

15 YEARS

BUILDING EXCEPTIONAL VALUE



SmartFinancial

2021 ANNUAL REPORT

15
YEARS

SmartBank, known for its progressive and innovative style of banking, opened the doors of its first branch in 2007 with the vision of building a foundation of strong leadership, forward thinking and a sincere desire to provide incomparable client service. Fifteen years later, that very foundation is stronger than ever and SmartBank is continuing to **Build Exceptional Value** for **Shareholders, Associates, Clients** and the **Communities** we serve.

LETTER TO OUR SHAREHOLDERS

WHAT A YEAR our company had in 2021. As you know, our mission is to create **WOW** experiences every day for our Shareholders, Clients and Associates and we delivered in 2021.

We begin with a thank you for your support in helping our company accomplish another year of outstanding performance. We often talk about **embracing change** and this is yet another year in which we experienced tremendous positive change. There are multiple bright spots and highlights for us to recognize.

Our performance in 2021 was strong with net income for the year totaling \$34.8 million, equating to an operating earnings per diluted share of \$2.39. We experienced outstanding growth in 2021 with total assets of \$4.6 billion, an increase of over \$1.3 billion year over year. We also increased our quarterly dividend by 20%, an important part of shareholder strategy.

We continued the growth of our franchise with the acquisition of Sevier County Bancshares, in our East Tennessee region, during the third quarter. Additionally, we added a new line of business with the purchase of Fountain Equipment Finance earlier in the year. Our team is incredibly **enthusiastic** about both of these groups joining our journey as we continue to build a company with strong growth and diversified revenue streams.

We also utilized the year to recruit and onboard 25+ senior bankers and to expand into several new markets including Auburn, Birmingham, Dothan, Montgomery and Mobile, Alabama as well as Nashville, Tennessee. The **positivity** with which these markets have accepted our company has far exceeded our expectations as they rapidly learn about SmartFinancial and the **integrity**

and work ethic of our team. This expansion of our footprint is showing outstanding results and will prove very valuable as we continue to scale this company.

Our team remains diligent in 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 SmartFinancial become even stronger.

The future continues to shine brightly for SmartFinancial. Our resilient and growing markets coupled with our outstanding associates and loyal clients are to be thanked for another great year. We appreciate your continued support, and we commit to strive daily to continually improve. On behalf of our fellow board members, our management team and our associates, thank you for your loyalty to SmartFinancial and SmartBank.

\$4.6+
BILLION
IN ASSETS

40
FULL SERVICE
BRANCHES

551
ASSOCIATES



Handwritten signatures of Billy Carroll and Miller Welborn in black ink.

Billy Carroll
President & CEO
SmartFinancial, Inc.

Miller Welborn
Chairman of the Board
SmartFinancial, Inc.

SMARTBANK 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

JOHN PRESLEY

Principal, Presley Consulting

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 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

“SMART LEADERSHIP

is exhibited when a person becomes willing to put themselves **last** in line for the good of the whole and doesn't personally prioritize recognition for accomplishing the task at hand. It is also demonstrated by **caring more about others** and less about the outcome. That's not to say that outcome isn't important, because in business it is! But **the priority is the people.**”

- Miller Welborn
SmartBank Chairman of the Board



RHETT JORDAN
Executive Vice President
Chief Credit Officer



TRAVIS LYTLE
Senior Vice President
Director of Community
Development & CRA Officer



GARY PETTY
Executive Vice President
Chief Risk Officer



NATE STRALL
Vice President
Director of Strategy
& Corporate Development



BRYAN STUBBLEFIELD
Senior Vice President
Retail Sales

SMARTBANK CULTURE



Bill Carroll with the inaugural Bill Carroll Legacy Banker Award

THE BILL CARROLL LEGACY BANKER AWARD

Bill Carroll, co-founder of SmartBank and current Vice-Chairman of the Board, was honored with the inaugural *Bill Carroll Legacy Banker Award*. This lifetime achievement award was given to Mr. Carroll in honor of his integrity, dedication, entrepreneurial spirit and business acuity as well as many of his other exceptional attributes. The *Bill Carroll Legacy Banker Award* will be presented in the future to other exemplary recipients.

CORE PURPOSE

CREATE
"WOW"
EXPERIENCES

2021 "WOW" AWARD WINNER MIKE WOOD

User Support Technician II, Jamestown, TN

- Creating "WOW" experiences
- Exhibiting over-the-top enthusiasm & positivity
- Delivering exceptional, professional & knowledgeable service



Each month a "WOW" Award Winner is chosen based on submissions from peers. At the end of each year, associates vote amongst the monthly winners to select the overall "WOW" Award Winner for the year. Congratulations to Mike Wood for being named SmartBank's 2021 "WOW" Award Winner!

CREATING “WOW” EXPERIENCES

CORE VALUES

Act with Integrity
Be Enthusiastic
Create Positivity
Demonstrate Accountability
Embrace Change



In 2021, SmartBank was voted a Top Workplace by Associates for the fifth year in a row.



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.

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**.



15 YEARS OF SMARTBANK

A SMART START

In 2007, SmartBank opened its doors to its first branch and corporate office in Pigeon Forge, TN. Within the next year, SmartBank also opened branches in Sevierville and Gatlinburg, TN. In 2009, SmartBank expanded into Knoxville, TN with its fourth branch. The next year Smartfinancial Inc. was formed as SmartBank's parent company. By 2011, and only 5 years into this journey, SmartBank was able to organically grow its assets to over \$325 million.



Pigeon Forge, TN

2007

2008

2009

2010

2011



Chattanooga, TN



FL Panhandle

LET'S GROW

In 2012, SmartBank completed its first acquisition (GulfSouth Private Bank) and expanded its footprint by adding branches in the Florida Panhandle. While continuing to scale markets in Knoxville, TN and Panama City, FL, SmartBank expanded into the Chattanooga, TN area through its 2014 announcement to merge with

Chattanooga-based Cornerstone Community Bank and to operate under SmartFinancial, Inc. The combined company was fully integrated in 2016. In 2015, SmartFinancial Inc. announced trading on the NASDAQ Capital Market under ticker symbol: SMBK. By 2016, SmartBank reached a tremendous milestone and became a \$1 billion company.

2012

2013

2014

2015

2016



HERE WE GROW AGAIN

In 2017, SmartBank expanded into Cleveland, TN through the acquisition of an FSG bank branch. Next, SmartBank went on to acquire Tuscaloosa, AL-based Capstone Bank, Tullahoma, TN-based Southern Community Bank and Maryville, TN-based Foothills Bank and Trust within two and a half years. The growth didn't slow there - in 2019, SmartBank was named to Fortune's annual 100 Fastest-Growing Companies List. In 2020, SmartBank continued its growth into Middle

Tennessee with the acquisition of Progressive Savings Bank. 2021 was a year unlike any other. SmartBank opened new branches in Montgomery, Dothan, and Auburn, AL and added a new dynamic Wealth Management team to our Mobile, AL market. Additionally, SmartBank acquired Sevier County Bank, further scaling presence in one of its strongest markets, and also added an equipment financing division through the acquisition of Fountain Equipment Finance. During this time period, SmartBank was consecutively named a Top Workplace five years in a row.

2017 2018 2019 2020 2021



2021 SNAPSHOT OF SMARTBANK



Successfully completed the acquisition and integration of Sevier County Bank, adding scale to one of our strongest markets in East Tennessee.

Strategically scaled presence in the Nashville, TN MSA. Hired several Senior Relationship Managers and opened a new location in Murfreesboro.



Heavy emphasis placed on growth in our Alabama market. Opened new branches in Auburn, Dothan, Montgomery and Mobile, AL as well as a loan production office in Birmingham, AL.



Strengthened our coastal market's presence, particularly in Mobile, AL with the expansion of our lending team and the addition of a wealth management division.





Successfully completed the acquisition of Fountain Equipment Finance.



**TOP
WORK
PLACES
2021**

knox news.
knox.biz

Awarded a Top Workplace designation for the fifth year in a row.

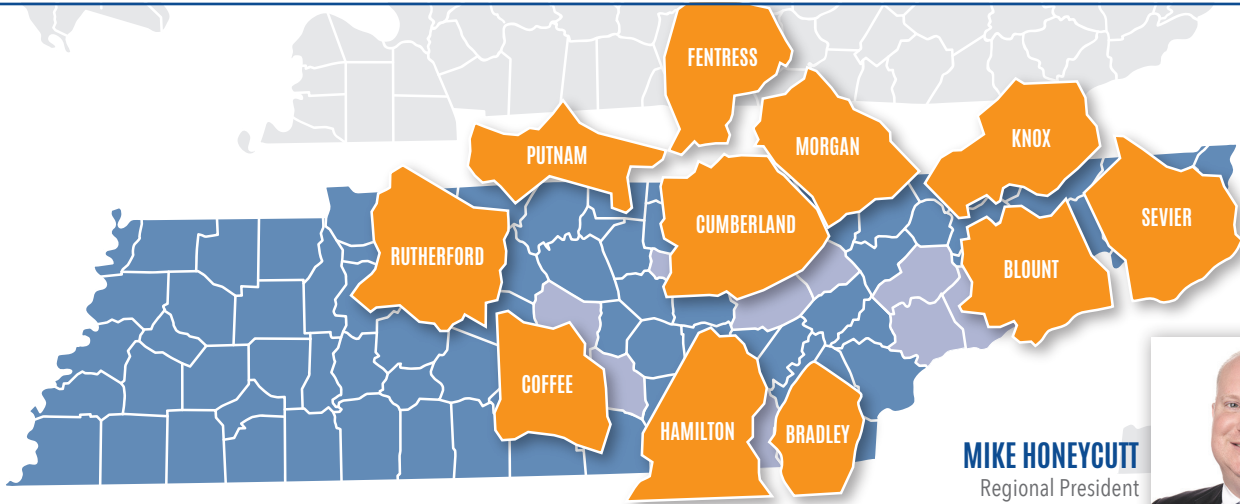


Received a Bauer 5-Star Rating and Kroll Bond Rating of BBB+ Stable Outlook.

Named to Fortune's 100 *Fastest-Growing Companies* list for the second time in the last three years.



SMARTBANK MARKETS



MIKE HONEYCUTT
Regional President
Northeast Tennessee



ROBERT KUHN
Regional President
Alabama



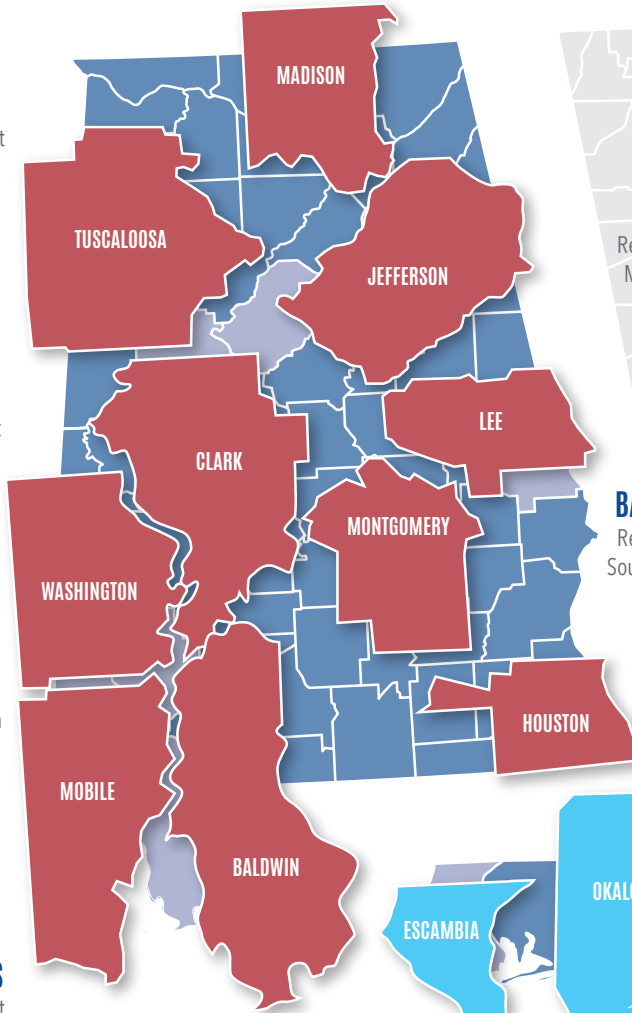
NATE SOMMER
Regional President
Coastal Market



LEE SMITH
Alabama Chairman



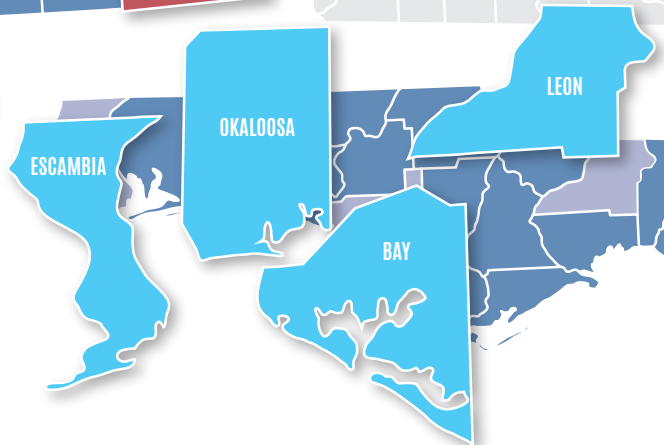
JEFF WILLIAMS
Regional President
South Alabama



DAVID SCOTT
Regional President
Middle Tennessee



BARRY WATSON
Regional President
Southeast Tennessee



TENNESSEE

SmartBank opened its first office in January 2007 in Pigeon Forge and has since expanded its footprint across several of the Southeast's strongest and most desired markets. The Middle and East Tennessee regions are home to 24 of SmartBank's 40 branches, with the company headquartered in Knoxville. Key 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 16,500+ TN residents. According to SmartAsset, Murfreesboro ranks as the #1 Boomtown for growth in the US (Dec 2021). Knoxville is home to Oak Ridge National Laboratory, Denso Manufacturing, Discovery Communications, and many others.

BLOUNT COUNTY

Alcoa
Maryville

BRADLEY COUNTY

Cleveland

COFFEE COUNTY

Tullahoma

CUMBERLAND COUNTY

Crossville (2)

FENTRESS COUNTY

Jamestown

HAMILTON COUNTY

Chattanooga (2)
East Ridge
Hixson
Ooltewah

KNOX COUNTY

Knoxville (3)

MORGAN COUNTY

Wartburg

PUTNAM COUNTY

Cookeville

RUTHERFORD COUNTY

Murfreesboro

SEVIER COUNTY

Sevierville (3)
Pigeon Forge
Gatlinburg
Seymour

ALABAMA

SmartBank completed the integration of Tuscaloosa-based Capstone Bank in early 2018, adding eight branches spanning from Tuscaloosa through Southwest, AL and to the coast. In late 2018, SmartBank acquired Southern Community Bank, and added a branch in Huntsville. Alabama brings great banking opportunities with tremendous growth in several of the Southeast's most desirable markets. Huntsville's growth exceeds a population boom, with the area attracting several high-profile developments including Mazda Toyota Manufacturing, the MidCity District, Facebook's Data Center and the newly built FBI campus on Redstone Arsenal. 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 coastal town in Baldwin County, has long been known for its lovely parks and sweeping panoramic views of Mobile Bay, but is now also the fourth fastest-growing city in Alabama (Aug 2021).

BALDWIN COUNTY

Fairhope

CLARKE COUNTY

Jackson
Thomasville

HOUSTON COUNTY

Dothan

JEFFERSON COUNTY

Birmingham (LPO)

LEE COUNTY

Auburn

MADISON COUNTY

Huntsville

MOBILE COUNTY

Mobile

MONTGOMERY COUNTY

Montgomery

TUSCALOOSA COUNTY

Tuscaloosa (2)
Northport

WASHINGTON COUNTY

Chatom
McIntosh

FLORIDA

SmartBank's expansion into the Florida Panhandle by way of its first acquisition of GulfSouth Private Bank in 2012 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.

OKALOOSA COUNTY

Destin

BAY COUNTY

Panama City

ESCAMBIA COUNTY

Pensacola

LEON COUNTY

Tallahassee (LPO)

CORPORATE SOCIAL RESPONSIBILITY

At SmartBank, we take great pride in our commitment to giving back to our community. This value defines SmartBank and acts as a driving force behind serving beyond financial needs.



COMMUNITY PARTNERS

SmartBank supports numerous charitable causes in all of our markets with a primary focus on these three areas: financial literacy, environmental stewardship and affordable housing.



PARK PARTNERS DONATIONS

SmartBank is committed to building exceptional value in our communities by providing lasting solutions to their problems and by protecting their greatest assets. Since 2009, SmartBank has donated nearly \$200,000 to organizations who support local National Parks.



PAYCHECK PROTECTION PROGRAM

In 2021, SmartBank continued with Round 2 in the Paycheck Protection Program ("PPP") and originated 1,801 loans totaling \$138.4 million.

FINANCIAL HIGHLIGHTS

\$4.6B

Record high total assets of \$4.6 billion, net loans of \$2.7 billion, and deposits of \$4.0 billion

\$34.8M

Net income of \$34.8 million

13.06%

Annual loan growth of \$311.2 million, or 13.06%

\$25.56

Book value of common stock, up 8.12% in 2021

0.11%

Asset quality was outstanding with nonperforming assets to total assets of just 0.11%

2021 FINANCIAL SUMMARY

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION The following selected historical consolidated financial data as of and for the years ended December 31, 2021 and 2020 is derived from the audited consolidated financial statements of the company. (Amounts are in thousands, except ratios, per share data.)

	YEARS ENDED DECEMBER 31,	
	2021	2020
SUMMARY OF OPERATIONS		
Total interest income	\$125,232	\$117,613
Total interest expense	11,838	16,747
Net interest income	133,394	100,866
Provision for loan losses	1,633	8,683
Net interest income after provision for loan losses	111,761	92,183
Non-interest income	23,949	15,426
Non-interest expense	91,391	76,719
Income before income taxes	44,319	30,890
Income tax expense	9,529	6,558
Consolidated net income	<u>\$ 34,790</u>	<u>\$ 24,332</u>
SHARE AND PER COMMON SHARE DATA:		
Basic earnings per share	\$ 2.23	\$ 1.63
Diluted earnings per share	2.22	1.62
Common equity per		
common share outstanding	25.56	23.64
Tangible book value per share	19.26	17.92
Dividends per common share	0.24	0.20
Actual common shares outstanding	16,803	15,107
Weighted average common shares outstanding	15,573	14,955
Diluted weighted average common shares outstanding	15,699	15,019



SmartFinancial

	YEARS ENDED DECEMBER 31,	
	2021	2020
BALANCE SHEET DATA:		
Average total assets	\$ 3,839,110	\$3,063,435
Average gross loans, net of deferred loan fees	2,535,006	2,289,612
Average interest-earning assets	3,521,653	2,812,480
Average deposits	3,304,907	2,481,985
Average interest-bearing deposits	2,463,161	1,910,703
Average interest-bearing liabilities	2,586,487	2,127,208
Average total shareholders' equity	387,688	341,170
SELECTED FINANCIAL RATIOS:		
Return on average assets	0.91%	0.79%
Return on average equity	8.97%	7.13%
Average equity to average total assets	10.10%	11.14%
Efficiency ratio	66.54%	65.97%
Net interest margin ¹	3.24%	3.61%
Net interest spread ²	3.12%	3.41%
CAPITAL RATIOS:³		
Total Capital (to Risk-Weighted Assets)	12.29%	13.57%
Tier 1 Capital (to Risk-Weighted Assets)	11.66%	12.78%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	11.66%	12.78%
Tier 1 Capital (to Average Assets)	8.23%	9.58%
ASSET QUALITY RATIOS:		
Net charge-offs to average loans	0.02%	0.03%
Allowance to period end loans	0.72%	0.77%
Allowance for loan losses to non-performing loans	607.03%	315.16%
Non-performing assets to total assets	0.11%	0.31%
OTHER DATA:		
Branches	40	35
Loan production offices	3	1
Operation centers	1	1
Total associates	551	475

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

INVESTOR RELATIONS

SMARTFINANCIAL, INC. ANNUAL SHAREHOLDERS' MEETING

Thursday, May 26, 2022 at 3:00 pm

SmartBank - Bearden
5401 Kingston Pike, #600 | Knoxville, TN 37919

Meeting contact:
Frank Hughes (frank.hughes@smartbank.com)

STOCK SYMBOL
Nasdaq Capital Market:
SMBK

ELECTRONIC VOTING

To vote electronically, please go to www.smartfinancialinc.com. You may also download a copy of the 2021 SmartFinancial, Inc. Annual Report.

INVESTOR RELATIONS CONTACT

Ron Gorczynski
EVP, Chief Financial Officer

5401 Kingston Pike, Suite 600
Knoxville, TN 37919

865.437.5724
ron.gorczynski@smartbank.com

STOCK TRANSFER AGENT INFO

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

MARKET MAKERS

Virtu Financial	JP Morgan
Raymond James & Associates	UBS Investment Bank
Credit Suisse	Merrill Lynch
Jonestrading	Morgan Stanley
Wells Fargo Securities	Citigroup Global Markets

ANALYST COVERAGE

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

SMARTFINANCIAL, INC.

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Knoxville, TN 37919
866.290.2554

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 effects of the COVID-19 pandemic and related variants 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 acquisition of Sevier County Bancshares, Inc. ("SCB"); (7) the risk that the anticipated benefits from the acquisition of SCB 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 and related variants; (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 and related variants; (15) the impact of the COVID-19 pandemic and related variants 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 related variants; 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.



SmartFinancial