

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of earliest event reported: January 21, 2020

**SMARTFINANCIAL, INC.**  
(Exact name of registrant as specified in its charter)

Tennessee

(State or other jurisdiction of incorporation)

333-203449

(Commission File Number)

62-1173944

(IRS Employer Identification No.)

5401 Kingston Pike, Suite 600  
Knoxville, Tennessee

(Address of Principal Executive Offices)

37919

(Zip Code)

(Registrant's telephone number, including area code: (865) 437-5700

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of Exchange on which Registered
Common Stock, par value \$1.00 per share	SMBK	The Nasdaq Stock Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition.**

On January 21, 2020, SmartFinancial, Inc. (SmartFinancial") issued a press release (the "Press Release") reporting earnings results for its fourth quarter ending December 31, 2019. A copy of the Press Release is attached hereto as Exhibit 99.1.

The information in Item 2.02 of this report (including Exhibit 99.1) shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 7.01 Regulation FD Disclosure.**

SmartFinancial is filing an investor slide presentation that it intends to review in conjunction with its earnings release conference call on January 22, 2020. The slides are attached hereto as Exhibit 99.2.

The information in Item 7.01 of this report (including Exhibit 99.2) shall not be deemed to be "filed" for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits**

**Exhibit No.      Description**

99.1	Press release announcing fourth quarter 2019 financial results dated January 21, 2020
99.2	Fourth quarter 2019 investor presentation

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**SMARTFINANCIAL, INC.**

Date: January 21, 2020

/s/ William Y. Carroll, Jr.

William Y. Carroll, Jr.

*President & Chief Executive Officer*

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">99.1</a>	Press release announcing fourth quarter 2019 financial results dated January 21, 2020
<a href="#">99.2</a>	Fourth quarter 2019 investor presentation



# SmartFinancial, Inc.

**Fourth Quarter 2019 Earnings Release**

*January 21, 2020*



# Legal Disclaimer

## Forward-Looking Statements

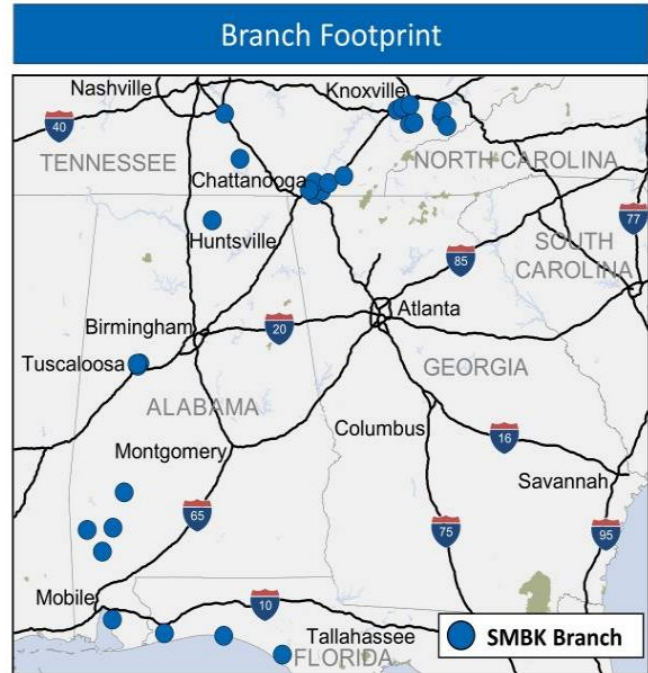
This news release may contain statements that are based on management's current estimates or expectations of future events or future results, and that may be deemed to constitute forward-looking statements as defined under the Private Securities Litigation Reform Act. These statements are not historical 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) the risk of litigation related to the termination of our agreement and plan of merger with Entegra Financial Corp. (the "Entegra Merger Agreement") or the abandonment of the transactions that were contemplated by the Entegra Merger Agreement; (2) reputational risk resulting from the termination of the Entegra Merger Agreement; (3) potential changes to, or the risk that we may not be able to execute on, our business strategy as a result of the termination of the Entegra Merger Agreement; (4) the risk that cost savings and revenue synergies from recently completed acquisitions may not be realized or may take longer than anticipated to realize; (5) disruption from recently completed acquisitions with customer, supplier, employee, or other business relationships; (6) our ability to successfully integrate the businesses acquired as part of previous acquisitions with the business of SmartBank; (7) risks related to the proposed acquisition of PFG, including the risk that the proposed acquisition does not close when expected or at all because conditions to closing are not satisfied on a timely basis or at all, or the terms of the proposed transaction need to be modified to satisfy such conditions; (8) the risk that the anticipated benefits from the proposed acquisition of PFG may not be realized in the time frame anticipated; (9) changes in management's plans for the future; (10) prevailing, or changes in, economic or political conditions, particularly in our market areas; (11) credit risk associated with our lending activities; (12) changes in interest rates, loan demand, real estate values, or competition; (13) changes in accounting principles, policies, or guidelines; (14) changes in applicable laws, rules, or regulations; and (15) 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](http://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

Statements included in this presentation include Non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of Non-GAAP financial measures to GAAP financial measures. SmartFinancial management uses several Non-GAAP financial measures, including: (i) net operating earnings, (ii) net operating return on average assets, (iii) net operating return on average shareholder equity, (iv) return on average tangible common equity, (v) net operating return on average tangible common equity, (vi) operating efficiency ratio; (vii) tangible common equity; (viii) average tangible common equity; (ix) tangible book value; and ratios derived therefrom, in its analysis of the company's performance. Net operating earnings excludes the following from net income: securities gains and losses, merger termination fee of \$6.4 million in the second quarter of 2019, merger related and restructuring expenses, the effect of the December 2017 tax law change on deferred tax assets, tax benefit from director options previously exercised, and the income tax effect of adjustments. Net operating return on average equity is the annualized net operating earnings divided by average assets. Net operating return on average equity is the annualized net operating earnings divided by average equity. Return on average tangible common equity is the annualized net income divided by average tangible common equity. Net operating return on average tangible common equity is the annualized net operating earnings divided by average tangible common equity (Non-GAAP). The operating efficiency ratio includes an adjustment for taxable equivalent yields and excludes securities gains and losses and merger related and restructuring expenses from the efficiency ratio. Tangible common equity and average tangible common equity excludes goodwill and other intangible assets. Tangible book value excludes intangible assets and goodwill. Management believes that Non-GAAP financial measures provide additional useful information that allows investors to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. Management believes these non-GAAP financial measures also enhance investors' ability to compare period-to-period financial results and allow investors and company management to view our operating results excluding the impact of items that are not reflective of the underlying operating performance. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider SmartFinancial's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP.

# Overview of SmartFinancial

- **SmartFinancial, Inc. (Nasdaq: SMBK) is a \$2.4 billion asset bank holding company headquartered in Knoxville, Tennessee**
  - Operates one subsidiary bank, SmartBank, which was founded in January 2007
  - Located primarily in attractive, high-growth markets throughout East/Mid Tennessee, Alabama and the Florida Panhandle
  - 399 full-time employees
  - ~\$324 million market capitalization<sup>(1)</sup>
- **Balance Sheet (12/31/19)**
  - Assets: \$2.4 billion
  - Gross Loans: \$1.9 billion
  - Deposits: \$2.0 billion
  - Shareholders' Equity / Tangible Common Equity (Non-GAAP): \$313.0 million / \$235.6 million
- **Profitability (Q4 '19)**
  - Net Income / Net Operating Earnings (Non-GAAP): \$6.7 million / \$6.5 million
  - ROAA / Net Operating ROAA (Non-GAAP): 1.12% / 1.08%
  - ROATCE / Net Operating ROATCE (Non-GAAP): 11.6% / 11.1%
  - Efficiency Ratio / Operating Efficiency Ratio (Non-GAAP): 67.0% / 65.0%
- **Asset Quality**
  - Superior asset quality and proven credit culture
  - NPAs / Total Assets of 0.21%
- **Initiated Regularly Quarterly Dividend**
  - Declared quarterly cash dividend of \$0.05 per share



Financial data as of or for the three months ended 12/31/19

(1) Pricing data as of 01/17/20

Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

# Culture

We are **building a culture** where **Associates thrive** and are **empowered** to be **leaders**. The **core values** that we have established as a company help us operate in unison and have become a **critical part of our culture**. Our Associates are key to SmartBank's success.

## Core Values

- Act with Integrity
- Be Enthusiastic
- Create Positivity
- Demonstrate Accountability
- Embrace Change

Creating  
"WOW"  
Experiences

Exhibiting  
Over-The-Top  
Enthusiasm  
and Positivity

Delivering  
Exceptional,  
Professional &  
Knowledgeable  
Service

## Positioning Statement



At SmartBank, delivering **unparalleled value** to our Shareholders, Associates, Clients and the Communities we serve drives **every** decision and action we take. **Exceptional value** means being there with **smart solutions**, **fast responses** and **deep commitment** every single time. By doing this, we will create the Southeast's next, great community banking franchise.

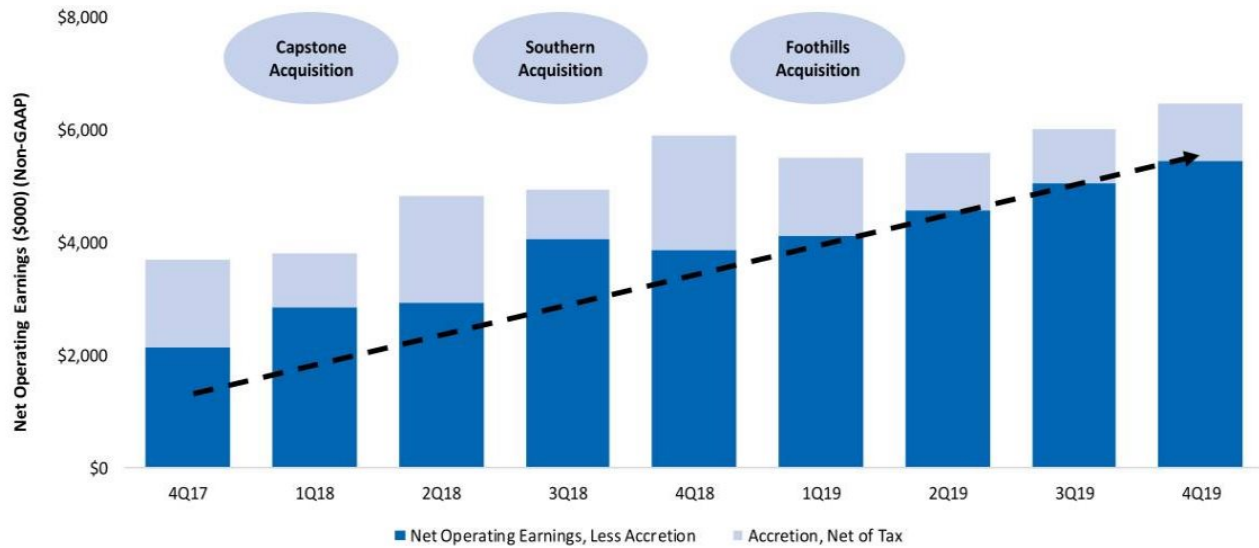


**SmartFinancial, Inc.**

**Fourth Quarter Financial Highlights**



## Solid Earnings Track Record



(\$ in thousands)	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
<b>Net Operating Earnings (Non-GAAP)</b>	\$3,707	\$3,810	\$4,844	\$4,966	\$5,907	\$5,509	\$5,603	\$6,016	\$6,487
Less:									
<b>Accretion, Net of Tax</b>	(\$1,567)	(\$943)	(\$1,911)	(\$894)	(\$2,039)	(\$1,392)	(\$1,017)	(\$939)	(\$1,038)
<b>Net Operating Earnings, Less Accretion</b>	\$2,140	\$2,867	\$2,933	\$4,072	\$3,869	\$4,117	\$4,586	\$5,077	\$5,450

Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix.

## Performance Trends

- Net Operating Earnings (Non-GAAP) of \$6.5 million for the quarter, up 10% from a year earlier
- ROAA of 1.12% for the quarter and Net Operating ROAA (Non-GAAP) of 1.08%
- ROATCE (Non-GAAP) of 11.6% for the quarter and Operating ROATCE (Non-GAAP) of 11.1%
- Efficiency Ratio of 67.0% for the quarter and Operating Efficiency Ratio (Non-GAAP) of 65.0%
- Net Interest Margin (fully taxable equivalent "FTE") of 3.84%, down 7 basis points from the prior quarter
- Nonperforming Assets were 0.21% of Total Assets

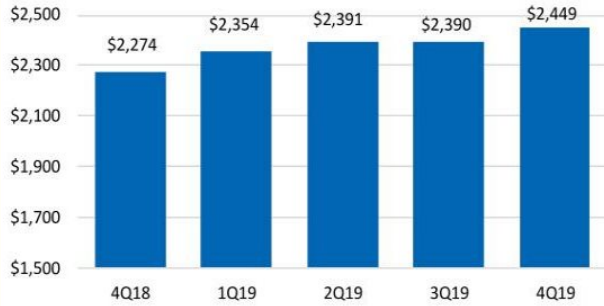


(1) Operating profitability (Non-GAAP) figures exclude gain on sale of securities, merger termination fees, merger-related and restructuring expenses and non-operating items; net interest margin excludes purchase accounting adjustments

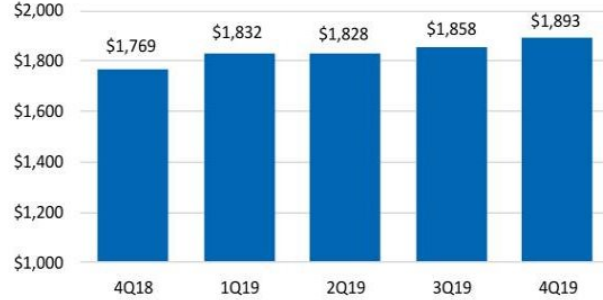
Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

# Balance Sheet Trends

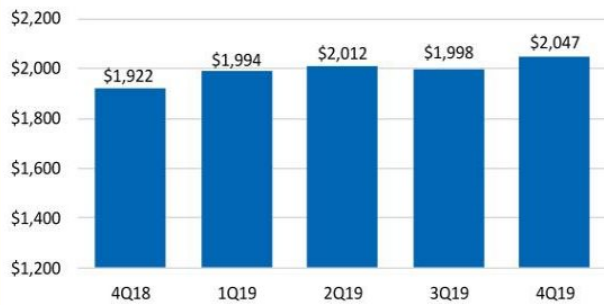
### Total Assets (\$mm)



### Net Loans (\$mm)



### Total Deposits (\$mm)



### Book Value Per Share

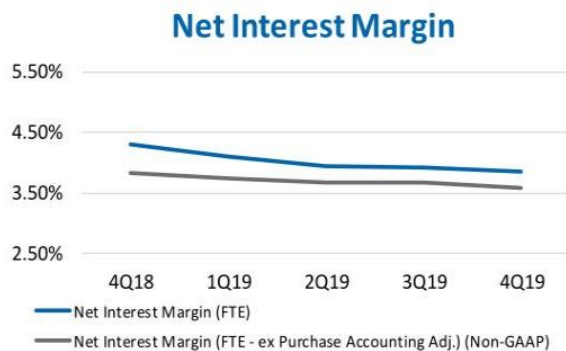


Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix.

# Net Interest Income

- Net Interest Margin (FTE) decreased quarter-to-quarter primarily due to the three Federal rate decreases during the third and fourth quarters of 2019
- Compared quarter-to-quarter, Earning Asset Yields have decreased 13 basis points; the Average Cost of Interest-bearing Liabilities have decreased 8 basis points
- Excluding the effect of purchase accounting adjustments, the Net Interest Margin (FTE) decreased 9 basis points quarter-to-quarter

(\$ in thousands)	4Q19	3Q19	4Q18
Net Interest Income (FTE)	\$21,120	\$21,250	\$21,541
Average Earning Assets	\$2,190,508	\$2,157,193	\$1,990,262

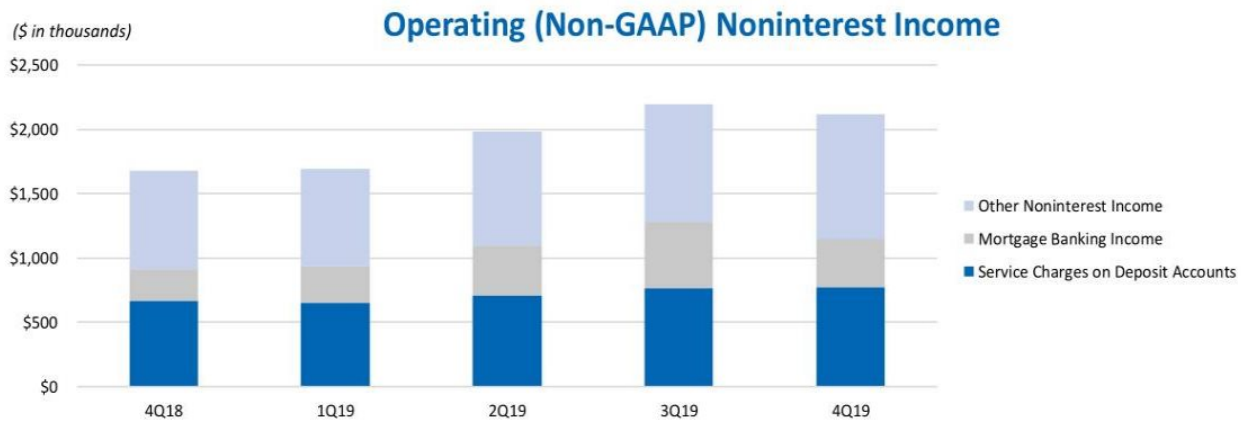


Average Yields and Rates			
	4Q19	3Q19	4Q18
Loans, less accretion	5.07%	5.22%	5.17%
Accretion	0.29%	0.26%	0.64%
Loans	5.36%	5.48%	5.81%
Taxable securities	2.38%	2.49%	2.09%
Tax-exempt securities (FTE)	3.10%	3.14%	4.04%
Federal funds and other investments	1.74%	2.18%	2.99%
<b>Earning Asset Yields</b>	<b>4.92%</b>	<b>5.05%</b>	<b>5.36%</b>
<b>Total Interest-Bearing Deposits</b>	<b>1.29%</b>	<b>1.37%</b>	<b>1.21%</b>
Securities sold under agreement to repurchase	0.35%	0.31%	0.33%
Federal funds purchased and other borrowings	1.00%	0.58%	4.97%
Subordinated debt	5.90%	5.91%	5.91%
<b>Total Interest-Bearing Liabilities</b>	<b>1.39%</b>	<b>1.47%</b>	<b>1.33%</b>
<b>Net Interest Margin (FTE)</b>	<b>3.84%</b>	<b>3.91%</b>	<b>4.28%</b>
<b>Net Interest Margin (FTE - ex Purchase Acct. Adj.)</b>	<b>3.59%</b>	<b>3.68%</b>	<b>3.83%</b>
<b>Cost of Funds</b>	<b>1.15%</b>	<b>1.21%</b>	<b>1.12%</b>

Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

## Operating (Non-GAAP) Noninterest Income

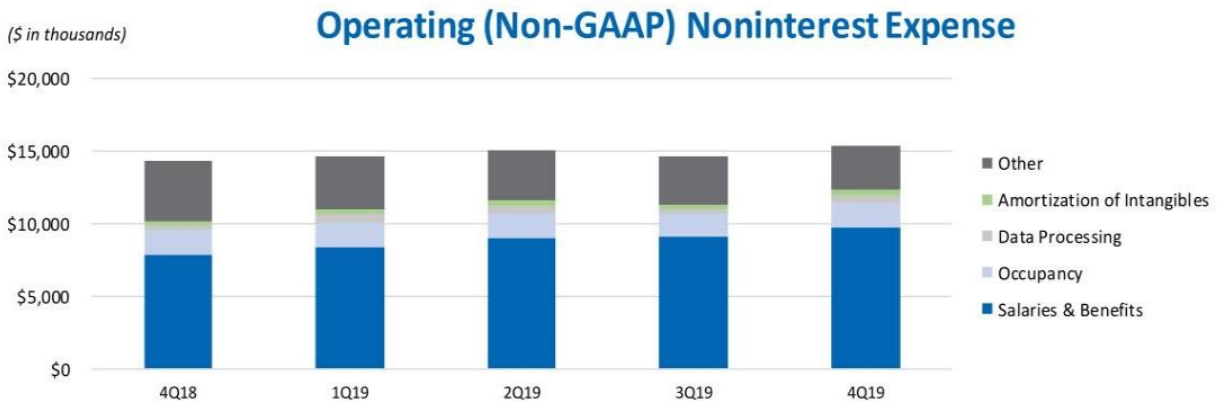
- Consistent increases in service charges on deposit accounts
- Slight decline in mortgage banking income linked quarter, continued growth year-over-year
- Other noninterest income components stable over quarters presented



Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix.

## Operating (Non-GAAP) Noninterest Expense

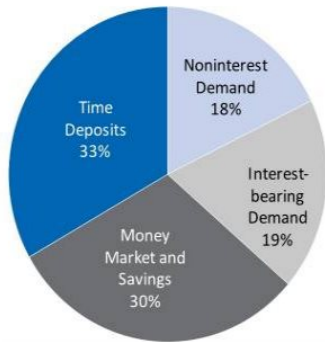
- Operating Efficiency Ratio (Non-GAAP) remained under 65% for the fifth consecutive quarter
- Salary increases are driven by our continued investment in hiring talented revenue producing associates in order to complement our strategic initiatives
- Continued investment in infrastructure



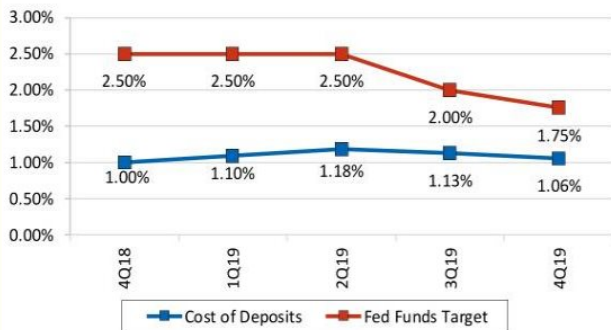
Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix.

# Attractive Deposit Mix

Deposit Composition (12/31/19)



Historical Cost of Deposits

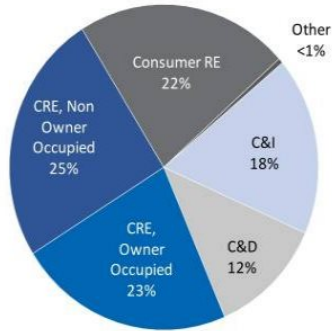


Historical Deposit Composition (\$mm)

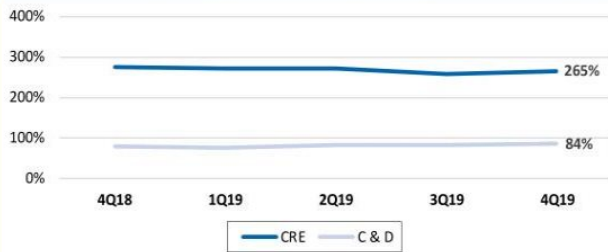


# Overview of Loan Portfolio

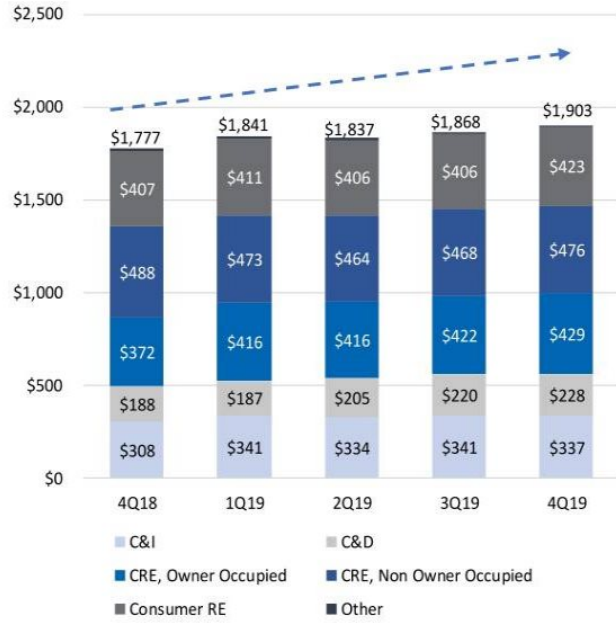
## Loan Composition (12/31/19)



## Historical CRE Ratios



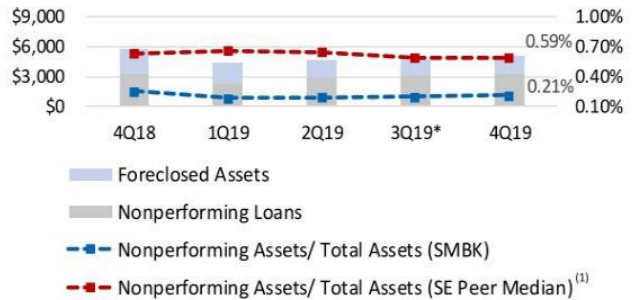
## Historical Loan Composition (\$mm)



# Asset Quality

- Superior asset quality, with Nonperforming Assets at 0.21% of Total Assets compared to the Southeast Peer Median <sup>(1)</sup> of 0.59%
- Remaining fair value discounts on acquired loans are 1.5x the current Allowance For Loan Losses
- Allowance for loan losses to loans is 0.54% at 4Q19
- Proven credit culture, with Net Charge-Offs to Average Loans of 0.01% compared to the Southeast Peer Median <sup>(1)</sup> of 0.03%

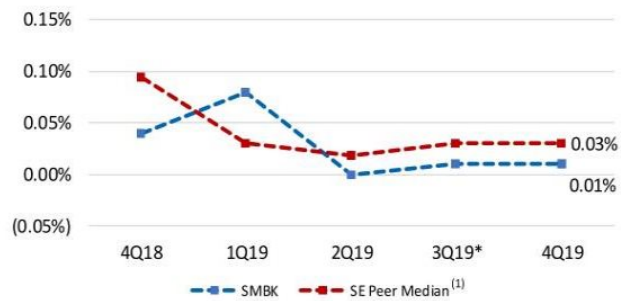
## Nonperforming Assets (\$ in thousands)



## Loan Discounts (\$ in thousands)



## Net Charge-Offs/ Average Loans



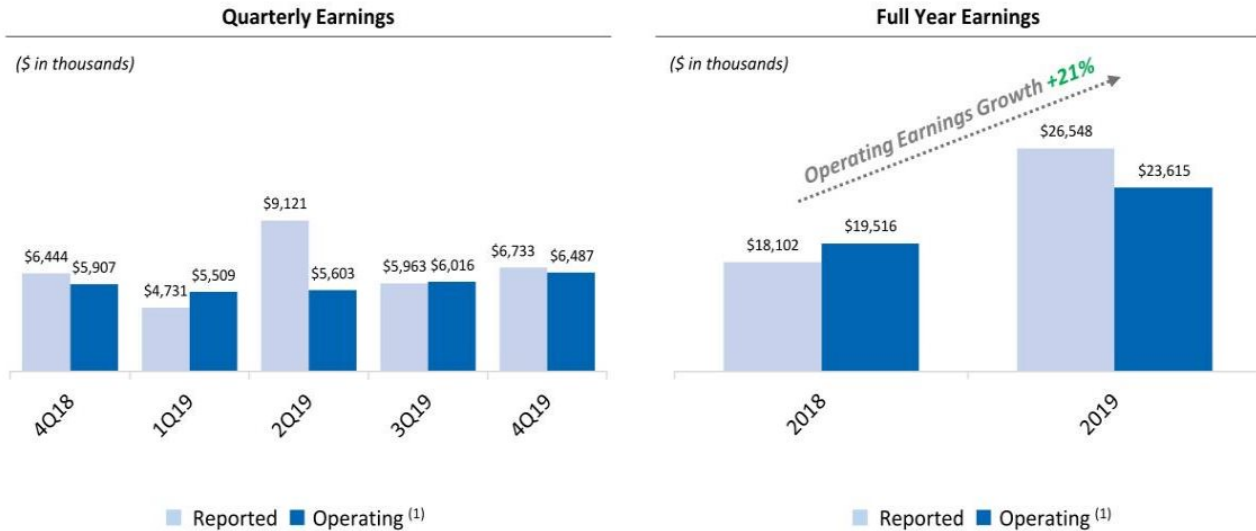
Source: S&P Global Market Intelligence

(1) Major-exchange (NYSE, NYSEAM, NASDAQ) traded banks between \$1.5B and \$3B in assets headquartered in the Southeast (AL, AR, FL, GA, LA, MS, NC, SC, TN and WV) as of 09/30/19

\* Peer median data held constant from 3Q19 due to unavailable 4Q19 data as of SMBK reporting date

## Reported and Operating (Non-GAAP) Earnings

- Fourth quarter 2019 operating earnings increased 8% from the prior linked quarter, and increased 10% to same prior year quarter
- Quarterly operating earnings overall had directionally consistent growth
- Full year operating earnings increased 21% from 2018 to 2019



(1) Operating (Non-GAAP) figures exclude gain on sale of securities, merger termination fees, merger-related and restructuring expenses and non-operating items  
 Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

## Summary of Moving Forward Initiatives

The company is **Moving Forward** with several major initiatives:

Initiatives	Completed	On-Going	2020
▪ Centralization of operational areas	✓		
▪ Centralization of finance group	✓		
▪ Bank-wide organizational chart planning to gain efficiencies	✓		
▪ Core data processing decision (contract up in 2020)	✓		
▪ Continued hiring of bank talent in our growth markets		✓	
▪ Evaluation of new M&A opportunities		✓	
▪ Integration of Progressive Bank			✓
▪ Noninterest income opportunities / acceleration			✓
▪ SmartSpend project			✓

## Noteworthy Accomplishments in 2019

### Announced the Acquisition of Progressive Savings Bank



The proposed transaction will bolster SmartFinancial's presence in Tennessee and, based on market share data as of June 30, 2019, SmartFinancial will become the 7th largest community bank by deposits in Tennessee (pro forma), with total consolidated assets in excess of \$2.7 billion.

### Debuted on Fortune's 100 Fastest-Growing Companies



The Fortune 100 Fastest-Growing Companies are publicly traded companies ranked each year by revenue growth rate, EPS growth rate and three-year annualized total return.

### Named "A Top Workplace" 3-Years Running



For the third year in a row, SmartBank was presented the Top Workplace award by the Knoxville News Sentinel and Knox.biz.







**SmartFinancial, Inc.**

**Acquisition of Progressive Financial Group, Inc.**



## SMBK M&A Criteria

*SmartFinancial is committed to balancing organic growth with thoughtful acquisitions and will not make acquisitions simply for the sake of growth*

Impact	SMBK Criteria	Acquisition of Progressive
TBV Earnback Period	< 3 years	
EPS Impact	Meaningful earnings accretion in first full year of operations	
Market Density	Builds upon footprint in current and adjacent markets	
Deposit Base	Steady, low-cost funding	

# Overview of Progressive Financial Group Inc.



**Company Name** Progressive Financial Group Inc.  
**Key Locations** Cookeville, Crossville & Jamestown, TN  
**CEO** Ottis H. Phillips  
**Insiders & Related Parties Ownership** > 60%

#### Dollars in Thousands (Consolidated as of 09/30/19)

Total Assets	296,065
Net Loans	190,293
Total Deposits	258,091
Tangible Common Equity	33,371
Net Income 2018 <sup>(1)</sup>	2,133
Net Income 2019 <sup>(1)(2)</sup>	1,216

#### MRQ Percentages

Core ROAA <sup>(1)</sup>	0.72
Core ROAE <sup>(1)</sup>	7.08
Net Interest Margin	4.19
Efficiency Ratio	86.7
NPA's/Assets	2.40
Leverage Ratio	10.20
Total Capital Ratio	14.57
Noninterest Bearing Deposits/ Deposits	24.08

## Deposit Market Share in Counties of Operation

Rank	Institution	Market Share (%)	Deposits in Market (\$mm)	Number of Branches
1	B.P.C. Corp.	20.4	\$751	13
2	Regions Financial Corp.	15.0	553	7
3	First National Bank of Tennessee	13.3	488	4
4	First Horizon National Corp.	8.6	315	2
5	Progressive Financial Group Inc.	7.2	264	6
6	Educational Services of America Inc.	5.3	196	2
7	Jamestown Union Bancshares Inc.	4.4	161	2
8	FB Financial Corp.	3.8	139	2
9	First Volunteer Corp.	3.6	134	4
10	American Bancshares Corp.	3.3	121	2
Total for Institutions in Market			\$3,684	60

## Progressive Company Highlights

- Founded in 1980 with deep existing ties to local markets
- Highly competitive market share in counties of operation
- Diversified revenue streams through variety of business lines

Source: S&P Global Market Intelligence

Data as of 09/30/19; excludes impact of ownership of Upper Cumberland Bancshares

Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

(1) S-Corp profitability adjusted at 21% tax rate

(2) 2019 YTD Net Income annualized

# Bolstering Our Core Tennessee Market

## Tennessee Branch Footprint



## Tennessee Deposit Market Share <sup>(1)</sup>

Community Bank Rank <sup>(1)</sup>	Rank	Institution	Market Share (%)	Deposits in Market (\$mm)	Number of Branches
	1	Regions Financial Corp.	11.94	\$16,546	218
	2	First Horizon National Corp.	11.88	16,467	157
	3	Truist Financial Corp.	10.47	14,507	147
	4	Pinnacle Financial Partners Inc.	6.32	8,766	48
	5	Bank of America Corp.	5.60	7,756	58
1	6	FB Financial Corp.	3.16	4,382	67
	7	U.S. Bancorp	2.50	3,471	91
2	8	Wilson Bank Holding Co.	1.68	2,332	28
3	9	Fifth Third Bancorp	1.65	2,282	35
	10	Franklin Financial Network Inc.	1.50	2,074	15
	11	Simmons First National Corp.	1.47	2,040	42
4	12	Reliant Bancorp Inc.	1.27	1,760	22
	13	Wells Fargo & Co.	1.27	1,754	19
5	14	CapStar Financial Holdings Inc.	1.25	1,737	13
6	15	Home Federal Bank of Tennessee	1.23	1,706	23
7	16	Pro Forma	1.21	1,685	23
8	16	Educational Services of America Inc.	1.14	1,580	14
	17	Renasant Corp.	1.08	1,502	20
9	18	First Citizens Bancshares Inc.	1.06	1,473	25
	19	BancorpSouth Bank	1.03	1,429	27
10	20	SmartFinancial Inc.	1.02	1,421	17
62	81	Progressive Financial Group Inc.	0.19	264	6

## Pro Forma Company Overview <sup>(3)</sup>

Assets	\$2.7 Billion
Loans	\$2.0 Billion
Deposits	\$2.3 Billion
Loans / Deposits	89.3%

- Provides entry into Crossville, TN and Cookeville, TN MSAs and a natural extension of branch network in Knoxville, TN MSA
- Ranked as a top 7 community bank in Tennessee on a pro forma basis <sup>(2)</sup>
- Advances strategy of building a Southeast regional community bank

Source: S&P Global Market Intelligence

Deposit data as of 06/30/19

<sup>(1)</sup> Deposits capped at \$1.0 billion per branch

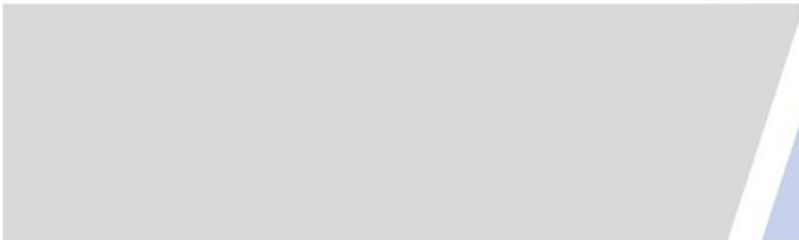
<sup>(2)</sup> Community Bank defined as banks with total assets less than \$15.0bn headquartered in Tennessee

<sup>(3)</sup> Excludes purchase accounting adjustments



**SmartFinancial, Inc.**

**Appendix**



# Non-GAAP Reconciliations

(\$ in thousands)	4Q19	3Q19	2Q19	1Q19	4Q18
<b>Net interest income - ex purchase acct. adj.</b>					
Net interest income (GAAP)	\$ 21,104	\$ 21,140	\$ 20,802	\$ 20,997	\$ 21,447
Taxable equivalent adjustment	116	110	116	115	94
Net interest income TEY	21,220	21,250	20,918	21,112	21,541
Purchase accounting adjustments	1,375	1,246	1,374	1,717	2,343
Net interest income - ex purchase acct. adj. (Non-GAAP)	\$ 19,845	\$ 20,004	\$ 19,544	\$ 19,395	\$ 19,198
<b>Operating Noninterest Income</b>					
Noninterest income (GAAP)	\$ 2,840	\$ 2,196	\$ 8,416	\$ 1,698	\$ 1,680
Securities (gain) losses	-	(1)	(33)	-	(2)
ADECA termination proceeds	(720)	-	-	-	-
Merger termination fee	-	-	(6,400)	-	-
Operating noninterest income (Non-GAAP)	\$ 2,120	\$ 2,195	\$ 1,983	\$ 1,698	\$ 1,678
<b>Operating Noninterest Expense</b>					
Noninterest expense (GAAP)	\$ 16,052	\$ 14,708	\$ 16,809	\$ 15,579	\$ 15,661
Salaries - prior year adjustment	(603)	-	-	-	-
Merger related and restructuring charges	(427)	(73)	(1,796)	(923)	(1,322)
Other - prior year franchise tax true-up	312	-	-	-	-
Operating noninterest expense (Non-GAAP)	\$ 15,334	\$ 14,635	\$ 15,013	\$ 14,656	\$ 14,339
<b>Tangible Common Equity</b>					
Shareholders' equity (GAAP)	\$ 312,747	\$ 306,040	\$ 299,611	\$ 290,481	\$ 283,011
Less goodwill and other intangible assets	77,193	77,534	78,348	78,690	79,034
Tangible Common Equity (Non-GAAP)	\$ 235,555	\$ 228,506	\$ 221,263	\$ 211,791	\$ 203,977
<b>Non-GAAP Return Ratios</b>					
Net operating return on average assets (Non-GAAP) <sup>(1)</sup>	1.08%	1.02%	0.96%	0.98%	1.07%
Return on average tangible common equity (Non-GAAP) <sup>(2)</sup>	11.6%	10.5%	16.8%	9.3%	13.1%
Net operating return on average shareholder equity (Non-GAAP) <sup>(3)</sup>	8.3%	7.9%	7.6%	7.8%	8.7%
Net operating return on average tangible common equity (Non-GAAP) <sup>(4)</sup>	11.1%	10.6%	10.3%	10.8%	12.0%

(1) Net operating return on average assets (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average assets.

(2) Return on average tangible common equity (Non-GAAP) is the annualized net income divided by average tangible common equity (Non-GAAP).

(3) Net operating return on average shareholder equity (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average shareholder equity.

(4) Net operating return on average tangible common equity (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average tangible common equity (Non-GAAP).

Note: "ADECA" represents a program administered by the Alabama Department of Economic and Community Affairs

# Non-GAAP Reconciliations

(\$ in thousands, except per share data)	4Q19	3Q19	2Q19	1Q19	4Q18
<b>Operating Earnings</b>					
Net income (GAAP)	\$ 6,733	\$ 5,963	\$ 9,121	\$ 4,731	\$ 6,444
<b>Noninterest income:</b>					
Securities (gains) losses	-	(1)	(33)	-	(2)
ADECA termination proceeds	(720)	-	-	-	-
Merger termination fee	-	-	(6,400)	-	-
<b>Noninterest expenses:</b>					
Salaries - prior year adjustment	603	-	-	-	-
Merger related and restructuring expenses	427	73	1,796	923	1,322
Other - prior year franchise tax true-up	(312)	-	-	-	-
<b>Income taxes:</b>					
Tax benefit - prior year amended return	(304)	-	-	-	-
Tax benefit from director options	-	-	-	-	(1,600)
Income tax effect of adjustments	60	(19)	1,119	(145)	(257)
Net operating earnings (Non-GAAP)	\$ 6,487	\$ 6,016	\$ 5,603	\$ 5,509	\$ 5,907
<b>Net operating earnings per common share:</b>					
Basic	\$0.46	\$0.43	\$0.40	\$0.40	\$0.44
Diluted	\$0.46	\$0.43	\$0.40	\$0.39	\$0.43
<b>Operating Efficiency Ratio</b>					
Efficiency ratio (GAAP)	67.0%	63.0%	57.5%	68.7%	67.7%
Adjustment for taxable equivalent yields	(0.45%)	(0.37%)	(0.50%)	(0.49%)	(0.45%)
Adjustment for securities gains (losses)	-	-	0.14%	-	0.01%
Adjustment for merger expenses	(1.64%)	(0.24%)	8.39%	(3.91%)	(5.55%)
Operating efficiency ratio (Non-GAAP)	65.0%	62.4%	65.6%	64.3%	61.7%

Note: "ADECA" represents a program administered by the Alabama Department of Economic and Community Affairs

## Investor Contacts

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# SmartFinancial, Inc.

**Billy Carroll**

**Miller Welborn**

President & CEO

Chairman

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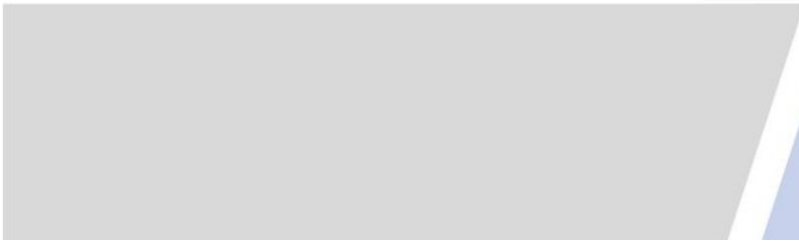
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**5401 Kingston Pike, Suite 600**  
**Knoxville, TN 37919**



**SmartFinancial, Inc.**







4Q 2019

### SmartFinancial Announces Results for the Fourth Quarter 2019

KNOXVILLE, TN - January 21, 2020 - SmartFinancial, Inc. ("SmartFinancial" or the "Company"; NASDAQ: SMBK), today announced net income of \$6.7 million, or \$0.48 per diluted common share, for the fourth quarter of 2019, compared to net income of \$6.0 million, or \$0.42 per diluted common share, for the third quarter of 2019. Net operating earnings (Non-GAAP), which excludes securities gains, merger related and restructuring expenses and non-operating items, totaled \$6.5 million, or \$0.46 per diluted common share, in the fourth quarter of 2019, compared to \$6.0 million, or \$0.43 per diluted common share, in the third quarter of 2019.

For the year ending December 31, 2019, net income is \$26.5 million, or \$1.89 per diluted common share, compared to net income of \$18.1 million, or \$1.45 per diluted common share, for the year ending December 31, 2018. Net operating earnings (Non-GAAP), which excludes securities gains, merger related and restructuring expenses and non-operating items, totaled \$23.6 million, or \$1.68 per diluted common share, for the year ending December 31, 2019 compared to \$19.5 million, or \$1.56 per diluted common share, for the year ending December 31, 2018.

#### Highlights for Fourth Quarter of 2019

- Return on average assets of 1.12% and net operating annualized return on average assets (Non-GAAP) of 1.08%
- Asset quality remains outstanding with nonperforming assets to total assets of 0.21%
- Loan growth of \$32.7 million, or 7.0% annualized
- Tangible book value (Non-GAAP) per share of \$16.82, a 14.9% year-over-year increase
- Announced the planned acquisition of Progressive Financial Group, Inc. ("PFG")
- Initiation of a quarterly dividend

Billy Carroll, President & CEO, stated: "We posted a solid quarter and closed the books on another successful year where we made a number of outstanding foundational strides. Our team continues to focus on steady growth of our performance metrics and we remain bullish on our opportunities to move the company forward and continuing growth of shareholder value."

SmartFinancial's Chairman, Miller Welborn, concluded: "The consistency we are beginning to show in all areas of our company, especially our financial metrics, is very exciting to me. Our team continues to improve their execution of our strategy while maintaining a laser focus on growing long term shareholder value."

#### Net Interest Income and Net Interest Margin

Net interest income was \$21.1 million for each of the fourth and third quarters of 2019 and \$21.4 million for the fourth quarter of 2018. The tax equivalent net interest margin was 3.84% for the fourth quarter of 2019 compared to 3.91% for the third quarter of 2019. The tax equivalent average yield on interest-earning assets was 4.92% for the fourth quarter of 2019, a decrease from 5.05% for the third quarter of 2019. The yield on interest-bearing liabilities decreased to 1.39% for the fourth quarter of 2019 from 1.47% for the third quarter of 2019.

The yield on average loans was 5.36% for the fourth quarter of 2019 compared to 5.48% for the third quarter of 2019. The decrease in yield on average loans from the third to fourth quarters of 2019 was primarily due to the impact of three Federal rate decreases over these two quarters which effected the repricing of variable rate loans and new loan production. During the fourth quarter of 2019, increased discount accretion was recorded on acquired loans (29 basis points in the fourth quarter of 2019 versus 26 basis points in the third quarter of 2019) with loan fees remaining stable quarter over quarter. For the fourth quarter of 2019, the yield on average loans, excluding accretion, was 5.07%, a decrease of 15 basis points from the 5.22% reported in the third quarter of

2019. The impact of the acquired loan discount accretion on the tax equivalent net interest margin was 25 basis points for the fourth quarter of 2019 and 23 basis points for the third quarter of 2019.

The cost of average interest-bearing deposits was 1.29% for the fourth quarter of 2019 compared to 1.37% for the third quarter of 2019. The overall decrease of eight basis points in average interest-bearing deposits from the third to fourth quarter of 2019 was driven primarily by the three Federal rate decreases during the third and fourth quarters of 2019, creating a reduction of interest cost for all deposit classifications.

#### **Provision for Loan Loss and Credit Quality**

Provision for loan losses was \$685 thousand in the fourth quarter of 2019, compared to \$724 thousand in the third quarter of 2019 and \$1.3 million in the fourth quarter of 2018. The allowance for loan losses was \$10.2 million, or 0.54% of total loans, as of December 31, 2019, compared to \$9.8 million, or 0.53% of total loans, as of September 30, 2019. The increase in allowance for loan losses to total loans was due primarily to the increase in the loan originations and, to lesser extent, the reduction of acquired loan balances.

Nonperforming loans as a percentage of total loans was 0.18% as of December 31, 2019, an increase of one basis point from the 0.17% reported in the third quarter of 2019. Total nonperforming assets (which include nonaccrual loans, loans past due 90 days or more and still accruing, and other real estate owned) as a percentage of total assets was 0.21% as of December 31, 2019 as compared to 0.20% as of September 30, 2019.

#### **Noninterest Income**

Noninterest income was \$2.8 million for the fourth quarter of 2019 compared to \$2.2 million for the third quarter of 2019. The increase of \$644 thousand from the third quarter 2019 to the fourth quarter 2019 was primarily because of funds received from the Alabama Department of Economic and Community Affairs ("ADECA"). ADECA was a program that guaranteed 50% of a loans obligation for loan's approved and originated through the program. In September 2019, the ADECA program was dissolved and in October 2019 total proceeds of \$1.2 million was received, of which \$720 thousand was recorded as noninterest income, and the remainder of the proceeds were held in reserve for potential future losses on specific identified loans that were covered in the program.

#### **Noninterest Expense**

Noninterest expense was \$16.1 million for the fourth quarter of 2019, an increase of \$1.4 million, compared to \$14.7 million for the third quarter of 2019. During the fourth quarter of 2019, the primary components of the increase in noninterest expense were as follows:

- Increase of \$1.2 million in salaries and employees benefits, which consisted of a \$603 thousand prior year adjustment, acquired SERP adjustment, year-end employee incentive accrual adjustments, and from increased hiring of associates;
- Increase of \$219 thousand in FDIC insurance due to a credit reported during the third quarter of 2019, and no expense recorded during the fourth quarter of 2019;
- Increase of \$257 thousand in data processing expenses, primarily from core processor credits that were utilized during the third quarter of 2019;
- Increase of \$354 thousand in merger related and restructuring expenses relating to the Progressive Financial Group Inc. acquisition; and
- Decrease of \$644 thousand in other expenses, which consisted of a benefit of \$312 thousand relating to a prior year adjustment to franchise taxes from the 2018 income tax return true-up, and a current period benefit of \$468 thousand relating to excess tax credits applied to franchise taxes (See Income Tax Expense below).

#### **Income Tax Expense**

Income tax expense was \$473 thousand for the fourth quarter of 2019, a decrease of \$1.5 million, compared to \$1.9 million for the third quarter of 2019. During the fourth quarter of 2019, the primary components of the decrease in income tax expense were as follows:

- Tax benefit of \$304 thousand relating to a prior year (2017) amended Federal tax return;
- Adjustments relating to the true-up of 2018 Federal Tax return; and
- Tax benefit of \$1.1 million income tax benefit associated with a program the State of Tennessee manages for Community Investment loans. The Bank strategically originated loans in this program to reduce its 2019 tax liability. The benefit received from the loans approved under this program was first applied to the current year Tennessee income tax liability, and the excess benefit over the current tax liability was applied directly to the Company's Tennessee franchise tax liability.

The amount of the benefit received from this opportunity totaled \$1.6 million, with a benefit of \$1.1 million applied to income tax liability and the excess benefit of \$468 thousand applied to franchise tax (as mentioned above in Noninterest Expense).

The overall effective tax rate was 6.6% for the fourth quarter of 2019 compared to 24.6% for the third quarter of 2019.

#### **Balance Sheet Trends**

Total assets at December 31, 2019 were \$2.45 billion compared with \$2.27 billion at December 31, 2018. The year-over-year increase of \$174.7 million is primarily from continued loan growth of \$122.1 million.

Total liabilities increased to \$2.14 billion at December 31, 2019 from \$2.00 billion at December 31, 2018. The year-over-year increase of \$145.0 million was primarily from the increase of total deposits of \$125.3 million and FHLB and other borrowings of \$14.2 million.

Shareholders' equity at December 31, 2019 totaled \$312.7 million, an increase of \$29.7 million, from December 31, 2018. The increase in shareholders' equity was primarily from net income of \$26.5 million for the year 2019. Tangible book value per share (Non-GAAP) was \$16.82 at December 31, 2019, an increase from \$14.64 at December 31, 2018. Tangible common equity (Non-GAAP) as a percentage of tangible assets (Non-GAAP) was 9.93% at December 31, 2019, compared with 9.29% at December 31, 2018.

#### **Conference Call Information**

SmartFinancial will issue its earnings release for the fourth quarter of 2019 on Tuesday, January 21, 2020, and will host a conference call on Wednesday, January 22, 2020 at 10:00 a.m. ET. To access this interactive teleconference, dial (888) 317-6003 or (412) 317-6061 and enter the confirmation number, 1935532. A replay of the conference call will be available through January 22, 2021, by dialing (877) 344-7529 or (412) 317-0088 and entering the confirmation number, 10138335. Conference call materials (earnings release & conference call presentation) will be published on the company's webpage located at <http://www.smartfinancialinc.com/CorporateProfile> , at 9:00 am ET prior to the conference call.

#### **About SmartFinancial, Inc.**

SmartFinancial, Inc., based in Knoxville, Tennessee, is the bank holding company for SmartBank. SmartBank is a full-service commercial bank founded in 2007, with 29 branches across Tennessee, Alabama, and the Florida Panhandle. Recruiting the best people, delivering exceptional client service, strategic branching, and a disciplined approach to lending have contributed to SmartBank's success. More information about SmartFinancial can be found on its website: [www.smartfinancialinc.com](http://www.smartfinancialinc.com).

#### **Source**

SmartFinancial, Inc.

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#### Non-GAAP Financial Measures

Statements included in this presentation include Non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of Non-GAAP financial measures to GAAP financial measures. SmartFinancial management uses several Non-GAAP financial measures, including: (i) net operating earnings, (ii) net operating return on average assets, (iii) net operating return on average shareholder equity, (iv) return on average tangible common equity, (v) net operating return on average tangible common equity, (vi) operating efficiency ratio, (vii) tangible common equity, (viii) average tangible common equity, (ix) tangible book value, and ratios derived therefrom, in its analysis of the company's performance. Net operating earnings excludes the following from net income: securities gains and losses, merger termination fee of \$6.4 million in the second quarter of 2019, merger related and restructuring expenses, the effect of the December 2017 tax law change on deferred tax assets, tax benefit from director options previously exercised, and the income tax effect of adjustments. Net operating return on average equity is the annualized net operating earnings divided by average assets. Net operating return on average equity is the annualized net operating earnings divided by average equity. Return on average tangible common equity is the annualized net income divided by average tangible common equity. Net operating return on average tangible common equity is the annualized net operating earnings divided by average tangible common equity (Non-GAAP). The operating efficiency ratio includes an adjustment for taxable equivalent yields and excludes securities gains and losses and merger related and restructuring expenses from the efficiency ratio. Tangible common equity and average tangible common equity excludes goodwill and other intangible assets. Tangible book value excludes intangible assets and goodwill. Management believes that Non-GAAP financial measures provide additional useful information that allows investors to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. Management believes these non-GAAP financial measures also enhance investors' ability to compare period-to-period financial results and allow investors and company management to view our operating results excluding the impact of items that are not reflective of the underlying operating performance. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider SmartFinancial's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP.

#### Forward-Looking Statements

This news release 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. These statements 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) the risk of litigation related to the termination of our agreement and plan of merger with Entegra Financial Corp. (the "Entegra Merger Agreement") or the abandonment of the transactions that were contemplated by the Entegra Merger Agreement; (2) reputational risk resulting from the termination of the Entegra Merger Agreement; (3) potential changes to, or the risk that we may not be able to execute on, our business strategy as a result of the termination of the Entegra Merger Agreement; (4) the risk that cost savings and revenue synergies from recently completed acquisitions may not be realized or may take longer than anticipated to realize; (5) disruption from recently completed acquisitions with customer, supplier, employee, or other business relationships; (6) our ability to successfully integrate the businesses acquired as part of previous acquisitions with the business of SmartBank; (7) risks related to the proposed acquisition of PFG, including the risk that the proposed acquisition does not close when expected or at all because conditions to closing are not satisfied on a timely basis or at all, or the terms of the proposed transaction need to be modified to satisfy such conditions; (8) the risk that the anticipated benefits from the proposed acquisition of PFG may not be realized in the time frame anticipated; (9) changes in management's plans for the future; (10) prevailing, or changes in, economic or political conditions, particularly in our market areas; (11) credit risk associated with our lending activities; (12) changes in interest rates, loan demand, real estate values, or competition; (13) changes in accounting principles, policies, or guidelines; (14) changes in applicable laws, rules, or regulations; and (15) 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](http://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.

**SmartFinancial, Inc. and Subsidiary**  
**Condensed Consolidated Financial Information - (unaudited)**  
(dollars in thousands except share and per share data)

	As of and for The Three Months Ended					Twelve Months Ended	
	Dec	Sep	Jun	Mar	Dec	Dec	
	2019	2019	2019	2019	2018	2019	2018
<b>Selected Performance Ratios (Annualized):</b>							
Return on average assets	1.12%	1.01%	1.56%	0.84%	1.17%	1.13%	0.92%
Return on average shareholders' equity	8.65%	7.80%	12.34%	6.71%	9.44%	8.89%	7.47%
Return on average tangible common equity (Non-GAAP) <sup>1</sup>	11.55%	10.52%	16.78%	9.26%	13.09%	12.04%	10.09%
Noninterest income / average assets	0.47%	0.37%	1.44%	0.30%	0.31%	0.65%	0.34%
Noninterest expense / average assets	2.68%	2.48%	2.88%	2.77%	2.84%	2.70%	3.00%
Efficiency ratio	67.04%	63.03%	57.53%	68.65%	67.71%	63.66%	70.84%
<b>Operating Selected Performance Ratios (Annualized):</b>							
Net operating return on average assets (Non-GAAP) <sup>1</sup>	1.08%	1.02%	0.96%	0.98%	1.07%	1.01%	0.99%
Net operating return on average shareholders' equity (Non-GAAP) <sup>1</sup>	8.34%	7.87%	7.58%	7.81%	8.65%	7.91%	8.05%
Net operating return on average tangible common equity (Non-GAAP) <sup>1</sup>	11.12%	10.61%	10.31%	10.79%	12.00%	10.71%	10.88%
Operating efficiency ratio (Non-GAAP) <sup>1</sup>	64.95%	62.42%	65.56%	64.25%	61.72%	64.29%	66.15%
Operating noninterest income / average assets (Non-GAAP)	0.35%	0.37%	0.34%	0.33%	0.32%	0.35%	0.36%
Operating noninterest expense / average assets (Non-GAAP)	2.56%	2.47%	2.57%	2.60%	2.76%	2.55%	2.84%
<b>Selected Interest Rates and Yields:</b>							
Yield on loans	5.36%	5.48%	5.53%	5.62%	5.81%	5.49%	5.72%
Yield on earning assets, FTE	4.92%	5.05%	5.17%	5.25%	5.36%	5.10%	5.32%
Cost of interest-bearing deposits	1.29%	1.37%	1.42%	1.32%	1.21%	1.35%	1.04%
Cost of total deposits	1.06%	1.13%	1.18%	1.10%	1.00%	1.12%	0.86%
Cost of interest-bearing liabilities	1.39%	1.47%	1.54%	1.45%	1.33%	1.46%	1.10%
Net interest margin, FTE	3.84%	3.91%	3.94%	4.10%	4.28%	3.95%	4.43%
<b>Per Common Share:</b>							
Net income, basic	\$ 0.48	\$ 0.43	\$ 0.65	\$ 0.34	\$ 0.48	\$ 1.90	\$ 1.46
Net income, diluted	0.48	0.42	0.65	0.34	0.47	1.89	1.45
Net operating earnings, basic (Non-GAAP) <sup>1</sup>	0.46	0.43	0.40	0.40	0.44	1.69	1.57
Net operating earnings, diluted (Non-GAAP) <sup>1</sup>	0.46	0.43	0.40	0.39	0.43	1.68	1.56
Book value	22.33	21.93	21.47	20.82	20.31	22.33	20.31
Tangible book value (Non-GAAP) <sup>1</sup>	16.82	16.37	15.86	15.18	14.64	16.82	14.64
Common shares outstanding	14,008,233	13,957,973	13,953,209	13,951,590	13,933,504	14,008,233	13,933,504

<sup>1</sup>See reconciliation of Non-GAAP measures

**SmartFinancial, Inc. and Subsidiary**  
**Condensed Consolidated Financial Information - (unaudited)**  
(In thousands)

	As of and for The Three Months Ended				
	Dec	Sep	Jun	Mar	Dec
	2019	2019	2019	2019	2018
<b>Composition of Loans:</b>					
Commercial real estate					
owner occupied	\$ 429,269	\$ 422,363	\$ 415,502	\$ 416,152	\$ 372,030
non-owner occupied	476,038	468,099	464,160	472,790	487,997
Commercial real estate, total	905,307	890,462	879,662	888,942	860,027
Commercial & industrial	337,075	341,207	334,258	341,471	308,254
Construction & land development	227,626	219,751	204,731	187,009	187,895
Consumer real estate	423,337	405,531	406,357	410,981	407,254
Consumer and other	9,903	10,796	11,981	12,166	13,809
Total loans	\$ 1,903,248	\$ 1,867,747	\$ 1,836,989	\$ 1,840,569	\$ 1,777,239
<b>Asset Quality and Additional Loan Data:</b>					
Nonperforming loans	\$ 3,350	\$ 3,166	\$ 2,838	\$ 2,282	\$ 3,280
Other real estate owned	1,757	1,561	1,814	2,066	2,495
Total nonperforming assets	\$ 5,107	\$ 4,727	\$ 4,652	\$ 4,348	\$ 5,775
Restructured loans not included in nonperforming loans	\$ 61	\$ 61	\$ 62	\$ 62	\$ 116
Net charge-offs (recoveries) to average loans (annualized)	0.01%	0.01%	—%	0.08%	0.04%
Allowance for loan losses to loans	0.54%	0.53%	0.50%	0.47%	0.47%
Nonperforming loans to total loans, gross	0.18%	0.17%	0.15%	0.12%	0.18%
Nonperforming assets to total assets	0.21%	0.20%	0.19%	0.18%	0.25%
Purchase accounting discount balance	\$ 15,348	\$ 16,784	\$ 18,571	\$ 19,954	\$ 21,528
Accretion income on acquired loans	1,375	1,246	1,374	1,717	2,343
<b>Capital Ratios:</b>					
Equity to Assets	12.77%	12.80%	12.53%	12.34%	12.44%
Tangible common equity to tangible assets (Non-GAAP) <sup>1</sup>	9.93%	9.88%	9.57%	9.31%	9.29%

<b>SmartFinancial, Inc.<sup>1</sup></b>					
Tier 1 leverage	10.34%	10.02%	9.92%	9.29%	9.47%
Common equity Tier 1	11.61%	11.54%	11.21%	10.61%	10.81%
Tier 1 capital	11.61%	11.54%	11.21%	10.61%	10.81%
Total capital	14.02%	13.98%	13.65%	13.01%	13.29%
<b>SmartBank</b>					
	<b>Estimated<sup>2</sup></b>				
Tier 1 leverage	11.41%	11.22%	10.92%	10.96%	11.17%
Common equity Tier 1	12.81%	12.71%	12.37%	12.18%	12.31%
Tier 1 risk-based capital	12.81%	12.71%	12.37%	12.18%	12.31%
Total risk-based capital	13.31%	13.19%	12.82%	12.62%	12.74%

<sup>1</sup>All periods presented are estimated.

<sup>2</sup>Current period capital ratios are estimated as of the date of this earnings release.

<sup>3</sup>Total common equity less intangibles divided by total assets less intangibles.

**SmartFinancial, Inc. and Subsidiary**  
**Condensed Consolidated Financial Information - (unaudited)**  
(dollars in thousands)

	Ending Balances				
	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018
<b>Assets:</b>					
Cash and cash equivalents	\$ 183,971	\$ 170,934	\$ 199,534	\$ 132,994	\$ 115,822
Securities available-for-sale, at fair value	178,348	171,507	174,114	198,273	201,688
Other investments	12,913	12,913	12,905	12,398	11,499
Loans held for sale	5,856	3,068	4,087	2,103	1,979
Loans	1,897,392	1,864,679	1,832,902	1,838,466	1,775,260
Less: Allowance for loan losses	(10,243)	(9,792)	(9,097)	(8,704)	(8,275)
Loans, net	1,887,149	1,854,887	1,823,805	1,829,762	1,766,985
Premises and equipment, net	59,433	58,386	56,589	56,583	56,012
Other real estate owned	1,757	1,561	1,814	2,066	2,495
Goodwill and core deposit intangibles, net	77,193	77,534	78,348	78,690	79,034
Bank owned life insurance	24,949	24,796	24,695	24,540	24,381
Other assets	17,554	14,899	15,366	16,572	14,514
<b>Total assets</b>	<b>\$ 2,449,123</b>	<b>\$ 2,390,485</b>	<b>\$ 2,391,257</b>	<b>\$ 2,353,981</b>	<b>\$ 2,274,409</b>
<b>Liabilities:</b>					
<b>Deposits:</b>					
Noninterest-bearing demand	\$ 364,155	\$ 365,024	\$ 357,220	\$ 329,095	\$ 319,861
Interest-bearing demand	380,234	351,474	333,705	331,629	311,482
Money market and savings	623,284	634,934	648,132	698,431	641,945
Time deposits	679,541	646,641	673,243	635,175	648,676
Total deposits	2,047,214	1,998,073	2,012,300	1,994,330	1,921,964
Securities sold under agreements to repurchase	6,184	4,368	8,219	7,070	11,756
FHLB & other borrowings	25,439	25,460	15,460	8,605	11,243
Subordinated debt	39,261	39,240	39,219	39,198	39,177
Other liabilities	18,278	17,304	16,448	14,297	7,258
<b>Total liabilities</b>	<b>2,136,376</b>	<b>2,084,445</b>	<b>2,091,646</b>	<b>2,063,500</b>	<b>1,991,398</b>
<b>Shareholders' Equity:</b>					
Common stock	14,008	13,958	13,953	13,952	13,933
Additional paid-in capital	232,732	232,573	232,386	232,241	231,852
Retained earnings	65,839	59,806	53,843	44,722	39,991
Accumulated other comprehensive income (loss)	168	(297)	(571)	(434)	(2,765)
<b>Total shareholders' equity</b>	<b>312,747</b>	<b>306,040</b>	<b>299,611</b>	<b>290,481</b>	<b>283,011</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 2,449,123</b>	<b>\$ 2,390,485</b>	<b>\$ 2,391,257</b>	<b>\$ 2,353,981</b>	<b>\$ 2,274,409</b>

**SmartFinancial, Inc. and Subsidiary**  
**Condensed Consolidated Financial Information - (unaudited)**  
(dollars in thousands, except share and per share data)

	Three Months Ended					Twelve Months Ended	
	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018	Dec 2019	Dec 2018
<b>Interest income:</b>							
Loans, including fees	\$ 25,398	\$ 25,515	\$ 25,278	\$ 24,975	\$ 25,018	\$ 101,002	\$ 86,469
Securities available-for-sale:							
Taxable	698	748	871	971	900	3,289	3,512
Tax-exempt	345	338	411	424	347	1,518	587
Federal funds sold and other earning assets	587	743	743	573	506	2,646	1,642
Total interest income	27,028	27,344	27,303	26,943	26,771	108,455	92,210
<b>Interest expense:</b>							
Deposits	5,271	5,605	5,788	5,251	4,680	21,915	14,288
Securities sold under agreements to repurchase	5	5	6	8	9	23	45
FHLB advances and other borrowings	65	10	117	103	51	296	630
Subordinated debt	584	584	590	584	584	2,341	603
Total interest expense	5,924	6,204	6,501	5,946	5,324	24,575	15,566
Net interest income	21,104	21,140	20,802	20,997	21,447	83,880	76,644
Provision for loan losses	685	724	393	797	1,329	2,599	2,936
Net interest income after provision for loan losses	20,419	20,416	20,409	20,200	20,118	81,281	73,708
<b>Noninterest income:</b>							
Service charges on deposit accounts	773	767	707	654	663	2,902	2,416
Gain on sale of securities, net	—	1	33	—	2	34	1
Mortgage banking	374	518	392	282	251	1,566	1,433
Interchange and debit card transaction fees	163	148	143	175	162	628	573
Merger termination fee	—	—	6,400	—	—	6,400	—
Other	1,530	762	741	587	602	3,785	2,161
Total noninterest income	2,840	2,196	8,416	1,698	1,680	15,315	6,584
<b>Noninterest expense:</b>							
Salaries and employee benefits	10,278	9,072	8,984	8,398	7,871	36,635	30,630
Occupancy and equipment	1,749	1,635	1,658	1,640	1,610	6,716	6,303
FDIC insurance (credit)	—	(219)	180	179	209	140	786
Other real estate and loan related expense	253	335	242	490	738	1,320	2,913
Advertising and marketing	166	263	259	295	246	983	873
Data processing	530	273	577	615	372	1,995	1,906
Professional services	652	573	489	662	707	2,375	2,694
Amortization of intangibles	340	341	342	344	312	1,368	976
Software as service contracts	500	560	568	567	577	2,195	2,054
Merger related and restructuring expenses	427	73	1,796	923	1,322	3,219	3,781
Other	1,157	1,802	1,714	1,466	1,697	6,205	6,041
Total noninterest expense	16,052	14,708	16,809	15,579	15,661	63,151	58,957
Income before income taxes	7,206	7,904	12,016	6,319	6,137	33,445	21,335
Income tax expense	473	1,941	2,895	1,588	(307)	6,897	3,233
Net income	\$ 6,733	\$ 5,963	\$ 9,121	\$ 4,731	\$ 6,444	\$ 26,548	\$ 18,102
<b>Earnings Per Common Share:</b>							
Basic	\$ 0.48	\$ 0.43	\$ 0.65	\$ 0.34	\$ 0.48	\$ 1.90	\$ 1.46
Diluted	\$ 0.48	\$ 0.42	\$ 0.65	\$ 0.34	\$ 0.47	\$ 1.89	\$ 1.45
Weighted average common shares outstanding:							
Basic	13,965,877	13,955,859	13,951,643	13,942,016	13,534,806	13,953,497	12,423,618
Diluted	14,066,269	14,053,432	14,046,500	14,018,163	13,616,616	14,046,366	12,517,640

**SmartFinancial, Inc. and Subsidiary**  
**Condensed Consolidated Financial Information - (unaudited)**

(In thousands)

**YIELD ANALYSIS**

	Three Months Ended								
	December 31, 2019			September 30, 2019			December 31, 2018		
	Average Balance	Interest <sup>1</sup>	Yield/ Cost <sup>1</sup>	Average Balance	Interest <sup>1</sup>	Yield/ Cost <sup>1</sup>	Average Balance	Interest <sup>1</sup>	Yield/ Cost <sup>1</sup>
<b>Assets:</b>									
Loans, including fees	\$ 1,881,501	\$ 25,398	5.36%	\$ 1,846,196	\$ 25,515	5.48%	\$ 1,708,916	\$ 25,019	5.81%
Taxable securities	116,278	698	2.38%	118,955	748	2.49%	171,133	900	2.09%
Tax-exempt securities	59,048	461	3.09%	56,598	448	3.14%	43,177	440	4.04%
Federal funds sold and other earning assets	133,681	587	1.74%	135,444	743	2.18%	67,036	506	2.99%
Total interest-earning assets	2,190,508	27,144	4.92%	2,157,193	27,454	5.05%	1,990,262	26,865	5.36%
Noninterest-earning assets	190,083			191,940			193,952		
Total assets	\$ 2,380,591			\$ 2,349,133			\$ 2,184,214		
<b>Liabilities and Stockholders' Equity:</b>									
Interest-bearing demand deposits	\$ 351,901	486	0.55%	\$ 343,827	511	0.59%	\$ 289,207	562	0.77%
Money market and savings deposits	632,555	1,695	1.06%	637,290	1,829	1.14%	624,231	1,696	1.08%
Time deposits	633,867	3,090	1.93%	640,679	3,265	2.02%	616,296	2,422	1.56%
Total interest-bearing deposits	1,618,323	5,271	1.29%	1,621,796	5,605	1.37%	1,529,734	4,680	1.21%
Securities sold under agreement to repurchase	5,321	5	0.35%	6,490	5	0.31%	10,661	9	0.33%
Federal funds purchased and other borrowings	25,549	65	1.00%	6,820	10	0.58%	4,070	51	4.97%
Subordinated debt	39,248	584	5.90%	39,226	584	5.91%	39,178	584	5.91%
Total interest-bearing liabilities	1,688,441	5,924	1.39%	1,674,332	6,204	1.47%	1,583,643	5,324	1.33%
Noninterest-bearing deposits	363,542			353,315			320,412		
Other liabilities	19,836			18,286			9,275		
Total liabilities	2,071,819			2,045,933			1,913,330		
Stockholders' equity	308,772			303,200			270,884		
Total liabilities and stockholders' equity	\$ 2,380,591			\$ 2,349,133			\$ 2,184,214		
Net interest income, taxable equivalent		\$ 21,220			\$ 21,250			\$ 21,541	
Interest rate spread			3.52%			3.58%			4.03%
Tax equivalent net interest margin			3.84%			3.91%			4.28%
Percentage of average interest-earning assets to average interest-bearing liabilities			129.74%			128.84%			125.68%
Percentage of average equity to average assets			12.97%			12.91%			12.40%

<sup>1</sup> Taxable equivalent

SmartFinancial, Inc. and Subsidiary  
Condensed Consolidated Financial Information - (unaudited)  
(In thousands)  
YIELD ANALYSIS

	Twelve Months Ended					
	December 31, 2019			December 31, 2018		
	Average Balance	Interest <sup>1</sup>	Yield/ Cost <sup>1</sup>	Average Balance	Interest <sup>1</sup>	Yield/ Cost <sup>1</sup>
<b>Assets:</b>						
Loans, including fees	\$ 1,840,821	\$ 101,002	5.49%	\$ 1,511,724	\$ 86,479	5.72%
Taxable securities	129,705	3,289	2.54%	143,281	3,512	2.46%
Tax-exempt securities	56,458	1,972	3.49%	19,734	767	3.90%
Federal funds sold and other earning assets	110,380	2,646	2.40%	65,244	1,642	2.52%
Total interest-earning assets	2,137,364	108,909	5.10%	1,739,983	92,400	5.32%
Noninterest-earning assets	201,976			222,734		
Total assets	\$ 2,339,340			\$ 1,962,717		
<b>Liabilities and Stockholders' Equity:</b>						
Interest-bearing demand deposits	\$ 333,100	1,883	0.57%	\$ 242,859	1,290	0.53%
Money market and savings deposits	651,855	7,827	1.20%	601,808	5,579	0.93%
Time deposits	635,451	12,205	1.92%	536,964	7,419	1.39%
Total interest-bearing deposits	1,620,406	21,915	1.35%	1,381,631	14,288	1.04%
Securities sold under agreement to repurchase	6,750	23	0.34%	15,046	45	0.30%
Federal funds purchased and other borrowings	14,776	296	2.00%	17,806	630	3.55%
Subordinated debt	39,216	2,341	5.97%	9,882	603	6.12%
Total interest-bearing liabilities	1,681,148	24,575	1.46%	1,424,365	15,566	1.10%
Noninterest-bearing deposits	343,611			285,729		
Other liabilities	15,852			10,172		
Total liabilities	2,040,611			1,720,266		
Stockholders' equity	298,729			242,451		
Total liabilities and stockholders' equity	\$ 2,339,340			\$ 1,962,717		
Net interest income, taxable equivalent	\$ 84,334			\$ 76,834		
Interest rate spread			3.63%			4.22%
Tax equivalent net interest margin			3.95%			4.43%
Percentage of average interest-earning assets to average interest-bearing liabilities			127.14%			122.16%
Percentage of average equity to average assets			12.77%			12.35%

<sup>1</sup> Taxable equivalent

**SmartFinancial, Inc. and Subsidiary**  
**Condensed Consolidated Financial Information - (unaudited)**

(In thousands)

**NON-GAAP RECONCILIATIONS**

	Three Months Ended					Twelve Months Ended	
	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018	Dec 2019	Dec 2018
<b>Operating Earnings:</b>							
Net income (GAAP)	\$ 6,733	\$ 5,963	\$ 9,121	\$ 4,731	\$ 6,444	\$ 26,548	\$ 18,102
Noninterest income:							
Securities gains	—	(1)	(33)	—	(2)	(34)	(1)
ADECA termination proceeds	(720)	—	—	—	—	(720)	—
Merger termination fee	—	—	(6,400)	—	—	(6,400)	—
Noninterest expenses:							
Salaries - prior year adjustment	603	—	—	—	—	603	—
Merger related and restructuring expenses	427	73	1,796	923	1,322	3,219	3,781
Other - prior year franchise tax true-up	(312)	—	—	—	—	(312)	—
Income taxes:							
Tax benefit - prior year amended return	(304)	—	—	—	—	(304)	—
Tax benefit from director options	—	—	—	—	(1,600)	—	(1,600)
Income tax effect of adjustments	60	(19)	1,119	(145)	(257)	1,015	(766)
Net operating earnings (Non-GAAP)	\$ 6,487	\$ 6,016	\$ 5,603	\$ 5,509	\$ 5,907	\$ 23,615	\$ 19,516
<b>Net operating earnings per common share (Non-GAAP):</b>							
Basic	\$ 0.46	\$ 0.43	\$ 0.40	\$ 0.40	\$ 0.44	\$ 1.69	\$ 1.57
Diluted	0.46	0.43	0.40	0.39	0.43	1.68	1.56
<b>Operating Noninterest Income:</b>							
Noninterest income (GAAP)	\$ 2,840	\$ 2,196	\$ 8,416	\$ 1,698	\$ 1,680	\$ 15,315	\$ 6,584
Securities (gains) losses	—	(1)	(33)	—	(2)	(34)	(1)
ADECA termination proceeds	(720)	—	—	—	—	(726)	—
Merger termination fee	—	—	(6,400)	—	—	(6,400)	—
Operating noninterest income (Non-GAAP)	\$ 2,120	\$ 2,195	\$ 1,983	\$ 1,698	\$ 1,678	\$ 8,155	\$ 6,583
<b>Operating Noninterest Expense:</b>							
Noninterest expense (GAAP)	\$ 16,052	\$ 14,708	\$ 16,809	\$ 15,579	\$ 15,661	\$ 63,151	\$ 58,957
Salaries - prior year adjustment	(603)	—	—	—	—	(603)	—
Merger related and restructuring expenses	(427)	(73)	(1,796)	(923)	(1,322)	(3,219)	(3,781)
Other - prior year franchise tax true-up	312	—	—	—	—	312	—
Operating noninterest expense (Non-GAAP)	\$ 15,334	\$ 14,635	\$ 15,013	\$ 14,656	\$ 14,339	\$ 59,641	\$ 55,176
<b>Non-GAAP Return Ratios:</b>							
Net operating return on average assets (Non-GAAP) <sup>1</sup>	1.08 %	1.02 %	0.96 %	0.98 %	1.07 %	1.01 %	0.99 %
Return on average tangible common equity (Non-GAAP) <sup>2</sup>	11.55 %	10.52 %	16.78 %	9.26 %	13.09 %	12.04 %	10.09 %
Net operating return on average shareholder equity (Non-GAAP) <sup>3</sup>	8.34 %	7.87 %	7.58 %	7.81 %	8.65 %	7.91 %	8.05 %
Net operating return on average tangible common equity (Non-GAAP) <sup>4</sup>	11.12 %	10.61 %	10.31 %	10.79 %	12.00 %	10.71 %	10.88 %
<b>Operating Efficiency Ratio:</b>							
Efficiency ratio (GAAP)	67.04 %	63.03 %	57.53 %	68.65 %	67.71 %	63.66 %	70.84 %
Adjustment for taxable equivalent yields	(0.45)%	(0.37)%	(0.50)%	(0.49)%	(0.45)%	0.08 %	(0.21)%
Adjustment for securities gains (losses)	— %	— %	0.14 %	— %	0.01 %	(0.01)%	— %
Adjustment for merger related income and costs	(1.64)%	(0.24)%	8.39 %	(3.91)%	(5.55)%	0.56 %	(4.47)%
Operating efficiency ratio (Non-GAAP)	64.95 %	62.42 %	65.56 %	64.25 %	61.72 %	64.29 %	66.15 %

<sup>1</sup> Net operating return on average assets (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average assets.

<sup>2</sup> Return on average tangible common equity (Non-GAAP) is the annualized net income divided by average tangible common equity (Non-GAAP).

<sup>3</sup> Net operating return on average equity (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average equity.

<sup>4</sup> Net operating return on average tangible common equity (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average tangible common equity (Non-GAAP).

**SmartFinancial, Inc. and Subsidiary**  
**Condensed Consolidated Financial Information - (unaudited)**  
(In thousands)

**NON-GAAP RECONCILIATIONS**

	Three Months Ended					Twelve Months Ended	
	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018	Dec 2019	Dec 2018
<b>Tangible Common Equity:</b>							
Shareholders' equity (GAAP)	\$ 312,747	\$ 306,040	\$ 299,611	\$ 290,481	\$ 283,011	\$ 312,747	\$ 283,011
Less goodwill and other intangible assets	77,193	77,534	78,348	78,690	79,034	77,193	79,034
Tangible common equity (Non-GAAP)	\$ 235,555	\$ 228,506	\$ 221,263	\$ 211,791	\$ 203,977	\$ 235,555	\$ 203,977
<b>Average Tangible Common Equity:</b>							
Average shareholders' equity (GAAP)	\$ 308,772	\$ 303,200	\$ 296,570	\$ 286,076	\$ 270,884	\$ 298,729	\$ 242,451
Less average goodwill and other intangible assets	77,400	78,222	78,564	78,913	75,547	78,270	63,075
Average tangible common equity (Non-GAAP)	\$ 231,372	\$ 224,978	\$ 218,006	\$ 207,163	\$ 195,337	\$ 220,459	\$ 179,376