

ANNUAL
REPORT



SmartFinancial



2020



SmartFinancial

SMARTBANK,

known for its progressive 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.



LETTER TO THE SHAREHOLDERS

*We begin
our annual letter
with a thank you*

to our shareholders, clients, and associates for their support in helping our company accomplish another year of outstanding performance. The word “unprecedented” was used many times during 2020 and that is exactly what was experienced in most all businesses at some point during the year. While challenging in many ways there were numerous bright spots, and our company effectively utilized a very unusual year to achieve solid results.

Our performance for 2020 was strong with net income for the year totaling \$24.3 million, equating to a diluted earnings per share of \$1.62. We experienced outstanding growth of \$856 million and finished the year with assets over \$3.3 billion. We also maintained our quarterly dividend, an important part of our shareholder return strategy.

We continued expansion of our franchise with the acquisition of Progressive Financial Group during the first quarter of 2020. This positioned us with new offices in the Cumberland Plateau region in Tennessee,

connecting our East and Middle Tennessee branches. It also moved us into a new line of business – Insurance. We now have a full service, independent insurance brokerage business, The Rains Agency, that allows us to offer clients a wide range of insurance products including home and auto, commercial business coverage, as well as life and health products. In addition to the expansion in the Cumberland Plateau, we opened a new branch in Murfreesboro and a second in Alcoa, Tennessee.

Another highlight for the year was the tremendous work our team did with the Small Business Administration’s Paycheck Protection Program (PPP) which was created to help businesses manage the disruptions caused by the 2020 pandemic. Our team’s focus was utilizing the program to help our existing clients, and a number of new clients, access funds to help their businesses weather financial impacts during the year. Our team originated approximately 2,950 PPP loans totaling over \$300 million during the initial rounds of the program. These loans provided businesses critical funding during a very uncertain time and we were very proud to be able to assist with this program.

We also utilized the year to focus on continued efficiency gains and expense reduction initiatives to better leverage the acquisitions we have made over the past couple of years. This work is showing outstanding results and will prove very valuable as we continue to scale the company. Our team remains diligent on growing the core earnings with a key focus on earnings per share. We now have a foundation in place we can leverage to accomplish those goals and look forward to watching this company become even stronger.

The future continues to be very bright for SmartFinancial. Our resilient and growing markets coupled with our outstanding associates and loyal clients make this an extremely unique organization. The culture of our company is strong, as evidenced by our fourth consecutive regional Top Workplace Award, and the passion of our team to grow this company is tremendous. On behalf of our fellow board members, our management team and our 475 associates, thank you for your support and loyalty to SmartFinancial and SmartBank.



\$3.3+ Billion
in Assets



35 Full Service
Branches



475 Associates

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.



SmartBank[®]

MISSION

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.**

BOARD OF DIRECTORS



MILLER WELBORN

Chairman

BILL CARROLL

Vice-Chairman

BILLY CARROLL

President & CEO



VIC BARRETT

Co-founder and Partner of
The Track Recreation Center

MONIQUE BERKE

Vice President of Community
and Corporate Engagement
for the United Way

TED MILLER

Business Manager & Partner
of Dolly Parton Productions

DAVID OGLE

President and Co-founder of
Five Oaks Development Group

OTTIS PHILLIPS

Managing Partner of Phillips
Properties Partnership and
Eagle Properties

STEVE TUCKER

Principal in TriCo Resources
and BTI Real Estate

DR. KEITH WHALEY

Founder of Whaley
Family Eyecare

GEOFF WOLPERT

Owner of The Park Grill and
The Peddler Steakhouse



SmartBank®



SmartBank® 2020 HIGHLIGHTS



Successfully completed the acquisition and integration of Progressive Savings Bank which added five new branches in the Cumberland Plateau region in Tennessee



Processed approximately 2,950 Paycheck Protection Program (“PPP”) loans totaling over \$300 million



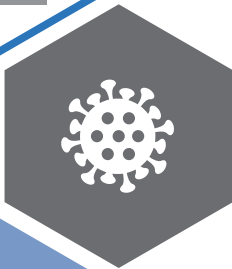
Implemented Digital Transformation Initiative including the launch of Zelle, a person to person payment feature within the SmartBank app



Opened two new branches in Murfreesboro and Alcoa, Tennessee



Awarded a Top Workplace designation for the fourth year in a row



Managed through an unprecedented COVID pandemic and responded quickly by adapting to several changes. Closely monitored branches to keep them open safely whenever possible. Implemented work-from-home procedures and granted extra COVID sick pay for SmartBank associates. Assisted clients with short term loan modifications and other requests as needed due to the country’s shutdown which began in March.



Continued to add talent to SmartBank’s team with key leadership hires which positioned us to gain efficiencies in our processes and launch several new initiatives throughout the year



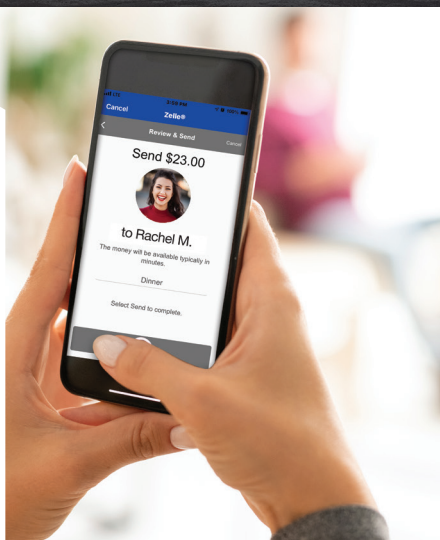
COOKEVILLE



CROSSVILLE



MURFREESBORO
TEAM



ALCOA

2020

2019

2018

2017

2016

2015

2014

2013



Completed acquisition & integration of Tennessee-based Progressive Savings Bank and opened a new branch in Alcoa and a second in Murfreesboro, Tennessee.

Completed acquisition & integration of Maryville, TN-based Foothills Bank & Trust. Opened a LPO in Tallahassee, FL. Named to Fortune's annual 100 Fastest-Growing Companies List.

Completed acquisition & integration of Tuscaloosa-based Capstone Bank, and Tullahoma-based Southern Community Bank. Closed the acquisition of Maryville-based Foothills Bank and Trust.

Completed acquisition & integration of an FSG Bank branch in Cleveland, TN. Closed the acquisition of Tuscaloosa, AL-based Capstone Bank.

Completed merger & integration with Chattanooga-based Cornerstone Community Bank, becoming a \$1 billion combined company.

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

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

Opened the Panama City, FL LPO and a newly designed second location in Knoxville, TN.



SmartBank®

STRATEGIC GROWTH

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 35 branches across East and Middle Tennessee, Alabama, and 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.

2012

2011

2010

2009

2008

2007

2006

Acquired Destin-based GulfSouth Private Bank, adding branches in the Florida Panhandle

Assets grew to over \$325 million through organic growth

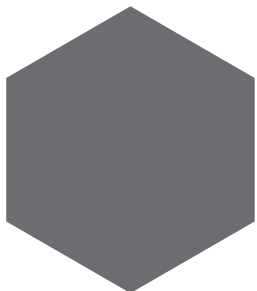
Formation of SmartFinancial, Inc. holding company

Expanded into the Knoxville market with its fourth branch

SmartBank opened its third branch in Gatlinburg, TN

Opened its corporate office in Pigeon Forge, TN and a second branch four months later in Sevierville, TN

Organization of SmartBank





SmartBank CULTURE

CORE VALUES

ACT WITH INTEGRITY

BE ENTHUSIASTIC

CREATE POSITIVITY

DEMONSTRATE ACCOUNTABILITY

EMBRACE CHANGE

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

- CREATING "WOW" EXPERIENCES
- EXHIBITING OVER-THE-TOP ENTHUSIASM & POSITIVITY
- DELIVERING EXCEPTIONAL, PROFESSIONAL & KNOWLEDGEABLE SERVICE

Proud to be recognized as a Top Workplace FOUR YEARS IN A ROW!

TOP WORK PLACES 2017

NEWS SENTINEL

TOP WORK PLACES 2018

NEWS SENTINEL

TOP WORK PLACES 2019

NEWS SENTINEL
knox.biz

TOP WORK PLACES 2020

knox news.
knox.biz

2020 "WOW" AWARD WINNER

Emily Rodriguez

Assistant Branch Manager
University Boulevard
(Tuscaloosa)





SmartBank

SENIOR LEADERSHIP



BILLY CARROLL

President
Chief Executive Officer

BEVERLY ATCHLEY

Senior Vice President
Senior Deposit Operations
& Administrative Officer

BECCA BOYD

Executive Vice President
Chief People Officer

CYNTHIA CAIN

Executive Vice President
Director of Financial
Planning & Analysis

GREG DAVIS

Executive Vice President
Chief Lending Officer

KELLEY FOWLER

Senior Vice President
Director of Marketing
& Public Relations

RON GORCZYNSKI

Executive Vice President
Chief Financial Officer

MONTY HATCHER **CFP®, AAMS®**

Executive Vice President
Director of SmartBank
Investment Services

DANIEL HEREFORD

Executive Vice President
Chief Information Officer

MIKE HONEYCUTT

Regional President
Northeast Tennessee

RHETT JORDAN

Executive Vice President
Chief Credit Officer

ROBERT KUHN

Regional President
Alabama and Florida

TRAVIS LYTLE

Senior Vice President
Director of Community
Development & Community
Reinvestment Act Officer

GARY PETTY

Executive Vice President
Chief Risk Officer

BRYAN STUBBLEFIELD

Senior Vice President
Retail Sales

BARRY WATSON

Regional President
Southeast Tennessee

2020 FINANCIAL HIGHLIGHTS

0.31%

Asset quality was outstanding with nonperforming assets to total assets of just 0.31%

\$24.3M

Net income of \$24.3 million

\$3.3B

Record high total assets of \$3.3 billion, net loans of \$2.4 billion, and deposits of \$2.8 billion

25.55%

Annual loan growth of \$485 million, or 25.55%

\$23.64

Book value of common stock, up 5.87% in 2020



SmartFinancial

2020 FINANCIAL SUMMARY



SmartFinancial

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following selected historical consolidated financial data as of and for the years ended December 31, 2020 and 2019 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,	
	2020	2019
SUMMARY OF OPERATIONS		
Total interest income	\$117,613	\$108,455
Total interest expense	16,747	24,575
Net interest income	100,866	83,880
Provision for loan losses	8,683	2,599
Net interest income after provision for loan losses	92,183	81,281
Non-interest income	15,426	15,315
Non-interest expense	76,719	63,151
Income before income taxes	30,890	33,445
Income tax expense	6,558	6,897
Consolidated net income	\$ 24,332	\$ 26,548
SHARE AND PER COMMON SHARE DATA:		
Basic earnings per share	\$ 1.63	\$ 1.90
Diluted earnings per share	1.62	1.89
Common equity per		
common share outstanding	23.64	22.33
Tangible book value per share ¹	17.92	16.82
Dividends per common share	0.20	0.05
Actual common shares outstanding	15,107	14,008
Weighted average common shares outstanding	14,955	13,953
Diluted weighted average common shares outstanding	15,019	14,046

	YEARS ENDED DECEMBER 31,	
	2020	2019
BALANCE SHEET DATA:		
Average total assets	\$3,063,435	\$2,339,340
Average gross loans, net of deferred loan fees	2,289,612	1,836,963
Average interest-earning assets	2,812,480	2,137,364
Average deposits	2,481,985	1,964,017
Average interest-bearing deposits	1,910,703	1,620,406
Average interest-bearing liabilities	2,127,208	1,681,148
Average total shareholders' equity	341,170	298,729
SELECTED FINANCIAL RATIOS:		
Return on average assets	0.79%	1.13%
Return on average equity	7.13%	8.89%
Average equity to average total assets	11.14%	12.77%
Efficiency ratio	65.97%	63.66%
Net interest margin ¹	3.61%	3.95%
Net interest spread ²	3.41%	3.64%
CAPITAL RATIOS:³		
Total Capital (to Risk-Weighted Assets)	13.57%	13.31%
Tier 1 Capital (to Risk-Weighted Assets)	12.78%	12.81%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	12.78%	12.81%
Tier 1 Capital (to Average Assets)	9.58%	11.41%
ASSET QUALITY RATIOS:		
Net charge-offs to average loans	0.03%	0.03%
Allowance to period end loans	0.77%	0.54%
Allowance for loan losses to non-performing loans	315.16%	305.76%
Non-performing assets to total assets	0.31%	0.21%
OTHER DATA:		
Branches	35	29
Loan production offices	1	2
Operation centers	1	2
Total Associates	475	399

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



ALABAMA



SmartBank completed the integration of Tuscaloosa-based Capstone Bank in early 2018, adding eight branches, including three in the Tuscaloosa region, and five spanning Southwest Alabama to the coast. Later in the same year, SmartBank added a branch in Huntsville through the acquisition of Southern Community Bank. Alabama is a great banking market with tremendous growth in Fairhope, Huntsville and Tuscaloosa, several of the Southeast's most desirable markets. Huntsville's growth exceeds a population boom, with the area attracting several high-profile development projects including Mazda Toyota Manufacturing, the MidCity project, expanded Facebook Data Center and the newly built FBI campus on Redstone Arsenal to name a few. Tuscaloosa continues to prove its economic value with the successes of Mercedes-Benz U.S. International and top employer, The University of Alabama. Fairhope, a vibrant town nestled in Baldwin County that lies on Alabama's Gulf Coast, has long been known for its lovely parks and its sweeping panoramic views of Mobile Bay. Fairhope is the second fastest-growing city in the state of Alabama (June 2020).

FLORIDA



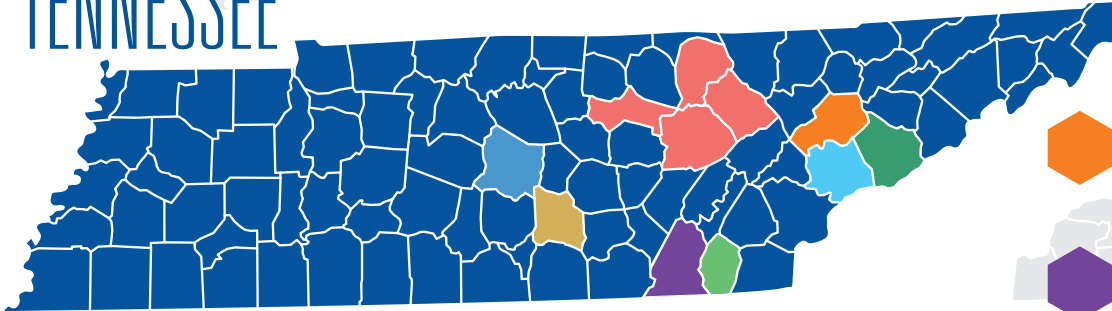
SmartBank's expansion into the Florida Panhandle by way of its first acquisition (2012) of GulfSouth Private Bank has proven that growth in this thriving market continues to be strong with lots of opportunities for continued success. SmartBank operates full services branches in Pensacola, Destin and Panama City, and a Loan Production Office in Tallahassee. Northwest Florida is home to six major military installations, all with aviation/aerospace-related missions which have huge impact on the industries, R&D and talent pool in the region. The Panhandle also includes strong tourism markets which account for one of the state's biggest economic drivers.

TENNESSEE



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 with 35 full-service branches in total. The Middle and East Tennessee regions are home to 23 SmartBank branches, with the company headquartered in Knoxville, TN. From the beautiful Smoky Mountains to the Tennessee River, commerce-attracting cities Chattanooga, Knoxville and Murfreesboro continue to thrive. In Chattanooga alone, Erlanger Health System, the Hamilton County Board of Education, and Blue Cross Blue Shield of Tennessee employ a combined 14,000+ Tennessee residents. According to WalletHub, Murfreesboro ranks the 19th fastest growing city in the U.S. (Oct 2020) and Knoxville is home to Oak Ridge National Laboratory, Denso Manufacturing, Discovery Communications, and many others.

TENNESSEE



SEVIER COUNTY
SEVIERVILLE (2)
GATLINBURG
PIGEON FORGE

BLOUNT COUNTY
ALCOA
MARYVILLE

KNOXVILLE
BEARDEN
CEDAR BLUFF
FARRAGUT

CHATTANOOGA
DOWNTOWN
GUNBARREL
OOLTEWAH
EAST RIDGE
HIXSON

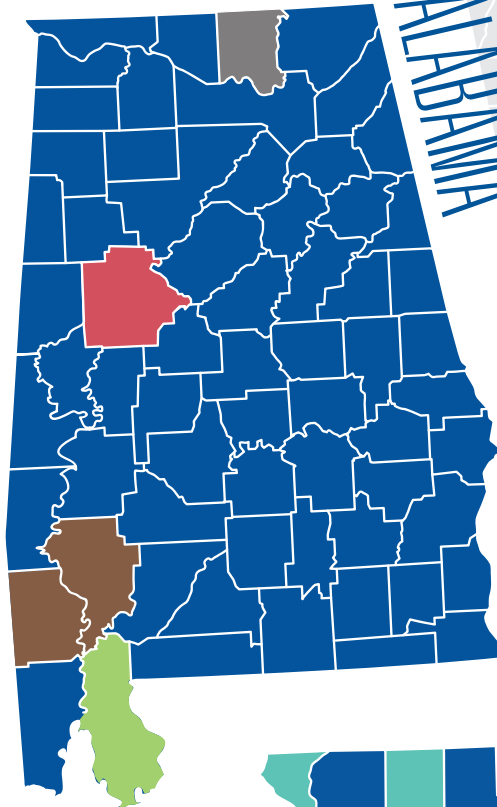
HUNTSVILLE

TUSCALOOSA
DOWNTOWN
NORTHPORT
INDIAN HILLS

SOUTHWEST ALABAMA
JACKSON
THOMASVILLE
CHATOM
MCINTOSH

BALDWIN COUNTY
FAIRHOPE

ALABAMA



CLEVELAND

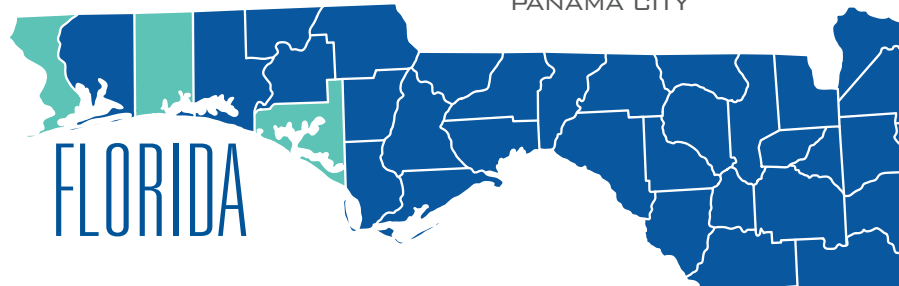
MURFREESBORO (2)

TULLAHOMA

CUMBERLAND PLATEAU
COOKEVILLE
JAMESTOWN
CROSSVILLE (2)
WARTBURG

FLORIDA
DESTIN
PENSACOLA
PANAMA CITY

FLORIDA



CORPORATE SOCIAL RESPONSIBILITY



SmartBank



On September 11, 2020, SmartBank associates showed appreciation to first responders across our footprint in Alabama, Florida & Tennessee.

The challenges of 2020 didn't slow down SmartBank giving, and to date, we have donated \$126,550 to Friends of the Smokies.



In December, associates gave back by collecting gifts for Angel Trees, gathering coats for the cold, delivering goodies to the elderly, and spearheading food drives and empty stocking funds.



Despite the social challenges of 2020, SmartBank Associates continued to safely support our communities in 2020.

INVESTOR RELATIONS

Stock Symbol
Nasdaq Capital Market:
SMBK

Investor Relations Contact

Ron Gorczynski
EVP, Chief Financial Officer
5401 Kingston Pike, Suite 600
Knoxville, TN 37919
865.437.5724
ron.gorczynski@smartbank.com

SmartFinancial, Inc.

5401 Kingston Pike #600
Knoxville, TN 37919
866.290.2554

SmartFinancial, Inc. Annual Shareholders' Meeting

Thursday, May 27, 2021 at 3:00 pm
SmartBank - Pigeon Forge Branch
2430 Teaster Lane
Pigeon Forge, TN 37863
Meeting contact: Frank Hughes
frank.hughes@smartbank.com

Electronic Voting

To vote electronically, please go to
www.smartfinancialinc.com
You may also download a copy of the 2020
SmartFinancial, Inc. Annual Report.

Market Makers

Virtu Financial
USB AG
Raymond James & Associates
Credit Swiss 1st Boston
Merrill Lynch
Citi Group
J.P. Morgan Securities Inc.
Cowen Inc.
Wells Fargo

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 Transfer Agent Info

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

Forward-Looking Statements

This annual report may contain statements that are based on management's current estimates or expectations of future events or future results, and that may be deemed to constitute forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements, including statements regarding the potential effects of the COVID-19 pandemic on the Company's business and financial results and conditions, are not historical in nature and can generally be identified by such words as "expect," "anticipate," "intend," "plan," "believe," "seek," "may," "estimate," and similar expressions. All forward-looking statements are subject to risks, uncertainties, and other factors that may cause the actual results of SmartFinancial to differ materially from future results expressed or implied by such forward-looking statements. Such risks, uncertainties, and other factors include, among others, (1) risks associated with our growth strategy, including a failure to implement our growth plans or an inability to manage our growth effectively; (2) claims and litigation arising from our business activities and from the companies we acquire, which may relate to contractual issues, environmental laws, fiduciary responsibility, and other matters; (3) the risk that cost savings and revenue synergies from recently completed acquisitions may not be realized or may take longer than anticipated to realize; (4) disruption from recently completed acquisitions with customer, supplier, employee, or other business relationships; (5) our ability to successfully integrate the businesses acquired as part of previous acquisitions with the business of SmartBank; (6) risks related to the completed acquisition of Progressive Financial Group, Inc. ("PFG"); (7) the risk that the anticipated benefits from the completed acquisition of PFG may not be realized in the time frame anticipated; (8) changes in management's plans for the future; (9) prevailing, or changes in, economic or political conditions, particularly in our market areas; (10) credit risk associated with our lending activities; (11) changes in interest rates, loan demand, real estate values, or competition; (12) changes in accounting principles, policies, or guidelines; (13) changes in applicable laws, rules, or regulations, including changes to statutes, regulations or regulatory policies or practices as a result of, or in response to COVID-19; (14) adverse results from current or future litigation, regulatory examinations or other legal and/or regulatory actions, including as a result of the Company's participation in and execution of government programs related to the COVID-19 pandemic; (15) the impact of the COVID-19 pandemic on the Company's assets, business, cash flows, financial condition, liquidity, prospects and results of operations; (16) potential increases in the provision for loan losses resulting from the COVID-19 pandemic; and (17) other general competitive, economic, political, and market factors, including those affecting our business, operations, pricing, products, or services. These and other factors that could cause results to differ materially from those described in the forward-looking statements can be found in SmartFinancial's most recent annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, in each case filed with or furnished to the Securities and Exchange Commission (the "SEC") and available on the SEC's website (www.sec.gov). Undue reliance should not be placed on forward-looking statements. SmartFinancial disclaims any obligation to update or revise any forward-looking statements contained in this release, which speak only as of the date hereof, whether as a result of new information, future events, or otherwise.

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.



www.smartbank.com



SmartFinancial

