savings Bank based in **the Upper Cumberland region of Tennessee**
- ▲ Announced the company's **first cash dividend** for shareholders



FROM THE START

SmartBank organized in 2006 with the goal to build an innovative and dynamic bank with unmatched client service. SmartBank opened its first office in January 2007 in Pigeon Forge, Tennessee and has expanded its footprint to total 29 branches across Tennessee, Alabama, the Florida Panhandle and growing. Pairing these strong and dynamic markets with the best people, advanced technology and innovative products will continue to drive the company's expansion and future growth opportunities.





2013

2014

2015

2016

2017

2018

2019

SmartBank opened the Panama City, FL loan production office and relocated the Pensacola, FL branch. SmartBank also opened its newly designed and second location in Knoxville, TN.

SmartFinancial, Inc. announced trading on the Nasdaq Capital Market under the ticker symbol: SMBK.

SmartBank successfully completed the acquisition and integration of an FSG Bank branch in Cleveland, TN. SmartFinancial, Inc. closed the acquisition of Tuscaloosa, AL-based Capstone Bank.

Successfully completed the integration of Maryville, TN-based Foothills Bank & Trust. Opened a Loan Production Office in Tallahassee, FL. Named to Fortune's annual 100 Fastest-Growing Companies List.

SmartFinancial, Inc., parent company of SmartBank, and Cornerstone Bancshares, Inc., parent company of Cornerstone Community Bank, jointly announced a definitive agreement to merge, creating a combined company that will operate under the name SmartFinancial, Inc.

SmartBank successfully completed the merger and integration with Chattanooga-based Cornerstone Community Bank, becoming a \$1 billion combined company.

SmartBank successfully completed the acquisition and integration of Tuscaloosa-based Capstone Bank, and Tullahoma-based Southern Community Bank. SmartFinancial, Inc. closed the acquisition of Maryville-based Foothills Bank and Trust.

CULTURE

C O R E V A L U E S



"SmartBank associates work hard to achieve our goals within the company. We love to see accomplishment and growth."

**ACT WITH
INTEGRITY**

**BE
ENTHUSIASTIC**

**CREATE
POSITIVITY**

**DEMONSTRATE
ACCOUNTABILITY**

**EMBRACE
CHANGE**



"My managers do a great job of being available and having an open door policy when it comes to their associate's needs. I have received support from my managers on multiple occasions both professionally and personally and this makes a world of difference. I truly feel supported and appreciated both as a person and an associate."



"Client service is second to none at SmartBank. All SmartBank associates work to provide the best service for our clients."



"I work with great people everyday that I enjoy being around. SmartBank really cares about you as a person, and not just as an associate."

We will achieve our desired position to be the Southeast's next great community bank by:

**CREATING
"WOW"
EXPERIENCES**

**EXHIBITING
OVER-THE-TOP
ENTHUSIASM
AND POSITIVITY**

**DELIVERING
EXCEPTIONAL,
PROFESSIONAL &
KNOWLEDGEABLE
SERVICE**



"We are dedicated to making our clients feel like this is home. For example, we [try not to] miss the small opportunities. I was working in the drive-thru when someone broke down at our ATM and he pushed his truck to the side. It was a hot day, and I brought out some waters for him and made sure he knew he could come inside to get out of the hot sun."



BILLY CARROLL

President
Chief Executive Officer



BEVERLY ATCHLEY

Senior Vice President
Senior Deposit Operations
& Administrative Officer



GREG DAVIS

Executive Vice President
Chief Lending Officer



KELLEY FOWLER

Senior Vice President
Director of Marketing
and Public Relations



RON GORCZYŃSKI

Executive Vice President
Chief Financial Officer

RHETT JORDAN

Executive Vice President
Chief Credit Officer



GARY PETTY

Executive Vice President
Chief Risk Officer

DIANE SHORT

Executive Vice President
Chief Human Resources Officer

REGIONAL PRESIDENTS



MIKE HONEYCUTT

Northeast Tennessee



ROBERT KUHN

Alabama and Florida



BARRY WATSON

Southeast Tennessee

FINANCIAL HIGHLIGHTS

0.21%

Asset quality was outstanding with nonperforming assets to total assets of just 0.21%

1.12%

Return on average assets of 1.12%

\$2.4B

Record high total assets of \$2.4 billion, net loans of \$1.9 billion, and deposits of \$2.0 billion

6.87%

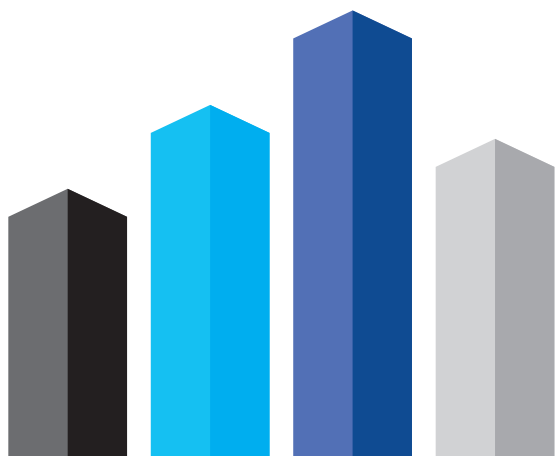
Annual loan growth of \$122 million, or 6.87%

57%

Increase in pre-tax income year over year

\$22.33

Book value of common stock, up 9.95% in 2019





2019 FINANCIAL SUMMARY



SmartFinancial

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF SMARTFINANCIAL

The following selected historical consolidated financial data as of and for the years ended December 31, 2019 and 2018 is derived from the audited consolidated financial statements of the company. (Amounts are in thousands, except ratios, per share data, and other data.)



	Years Ended December 31,	
	2019	2018
	<u> </u>	<u> </u>
SUMMARY OF OPERATIONS		
Total interest income	\$108,455	\$ 92,210
Total interest expense	24,575	15,566
	<u> </u>	<u> </u>
Net interest income	83,880	76,644
Provision for loan losses	2,599	2,936
	<u> </u>	<u> </u>
Net interest income after provision for loan losses	81,281	73,708
Non interest income	15,315	6,584
Non interest expense	63,151	58,957
	<u> </u>	<u> </u>
Income before income taxes	33,445	21,335
Income tax expense	6,897	3,233
	<u> </u>	<u> </u>
Net income available to shareholders	<u>\$26,548</u>	<u>\$18,102</u>
SHARE AND PER SHARE DATA:		
Basic earnings per share	\$ 1.90	\$ 1.46
Diluted earnings per share	1.89	1.45
Equity per share outstanding	22.33	20.31
Tangible book value per share ¹	16.82	14.64
Dividends per share	0.05	N/A
Actual shares outstanding	14,008	13,934
Weighted average shares outstanding	13,953	12,424
Diluted weighted average shares outstanding	14,046	12,518



	Years Ended December 31,	
	2019	2018
BALANCE SHEET DATA:		
Average total assets	\$ 2,339,340	\$ 1,962,717
Average gross loans, net of deferred loan fees	1,840,821	1,511,724
Average interest-earning assets	2,137,364	1,739,983
Average deposits	1,964,017	1,667,360
Average interest-bearing deposits	1,620,406	1,381,631
Average interest-bearing liabilities	1,681,148	1,424,365
Average total shareholders' equity	298,729	242,451
SELECTED FINANCIAL RATIOS:		
Return on average assets	1.13%	0.92%
Return on average equity	8.89%	7.47%
Average equity to average total assets	12.77%	12.35%
Efficiency ratio	63.66%	70.84%
Net interest margin ¹	3.95%	4.43%
Net interest spread ²	3.64%	4.22%
CAPITAL RATIOS:³		
Total Capital (to Risk-Weighted Assets)	13.31%	12.74%
Tier 1 Capital (to Risk-Weighted Assets)	12.81%	12.31%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	12.81%	12.31%
Tier 1 Capital (to Average Assets)	11.41%	11.17%
ASSET QUALITY RATIOS:		
Net charge-offs to average loans	(0.03)%	(0.03)%
Allowance for loan losses to loans	0.54%	0.47%
Allowance for loan losses to non-performing loans	305.76%	252.29%
Non-performing assets to total assets	0.21%	0.25%
OTHER DATA:		
Branches	29	29
Loan production offices	2	4
Operation centers	2	2
Full-time equivalent employees	399	387

Table Assumptions

¹ Net interest margin is the result of net interest income calculated on a tax-equivalent basis divided by average interest earning assets for the period.

² Net interest spread is calculated as the yields realized on interest-bearing assets less the rates paid on interest-bearing liabilities.

³ For SmartBank



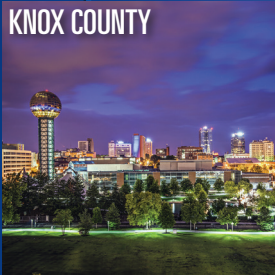
BLOUNT COUNTY



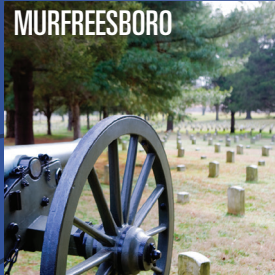
CHATTANOOGA



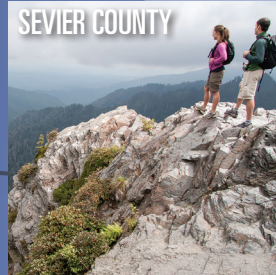
CLEVELAND



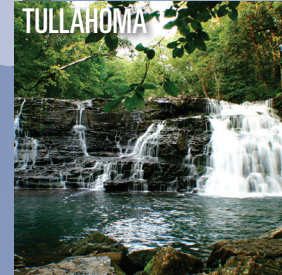
KNOX COUNTY



MURFREESBORO



SEVIER COUNTY



TULLAHOMA

TENNESSEE

A true Tennessee native, veteran banking executive Bill Carroll, and son, Billy Carroll, along with several other local and successful business entrepreneurs decided to organize a bank in 2006 with a vision to build an innovative and dynamic bank with the image, values and service level unlike any other community bank in the market. SmartBank opened its first office in January 2007 in Pigeon Forge, Tennessee and has since expanded its footprint across several of the Southeast's strongest and most desired markets. SmartBank now operates 29 branches across Tennessee, Alabama and the Florida Panhandle.



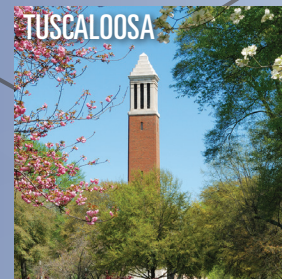
BALDWIN COUNTY



HUNTSVILLE



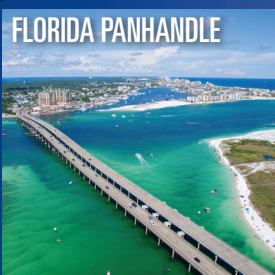
SOUTHWEST ALABAMA



TUSCALOOSA

ALABAMA

SmartBank completed the integration of Tuscaloosa-based Capstone Bank in early 2018, adding eight branches, including three in Tuscaloosa, Northport and Indian Hills, and five spanning throughout Southwest Alabama to the coast with a new branch in Fairhope. Alabama is a great banking market and the pairing with Capstone Bank and SmartBank was a perfect match as both banks have deep roots in their communities, cultural alignment and a disciplined client-first focus.

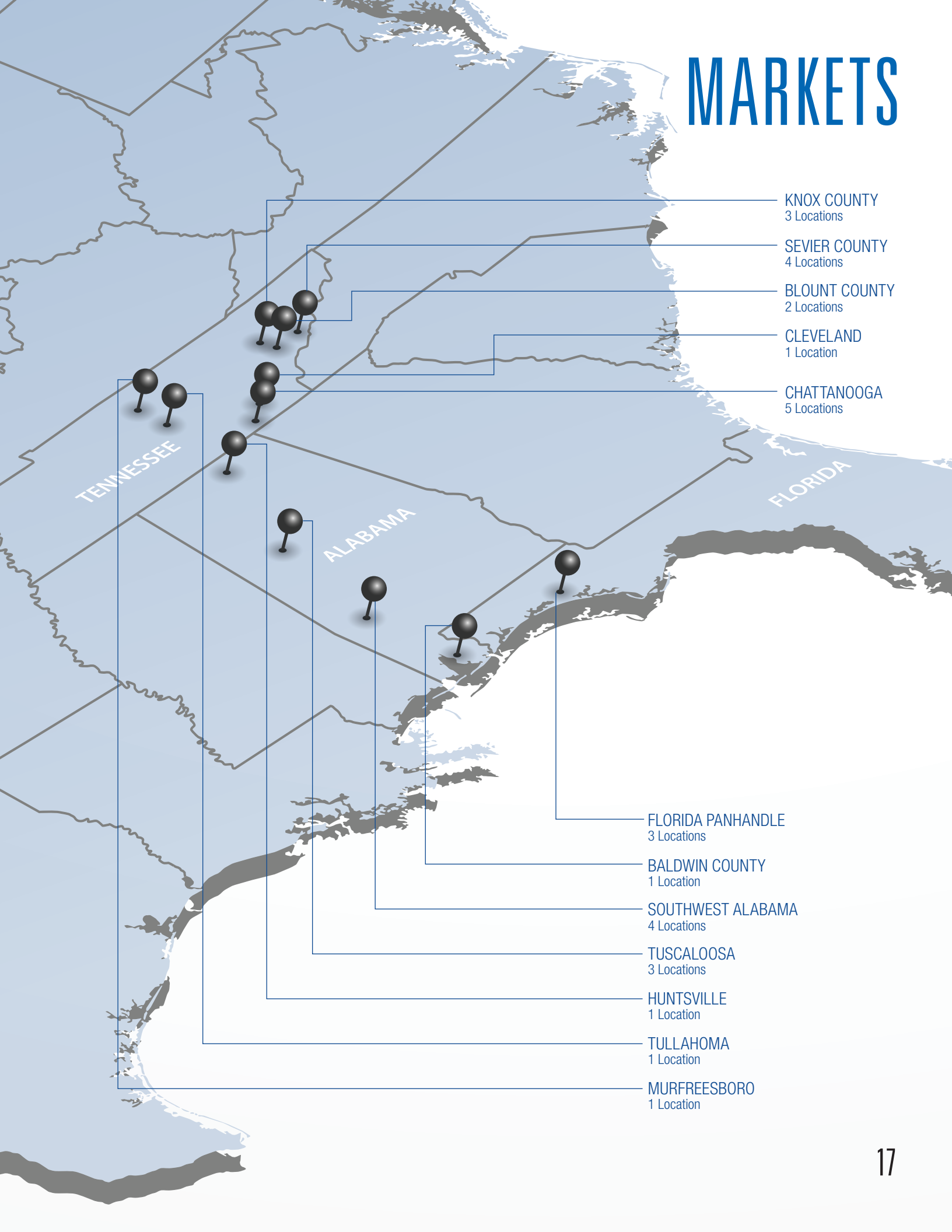


FLORIDA PANHANDLE

FLORIDA

SmartBank's expansion into the Florida Panhandle by way of its first acquisition (2012) of GulfSouth Private Bank has proven that growth in this thriving market continues to be strong with lots of opportunities for continued success. SmartBank operates Smartbank operated full services branches in Pensacola, Destin and Panama City, and a Loan Production Office in Tallahassee.

MARKETS



CORPORATE SOCIAL RESPONSIBILITY



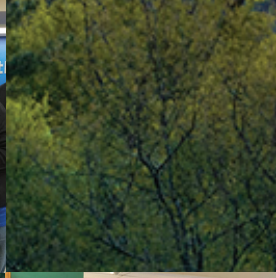
3107

Events attended by SmartBank Associates to support our communities in 2019



\$184,782

Donations since 2010 to organizations that support local National Parks through SmartBank's Park Partners Program



9900+

Volunteer hours logged by SmartBank Associates in 2019



INVESTOR RELATIONS

SmartFinancial, Inc.

Annual Shareholders' Meeting

Thursday, May 28, 2020 at 3:00 pm
SmartBank - Pigeon Forge Branch
2430 Teaster Lane Pigeon Forge, TN 37863
Meeting contact:
Frank Hughes at frank.hughes@smartbank.com

Electronic Voting

To vote electronically, please go to
www.smartfinancialinc.com
You may also download a copy of the
2019 SmartFinancial, Inc. Annual Report.

Investor Relations Contact

Frank Hughes
Executive Vice President
6413 Lee Hwy #107
Chattanooga, TN 37421
423.385.3009
frank.hughes@smartbank.com

SmartFinancial, Inc.

5401 Kingston Pike #600
Knoxville, TN 37919
866.290.2554

Market Makers

Virtu Financial
USB AG
Keefe, Bruyette & Woods Inc.
Raymond James & Associates
Credit Swiss 1st Boston
Piper Sandler Companies
Merrill Lynch
Citi Group
J.P. Morgan Securities Inc.

Stock Transfer Agent Info

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& Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
800.937.5449

Analyst Coverage

Keefe, Bruyette & Woods, Inc
Raymond James & Associates
Hovde Group
Stephens Inc.
Piper Sandler Companies
Janney Montgomery Scott LLC
D.A. Davidson & Co.

Stock Symbol
Nasdaq Capital Market:
SMBK

Forward-Looking Statements

This document may contain forward-looking statements about SmartFinancial which are within the meaning of the Private Securities Litigation Reform Act of 1995, and such statements are subject to numerous risks and uncertainties. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, growth opportunities, interest rates, and cost savings anticipated to be realized by management. Words such as "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements by SmartFinancial and its management are based on beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management and are not guarantees of future performance. No assurances can be given that any of the events anticipated by the forward-looking statements will occur, or if any of them do so, what impact they will have on our results of operations or financial condition. We disclaim any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. The factors we discuss in our annual report on Form 10-K for the year ended December 31, 2019 and other filings with the Securities and Exchange Commission, which are available online at www.sec.gov, and those presented elsewhere by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this document.

Non-GAAP Financial Measures

We report our results in accordance with United States generally accepted accounting principles ("GAAP"). However, management believes that certain non-GAAP performance measures used in managing the business may provide meaningful information about underlying trends in its business. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.



SmartFinancial