

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: July 24, 2019

**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:

| <u>Title of each class</u>               | <u>Trading<br/>Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|------------------------------|--|
| 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 July 24, 2019, SmartFinancial, Inc. (SmartFinancial") issued a press release (the "Press Release") reporting earnings results for its second quarter ending June 30, 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 July 25, 2019. 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 second quarter 2019 financial results dated July 24, 2019 |
| 99.2 | Second 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: July 24, 2019

/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 second quarter 2019 financial results dated July 24, 2019 |
| <a href="#">99.2</a> | Second quarter 2019 investor presentation  |



2 Q 2019

**SmartFinancial Announces Earnings with Second Quarter 2019 Net Income of \$9.1 million**

**Performance Highlights for Second Quarter of 2019**

- **Return on average assets of 1.56 percent and net operating return on average assets (Non-GAAP) of 0.96%**
- **Asset quality was outstanding with nonperforming assets of 0.17%**
- **Recorded \$6.4 million merger termination fee**
- **Noninterest income to average assets of 1.44% , excluding merger termination fee, amounted to 0.35%**
- **Noninterest-bearing demand deposit growth of 34.28% annualized**
- **Completed departmental restructuring initiatives**

KNOXVILLE, TN - July 24, 2019 - SmartFinancial, Inc. ("SmartFinancial"; NASDAQ: SMBK), today announced net income of \$9.1 million for the second quarter of 2019 , compared to \$3.9 million for the second quarter of 2018. Diluted net income per share was \$0.65 for the second quarter of 2019 , compared to \$0.32 during the second quarter of 2018 . Net operating earnings (Non-GAAP), which excludes securities gains, merger termination fee and merger related and restructuring expenses, totaled \$5.6 million in the second quarter of 2019 compared to \$4.8 million in the second quarter of 2018 .

Billy Carroll, President & CEO, stated: "This was a very solid quarter for our company. We took advantage of a very positive earnings event, restructured our finance team and centralized our deposit operations, while showing strong core deposit growth and nice core earnings. We are positioned well to continue building on our strong foundation."

SmartFinancial's Chairman, Miller Welborn, concluded: "I am very proud of where the bank is at the halfway mark of 2019. We are on track and executing our strategic plan. Our team has truly gelled and we are very excited about what the second half of the year holds as we continue to build value for our stakeholders. "

**Second Quarter 2019 compared to First Quarter 2019**

Net income increased \$4.4 million to \$9.1 million for the second quarter of 2019 , compared to \$4.7 million for the first quarter of 2019 primarily due to a \$6.4 million fee received in connection with the merger termination with Entegra Financial Corp. Diluted net income per share was \$0.65 for the second quarter of 2019 , compared to \$0.34 during the first quarter of 2019 . Net operating earnings (Non-GAAP) totaled \$5.6 million in the second quarter of 2019 compared to \$5.5 million in the previous quarter.

Net interest income for the second quarter of 2019 was \$20.8 million , a decrease from \$21.0 million for the first quarter of 2019 . The tax equivalent net interest margin was 3.94% for the second quarter of 2019 compared to 4.10% for the first quarter of 2019 . The tax equivalent average yield on interest-earning assets was 5.17% for the second quarter of 2019 , a decrease from 5.25% for the first quarter of 2019, while the yield on interest-bearing liabilities increased to 1.54% for the second quarter of 2019 from 1.45% for the first quarter of 2019.

The yield on average loans was 5.53% for the second quarter of 2019 compared to 5.62% for the first quarter of 2019. The decrease in yield on average loans was due to lower discount accretion on acquired loans (30 basis points in the second quarter versus 42 basis points in the first quarter). For the second quarter of 2019, the yield on average loans, excluding accretion, increased 3 basis points to 5.23% from the first quarter of 2019. The cost of average interest-bearing deposits increased to 1.42% for the second quarter of 2019 from 1.32% for the first quarter of 2019. The increase was driven primarily from the continued competition for deposits.

Provision for loan losses was \$393 thousand in the second quarter of 2019 , compared to \$797 thousand in the first quarter of 2019 . The decrease in provision was primarily due to the larger provision recorded in the prior quarter from higher organic loan growth.

The allowance for loan losses was \$9.1 million , or 0.50% of total loans, as of June 30, 2019 , compared to \$8.7 million , or 0.47% of total loans, as of March 31, 2019 .

Nonperforming loans as a percentage of total loans was 0.12% as of June 30, 2019 , consistent with the 0.12% reported in the first 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 0.17% as of June 30, 2019 , compared to 0.18% as of March 31, 2019 .

Noninterest income increased by \$6.7 million to \$8.4 million for the second quarter of 2019 compared to \$1.7 million for the first quarter of 2019 primarily due to the \$6.4 million merger termination fee, and to a lesser extent, increases in mortgage banking of \$110 thousand and wealth revenue of \$86 thousand. Noninterest income to average assets (excluding the \$6.4 million merger termination fee) of .35% for the second quarter of 2019 increased from .30% in the first quarter of 2019 .

Noninterest expense increased by \$1.2 million to \$16.8 million for the second quarter of 2019 compared to \$15.6 million for the first quarter of 2019 including merger related and restructuring expenses of \$1.8 million for the second quarter of 2019 compared to \$923 thousand for the first quarter of 2019. Operating noninterest expense (excludes merger related and restructuring expenses) increased by \$357 thousand to \$15.0 million for the second quarter of 2019 compared to \$14.6 million for the first quarter of 2019. This increase was primarily due to increases in personnel expense. Operating noninterest expense to average assets of 2.57% for the second quarter of 2019 decreased from 2.60% in the first quarter of 2019.

Income tax expense was \$2.9 million in the second quarter of 2019 compared to \$1.6 million in the first quarter of 2019 . The overall effective tax rate was 24.1% for the second quarter of 2019 compared to 25.1% in the first quarter of 2019 . The first quarter of 2019 included non-deductible merger related expenses which were subsequently deductible in the second quarter stemming from the acquisition termination.

#### **Second Quarter 2019 compared to Second Quarter 2018**

Net income increased by \$5.2 million to \$9.1 million for the second quarter of 2019 compared to \$3.9 million for the second quarter of 2018 primarily due to \$6.4 million fee received for the merger termination of Entegra Financial Corp and the operating effects of the Tennessee Bancshares, Inc. and Foothills Bancorp, Inc. acquisitions which were completed in the second and fourth quarters of 2018, respectively. Diluted net income per share was \$0.65 for the second quarter of 2019, compared to \$0.32 for the second quarter of 2018. Net operating earnings (Non-GAAP) totaled \$5.6 million in the second quarter of 2019 compared to \$4.8 million for the second quarter of 2018.

Net interest income for the second quarter of 2019 was \$20.8 million, an increase from \$19.5 million for the second quarter of 2018. The tax equivalent net interest margin was 3.94% for the second quarter of 2019 compared to 4.57% for the second quarter of 2018. The tax equivalent average yield on interest-earning assets was 5.17% for the second quarter of 2019 decreasing from 5.37% for the second quarter of 2018, while the yield on interest bearing liabilities increased to 1.54% for the second quarter of 2019 from 1.00% for the second quarter of 2018.

The yield on average loans was 5.53% for the second quarter of 2019 compared to 5.79% for the second quarter of 2018. The decrease in yield on average loans was primarily due to lower discount accretion on acquired loans (30 basis points in the second quarter of 2019 versus 68 basis points in the second quarter of 2018), offset by increases in yield of average loans of 12 basis points. For the second quarters of 2019 and 2018, the yield on average loans, excluding accretion, was 5.23% and 5.11%, respectively. The cost of average interest-bearing deposits increased to 1.42% for the second quarter of 2019 from 0.96% for the second quarter of 2018. This increase was due to increases in deposit rates from federal rate increases and increased competition.

Provision for loan losses was \$393 thousand in the second quarter of 2019, compared to \$617 thousand in the second quarter of 2018. The decrease in provision was primarily due to slower organic loan growth experienced during the second quarter of 2019 when compared to the second quarter of 2018. The allowance for loan losses was \$9.1 million, or 0.50% of total loans, as of June 30, 2019, compared to \$7.1 million, or 0.45% of total loans, as of June 30, 2018.

Nonperforming loans as a percentage of total loans was 0.12% as of June 30, 2019, a decrease from 0.14% in the prior year quarter. 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 0.17% as of June 30, 2019, compared to 0.28% as of June 30, 2018.

Noninterest income increased by \$6.8 million to \$8.4 million for the second quarter of 2019 compared to \$1.6 million for the second quarter of 2018 primarily due to the \$6.4 million merger termination fee and to a lesser extent, increases in deposit services charges of \$150 thousand, increases in mortgage banking of \$71 thousand and wealth revenue of \$112 thousand. Noninterest

income to average assets (excluding the \$6.4 million termination fee) of 0.35% for the second quarter of 2019 increased from 0.33% in the second quarter of 2018.

Noninterest expense increased by \$1.5 million to \$16.8 million for the second quarter of 2019 compared to \$15.3 million for the second quarter of 2018 and included \$1.8 million in merger related and restructuring expenses for the second quarter of 2019 compared to \$1.1 million for the second quarter of 2018. Operating noninterest expense (excludes merger related and restructuring expenses) increased by \$864 thousand to \$15.0 million for the second quarter of 2019 compared to \$14.1 million for the second quarter of 2018. This increase was primarily due to increases in personnel expense, as the second quarter of 2019 included the full effects of acquisitions completed during the prior reporting periods. Operating noninterest expense to average assets of 2.57% for the second quarter of 2019 decreased from 2.95% in the second quarter of 2018.

Income tax expense was \$2.9 million in the second quarter of 2019 compared to \$1.3 million in the second quarter of 2018. The overall effective tax rate was 24.1% for the second quarter of 2019 compared 24.8% for the second quarter of 2018.

Certain captions and amounts in the prior periods presented were reclassified to conform to the current presentation. Such reclassifications had no effect on net income or shareholders' equity.

**Conference Call Information**

SmartFinancial will issue its earnings release for the second quarter of 2019 on Wednesday, July 24, 2019, and will host a conference call on Thursday, July 25, 2019 at 10:00 a.m. ET. To access this interactive teleconference, dial (888) 317-6003 or (412) 317-6061 and enter the confirmation number, 8611763. A replay of the conference call will be available through July 25, 2020, by dialing (877) 344-7529 or (412) 317-0088 and entering the confirmation number, 10133629. 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.

### Investor Contacts

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### Non-GAAP Financial Matters

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; and (viii) average tangible common equity in its analysis of the company's performance. Net operating earnings excludes the following from net income: securities gains and losses, merger termination fee, 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. Management believes that Non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. 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 U.S. federal securities laws. 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) changes in management's plans for the future; (8) prevailing, or changes in, economic or political conditions, particularly in our market areas; (9) credit risk associated with our lending activities; (10) changes in interest rates, loan demand, real estate values, or competition; (11) changes in accounting principles, policies, or guidelines; (12) changes in applicable laws, rules, or regulations; and (13) 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)  
(In thousands except share and per share data)

|  | As of and for The Three Months Ended |                |                   |                    |               |
|--|--------------------------------------|----------------|-------------------|--------------------|---------------|
|  | June 30, 2019                        | March 31, 2019 | December 31, 2018 | September 30, 2018 | June 30, 2018 |
| <b>Selected Performance Ratios (Annualized)</b>                                |                                      |                |                   |                    |               |
| Return on average assets   | 1.56%                                | 0.84%          | 1.17%             | 0.85%              | 0.82%         |
| Return on average shareholder equity   | 12.34%                               | 6.71%          | 9.44%             | 6.86%              | 6.76%         |
| Return on average tangible common equity (Non-GAAP) <sup>1</sup>               | 16.78%                               | 9.26%          | 13.09%            | 9.45%              | 8.96%         |
| Noninterest income / average assets  | 1.44%                                | 0.30%          | 0.31%             | 0.36%              | 0.33%         |
| Noninterest expense / average assets   | 2.88%                                | 2.77%          | 2.84%             | 2.90%              | 3.15%         |
| Efficiency ratio   | 57.53%                               | 68.65%         | 67.71%            | 71.33%             | 72.34%        |
| Net operating return on average assets (Non-GAAP) <sup>1</sup>                 | 0.96%                                | 0.98%          | 1.07%             | 0.98%              | 1.00%         |
| Net operating return on average shareholder equity (Non-GAAP) <sup>1</sup>     | 7.58%                                | 7.81%          | 8.65%             | 7.88%              | 8.33%         |
| Net operating return on average tangible common equity (Non-GAAP) <sup>1</sup> | 10.31%                               | 10.79%         | 12.00%            | 10.84%             | 11.04%        |
| Operating efficiency ratio (Non-GAAP) <sup>1</sup>                             | 65.56%                               | 64.25%         | 61.72%            | 67.17%             | 66.92%        |
| Yield on loans   | 5.53%                                | 5.62%          | 5.81%             | 5.43%              | 5.79%         |
| Yield on earning assets, FTE   | 5.17%                                | 5.25%          | 5.36%             | 5.03%              | 5.37%         |
| Cost of interest-bearing deposits  | 1.42%                                | 1.32%          | 1.21%             | 1.11%              | 0.96%         |
| Cost of total deposits   | 1.18%                                | 1.10%          | 1.00%             | 0.91%              | 0.79%         |
| Cost of interest-bearing liabilities   | 1.54%                                | 1.45%          | 1.33%             | 1.15%              | 1.00%         |
| Net interest margin, FTE   | 3.94%                                | 4.10%          | 4.28%             | 4.11%              | 4.57%         |
| <b>Per Common Share</b>  |                                      |                |                   |                    |               |
| Net income, basic  | \$ 0.65                              | \$ 0.34        | \$ 0.48           | \$ 0.34            | \$ 0.32       |
| Net income, diluted  | 0.65                                 | 0.34           | 0.47              | 0.34               | 0.32          |
| Net operating earnings, basic (Non-GAAP) <sup>2</sup>                          | 0.40                                 | 0.40           | 0.44              | 0.39               | 0.40          |
| Net operating earnings, diluted (Non-GAAP) <sup>2</sup>                        | 0.40                                 | 0.39           | 0.43              | 0.39               | 0.39          |
| Book value   | 21.47                                | 20.82          | 20.31             | 19.74              | 19.48         |
| Tangible book value (Non-GAAP) <sup>1</sup>                                    | 15.86                                | 15.18          | 14.64             | 14.38              | 14.09         |
| Common shares outstanding  | 13,953                               | 13,952         | 13,934            | 12,750             | 12,705        |

<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 |                |                   |                    |               |
|--|--------------------------------------|----------------|-------------------|--------------------|---------------|
|  | June 30, 2019                        | March 31, 2019 | December 31, 2018 | September 30, 2018 | June 30, 2018 |
| <b>Composition of Loans</b>                                |                                      |                |                   |                    |               |
| Commercial real estate                                     |                                      |                |                   |                    |               |
| owner occupied   | \$ 415,502                           | \$ 416,152     | \$ 372,030        | \$ 364,164         | \$ 360,294    |
| non-owner occupied   | 464,160                              | 472,790        | 487,997           | 401,922            | 385,570       |
| Commercial real estate, total                              | 879,662                              | 888,942        | 860,027           | 766,086            | 745,864       |
| Commercial & industrial                                    | 334,258                              | 341,471        | 308,254           | 289,784            | 279,771       |
| Construction & land development                            | 204,731                              | 187,009        | 187,895           | 165,906            | 179,431       |
| Consumer real estate                                       | 406,357                              | 410,981        | 407,254           | 350,422            | 355,876       |
| Consumer and other   | 11,981                               | 12,166         | 13,809            | 12,996             | 14,493        |
| Total loans  | \$ 1,836,989                         | \$ 1,840,569   | \$ 1,777,239      | \$ 1,585,194       | \$ 1,575,435  |
| <b>Asset Quality and Additional Loan Data</b>              |                                      |                |                   |                    |               |
| Nonperforming loans  | \$ 2,148                             | \$ 2,282       | \$ 3,280          | \$ 2,686           | \$ 2,205      |
| Other real estate owned                                    | 1,814                                | 2,066          | 2,495             | 4,230              | 3,524         |
| Total nonperforming assets                                 | \$ 3,962                             | \$ 4,348       | \$ 5,775          | \$ 6,916           | \$ 5,729      |
| Restructured loans not included in nonperforming loans     | \$ 62                                | \$ 62          | \$ 116            | \$ 693             | \$ 660        |
| Net charge-offs (recoveries) to average loans (annualized) | 0.00%                                | 0.08%          | 0.04%             | 0.06%              | 0.02%         |
| Allowance for loan losses to loans                         | 0.50%                                | 0.47%          | 0.47%             | 0.45%              | 0.45%         |
| Nonperforming loans to total loans, gross                  | 0.12%                                | 0.12%          | 0.18%             | 0.17%              | 0.14%         |
| Nonperforming assets to total assets                       | 0.17%                                | 0.18%          | 0.25%             | 0.34%              | 0.28%         |
| Acquisition accounting discounts on loans                  | 18,571                               | 19,954         | 21,528            | 19,500             | 20,748        |
| Accretion income on acquired loans                         | 1,374                                | 1,881          | 2,755             | 1,208              | 2,583         |
| <b>Capital Ratios</b>                                      |                                      |                |                   |                    |               |
| Equity to Assets   | 12.53%                               | 12.34%         | 12.44%            | 12.27%             | 12.00%        |
| Tangible equity to tangible assets (Non-GAAP)              | 9.57%                                | 9.31%          | 9.29%             | 9.25%              | 8.98%         |
| Tangible common equity to tangible assets (Non-GAAP)       | 9.57%                                | 9.31%          | 9.29%             | 9.25%              | 8.98%         |
| SmartFinancial, Inc.:                                      | Estimated <sup>1</sup>               |                |                   |                    |               |
| Tier 1 leverage  | 9.92%                                | 9.29%          | 9.47%             | 9.26%              | 9.82%         |
| Common equity Tier 1                                       | 11.21%                               | 10.61%         | 10.81%            | 10.88%             | 10.83%        |
| Tier 1 capital   | 11.21%                               | 10.61%         | 10.81%            | 10.88%             | 10.83%        |
| Total capital  | 13.62%                               | 13.01%         | 13.29%            | 13.57%             | 11.25%        |
| SmartBank:   | Estimated <sup>1</sup>               |                |                   |                    |               |
| Tier 1 leverage  | 10.92%                               | 10.96%         | 11.17%            | 10.55%             | 10.43%        |
| Common equity Tier 1                                       | 12.34%                               | 12.18%         | 12.31%            | 11.99%             | 11.41%        |
| Tier 1 risk-based capital                                  | 12.34%                               | 12.18%         | 12.31%            | 11.99%             | 11.41%        |
| Total risk-based capital                                   | 12.80%                               | 12.62%         | 12.74%            | 12.40%             | 11.83%        |

<sup>1</sup> Current period capital ratios are estimated as of the date of this earnings release.

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SmartFinancial, Inc. and Subsidiary  
Condensed Consolidated Financial Information (unaudited)  
(In thousands)  
BALANCE SHEET

|  | Ending Balances |                |                   |                    |               |
|--|-----------------|----------------|-------------------|--------------------|---------------|
|  | June 30, 2019   | March 31, 2019 | December 31, 2018 | September 30, 2018 | June 30, 2018 |
| <b>Assets</b>                                  |                 |                |                   |                    |               |
| Cash and cash equivalents                      | \$ 199,534      | \$ 132,994     | \$ 115,822        | \$ 130,104         | \$ 170,235    |
| Securities available-for-sale, at fair value   | 174,114         | 198,273        | 201,688           | 173,039            | 156,577       |
| Other investments                              | 12,905          | 12,398         | 11,499            | 10,736             | 8,273         |
| Loans held for sale                            | 4,087           | 2,103          | 1,979             | 4,038              | 4,948         |
| Loans  | 1,832,902       | 1,838,466      | 1,775,260         | 1,581,155          | 1,570,487     |
| Less: Allowance for loan losses                | (9,097)         | (8,704)        | (8,275)           | (7,156)            | (7,074)       |
| Loans, net                                     | 1,823,805       | 1,829,762      | 1,766,985         | 1,573,999          | 1,563,413     |
| Premises and equipment, net                    | 56,589          | 56,583         | 56,012            | 51,138             | 52,203        |
| Other real estate owned                        | 1,814           | 2,066          | 2,495             | 4,230              | 3,524         |
| Goodwill and core deposit intangibles, net     | 78,348          | 78,690         | 79,034            | 68,254             | 68,449        |
| Bank owned life insurance                      | 24,695          | 24,540         | 24,381            | 22,088             | 21,944        |
| Other assets                                   | 15,366          | 16,572         | 14,514            | 13,320             | 12,666        |
| Total assets                                   | \$ 2,391,257    | \$ 2,353,981   | \$ 2,274,409      | \$ 2,050,946       | \$ 2,062,232  |
| <b>Liabilities</b>                             |                 |                |                   |                    |               |
| Deposits:                                      |                 |                |                   |                    |               |
| Noninterest-bearing demand                     | \$ 357,220      | \$ 329,095     | \$ 319,861        | \$ 301,197         | \$ 301,318    |
| Interest-bearing demand                        | 333,705         | 331,629        | 311,482           | 267,146            | 246,942       |
| Money market and savings                       | 648,132         | 698,431        | 641,945           | 570,172            | 632,518       |
| Time deposits                                  | 673,243         | 635,175        | 648,675           | 568,796            | 535,879       |
| Total deposits                                 | 2,012,300       | 1,994,330      | 1,921,964         | 1,707,311          | 1,716,658     |
| Securities sold under agreements to repurchase | 8,219           | 7,070          | 11,756            | 16,786             | 18,635        |
| FHLB & other borrowings                        | 15,460          | 8,605          | 11,243            | 25,324             | 72,040        |
| Subordinated debt                              | 39,219          | 39,198         | 39,177            | 39,158             | —             |
| Other liabilities                              | 16,447          | 14,297         | 7,258             | 10,724             | 7,413         |
| Total liabilities                              | 2,091,645       | 2,063,500      | 1,991,398         | 1,799,304          | 1,814,745     |
| <b>Shareholders' Equity</b>                    |                 |                |                   |                    |               |
| Common stock                                   | 13,953          | 13,952         | 13,934            | 12,750             | 12,705        |
| Additional paid-in capital                     | 232,386         | 232,241        | 231,852           | 208,999            | 208,513       |
| Retained earnings                              | 53,843          | 44,722         | 39,991            | 33,559             | 29,235        |
| Accumulated other comprehensive loss           | (571)           | (434)          | (2,765)           | (3,666)            | (2,966)       |
| Total shareholders' equity                     | 299,611         | 290,481        | 283,011           | 251,642            | 247,487       |
| Total liabilities & shareholders' equity       | \$ 2,391,257    | \$ 2,353,981   | \$ 2,274,409      | \$ 2,050,946       | \$ 2,062,232  |

SmartFinancial, Inc. and Subsidiary  
Condensed Consolidated Financial Information (unaudited)  
(In thousands, except per share data)  
INCOME STATEMENT

|   | Three Months Ended |                |                   |                    |               |
|---|--------------------|----------------|-------------------|--------------------|---------------|
|   | June 30, 2019      | March 31, 2019 | December 31, 2018 | September 30, 2018 | June 30, 2018 |
| <b>Interest income</b>                              |                    |                |                   |                    |               |
| Loans, including fees                               | \$ 25,278          | \$ 24,975      | \$ 25,018         | \$ 21,572          | \$ 21,652     |
| Securities available-for-sale:                      |                    |                |                   |                    |               |
| Taxable   | 871                | 971            | 900               | 839                | 897           |
| Tax-exempt  | 411                | 424            | 347               | 129                | 76            |
| Federal funds sold and other earning assets         | 743                | 573            | 506               | 527                | 367           |
| Total interest income                               | 27,303             | 26,943         | 26,771            | 23,068             | 22,993        |
| <b>Interest expense</b>                             |                    |                |                   |                    |               |
| Deposits  | 5,788              | 5,251          | 4,680             | 3,969              | 3,238         |
| Securities sold under agreements to repurchase      | 6                  | 8              | 9                 | 11                 | 11            |
| FHLB advances and other borrowings                  | 117                | 103            | 51                | 209                | 207           |
| Subordinated debt                                   | 590                | 584            | 584               | 19                 | —             |
| Total interest expense                              | 6,501              | 5,945          | 5,324             | 4,208              | 3,455         |
| Net interest income                                 | 20,802             | 20,997         | 21,447            | 18,860             | 19,538        |
| Provision for loan losses                           | 393                | 797            | 1,329             | 302                | 617           |
| Net interest income after provision for loan losses | 20,409             | 20,200         | 20,117            | 18,558             | 18,921        |
| <b>Noninterest income</b>                           |                    |                |                   |                    |               |
| Service charges on deposit accounts                 | 707                | 654            | 663               | 624                | 557           |
| Gain (loss) on sale of securities, net              | 33                 | —              | 2                 | —                  | (1)           |
| Mortgage banking                                    | 392                | 282            | 251               | 493                | 322           |
| Interchange and debit card transaction fees         | 143                | 175            | 162               | 144                | 121           |
| Other   | 7,140              | 587            | 601               | 570                | 579           |
| Total noninterest income                            | 8,415              | 1,698          | 1,680             | 1,831              | 1,577         |
| <b>Noninterest expense</b>                          |                    |                |                   |                    |               |
| Salaries and employee benefits                      | 8,984              | 8,398          | 7,871             | 7,934              | 7,649         |
| Occupancy and equipment                             | 1,658              | 1,640          | 1,610             | 1,638              | 1,522         |
| FDIC insurance                                      | 180                | 179            | 209               | 158                | 317           |
| Other real estate and loan related expense          | 242                | 490            | 738               | 578                | 926           |
| Advertising and marketing                           | 259                | 295            | 246               | 228                | 215           |
| Data processing                                     | 577                | 615            | 372               | 407                | 600           |
| Professional services                               | 489                | 662            | 707               | 727                | 587           |
| Amortization of intangibles                         | 342                | 344            | 312               | 248                | 229           |
| Software as service contracts                       | 568                | 567            | 577               | 507                | 492           |
| Merger related and restructuring expenses           | 1,796              | 923            | 1,322             | 838                | 1,123         |
| Other   | 1,714              | 1,467          | 1,696             | 1,496              | 1,613         |
| Total noninterest expense                           | 16,808             | 15,579         | 15,661            | 14,759             | 15,272        |
| Income before income taxes                          | 12,016             | 6,319          | 6,137             | 5,630              | 5,226         |
| Income tax expense                                  | 2,895              | 1,588          | (307)             | 1,305              | 1,295         |
| Net income  | \$ 9,121           | \$ 4,731       | \$ 6,444          | \$ 4,325           | \$ 3,932      |
| <b>Earnings Per Common Share</b>                    |                    |                |                   |                    |               |
| Basic   | \$ 0.65            | \$ 0.34        | \$ 0.48           | \$ 0.34            | \$ 0.32       |
| Diluted   | 0.65               | 0.34           | 0.47              | 0.34               | 0.32          |
| <b>Weighted average common shares outstanding</b>   |                    |                |                   |                    |               |
| Basic   | 13,952             | 13,942         | 13,535            | 12,719             | 12,201        |
| Diluted   | 14,047             | 14,018         | 13,617            | 12,818             | 12,320        |

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

YIELD ANALYSIS

|  | Three Months Ended |                       |                             |                 |                       |                             |                 |                       |                             |
|--|--------------------|-----------------------|-----------------------------|-----------------|-----------------------|-----------------------------|-----------------|-----------------------|-----------------------------|
|  | June 30, 2019      |                       |                             | March 31, 2019  |                       |                             | June 30, 2018   |                       |                             |
|  | Average Balance    | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> | Average Balance | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> | Average Balance | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> |
| <b>Assets</b>  |                    |                       |                             |                 |                       |                             |                 |                       |                             |
| Loans  | \$ 1,832,639       | \$ 25,278             | 5.53%                       | \$ 1,802,014    | \$ 24,977             | 5.62%                       | \$ 1,501,008    | \$ 21,654             | 5.79%                       |
| Taxable securities   | 136,859            | 871                   | 2.55%                       | 147,346         | 971                   | 2.67%                       | 149,169         | 898                   | 2.41%                       |
| Tax-exempt securities  | 56,475             | 527                   | 3.75%                       | 53,492          | 537                   | 4.07%                       | 11,698          | 96                    | 3.29%                       |
| Federal funds sold and other earning assets  | 102,253            | 743                   | 2.91%                       | 86,688          | 573                   | 2.68%                       | 56,287          | 368                   | 2.62%                       |
| Total interest-earning assets  | 2,128,226          | 27,419                | 5.17%                       | 2,089,540       | 27,058                | 5.25%                       | 1,718,162       | 23,016                | 5.37%                       |
| Noninterest-earning assets   | 215,010            |                       |                             | 193,698         |                       |                             | 205,909         |                       |                             |
| Total assets   | \$ 2,343,236       |                       |                             | \$ 2,283,238    |                       |                             | \$ 1,924,071    |                       |                             |
| <b>Liabilities and Stockholders' Equity</b>  |                    |                       |                             |                 |                       |                             |                 |                       |                             |
| Interest-bearing demand deposits   | \$ 329,556         | \$ 464                | 0.57%                       | \$ 306,164      | \$ 474                | 0.63%                       | \$ 244,208      | \$ 265                | 0.44%                       |
| Money market and savings deposits  | 673,502            | 2,272                 | 1.35%                       | 665,018         | 1,978                 | 1.21%                       | 597,353         | 1,418                 | 0.95%                       |
| Time deposits  | 629,480            | 3,052                 | 1.94%                       | 637,767         | 2,799                 | 1.78%                       | 510,445         | 1,555                 | 1.22%                       |
| Total interest-bearing deposits  | 1,632,538          | 5,788                 | 1.42%                       | 1,608,949       | 5,251                 | 1.32%                       | 1,352,006       | 3,238                 | 0.96%                       |
| Securities sold under agreement to repurchase  | 7,249              | 6                     | 0.33%                       | 7,971           | 8                     | 0.41%                       | 15,643          | 11                    | 0.28%                       |
| Federal funds purchased and other borrowings   | 16,436             | 117                   | 2.87%                       | 10,217          | 103                   | 4.09%                       | 22,780          | 206                   | 3.63%                       |
| Subordinated debt  | 39,205             | 590                   | 6.03%                       | 39,184          | 584                   | 6.04%                       | —               | —                     |                             |
| Total interest-bearing liabilities   | 1,695,428          | 6,501                 | 1.54%                       | 1,666,321       | 5,946                 | 1.45%                       | 1,390,429       | 3,455                 | 1.00%                       |
| Noninterest-bearing deposits   | 336,871            |                       |                             | 320,134         |                       |                             | 283,413         |                       |                             |
| Other liabilities  | 14,367             |                       |                             | 10,707          |                       |                             | 16,944          |                       |                             |
| Total liabilities  | 2,046,666          |                       |                             | 1,997,162       |                       |                             | 1,690,786       |                       |                             |
| Stockholders' equity   | 296,570            |                       |                             | 286,076         |                       |                             | 233,285         |                       |                             |
| Total liabilities and stockholders' equity   | \$ 2,343,236       |                       |                             | \$ 2,283,238    |                       |                             | \$ 1,924,071    |                       |                             |
| <b>Net interest income, taxable equivalent</b>   |                    |                       |                             |                 |                       |                             |                 |                       |                             |
|  |                    | \$ 20,918             |                             | \$ 21,112       |                       |                             | \$ 19,561       |                       |                             |
| Interest rate spread   |                    |                       | 3.63%                       |                 |                       | 3.80%                       |                 |                       | 4.38%                       |
| Tax equivalent net interest margin   |                    |                       | 3.94%                       |                 |                       | 4.10%                       |                 |                       | 4.57%                       |
| <b>Percentage of average interest-earning assets to average interest-bearing liabilities</b> |                    |                       |                             |                 |                       |                             |                 |                       |                             |
|  |                    |                       | 125.53%                     |                 |                       | 125.40%                     |                 |                       | 123.53%                     |
| <b>Percentage of average equity to average assets</b>  |                    |                       |                             |                 |                       |                             |                 |                       |                             |
|  |                    |                       | 12.66%                      |                 |                       | 12.53%                      |                 |                       | 12.00%                      |

<sup>1</sup> Taxable equivalent

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

(In thousands)

NON-GAAP RECONCILIATIONS

|  | Three Months Ended |                |                   |                    |               |
|--|--------------------|----------------|-------------------|--------------------|---------------|
|  | June 30, 2019      | March 31, 2019 | December 31, 2018 | September 30, 2018 | June 30, 2018 |
| <b>Operating Earnings</b>  |                    |                |                   |                    |               |
| Net income (GAAP)  | \$ 9,121           | \$ 4,731       | \$ 6,444          | \$ 4,324           | \$ 3,931      |
| Securities (gains) losses  | (33)               | —              | (2)               | —                  | 1             |
| Merger termination fee   | (6,400)            | —              | —                 | —                  | —             |
| Merger related and restructuring expenses                                      | 1,796              | 923            | 1,322             | 838                | 1,123         |
| Revaluation of deferred tax assets due to change in tax law                    | —                  | —              | (1,600)           | —                  | —             |
| Income tax effect of adjustments   | 1,120              | (145)          | (256)             | (196)              | (211)         |
| Net operating earnings (Non-GAAP)  | \$ 5,603           | \$ 5,509       | \$ 5,908          | \$ 4,966           | \$ 4,844      |
| Net operating earnings per common share (Non-GAAP):                            |                    |                |                   |                    |               |
| Basic  | \$ 0.40            | \$ 0.40        | \$ 0.44           | \$ 0.39            | \$ 0.40       |
| Diluted  | 0.40               | 0.39           | 0.43              | 0.39               | 0.39          |
| <b>Non-GAAP Return Ratios</b>  |                    |                |                   |                    |               |
| Net operating return on average assets (Non-GAAP) <sup>1</sup>                 | 0.96 %             | 0.98 %         | 1.07 %            | 0.98 %             | 1.00 %        |
| Return on average tangible common equity (Non-GAAP) <sup>2</sup>               | 16.78 %            | 9.26 %         | 13.09 %           | 9.45 %             | 8.96 %        |
| Net operating return on average shareholder equity (Non-GAAP) <sup>3</sup>     | 7.58 %             | 7.81 %         | 8.65 %            | 7.88 %             | 8.33 %        |
| Net operating return on average tangible common equity (Non-GAAP) <sup>4</sup> | 10.31 %            | 10.79 %        | 12.00 %           | 10.84 %            | 11.04 %       |
| <b>Operating Efficiency Ratio</b>  |                    |                |                   |                    |               |
| Efficiency ratio (GAAP)  | 57.53 %            | 68.65 %        | 67.71 %           | 71.34 %            | 72.31 %       |
| Adjustment for taxable equivalent yields                                       | (0.50)%            | (0.49)%        | (0.45)%           | (0.18)%            | (0.11)%       |
| Adjustment for securities gains (losses)                                       | 0.14 %             | — %            | 0.01 %            | — %                | (0.01)%       |
| Adjustment for merger related income and costs                                 | 8.39 %             | (3.91)%        | (5.55)%           | (3.99)%            | (5.28)%       |
| Operating efficiency ratio (Non-GAAP)  | 65.56 %            | 64.25 %        | 61.72 %           | 67.17 %            | 66.92 %       |
| <b>Tangible Common Equity</b>  |                    |                |                   |                    |               |
| Shareholders' equity (GAAP)  | \$ 299,611         | \$ 290,481     | \$ 283,011        | \$ 251,642         | \$ 247,487    |
| Less goodwill and other intangible assets                                      | 78,348             | 78,690         | 79,034            | 68,254             | 68,449        |
| Tangible common equity (Non-GAAP)  | \$ 221,264         | \$ 211,791     | \$ 203,977        | \$ 183,388         | \$ 179,036    |
| <b>Average Tangible Common Equity</b>  |                    |                |                   |                    |               |
| Average shareholders' equity (GAAP)  | \$ 296,570         | \$ 286,076     | \$ 270,884        | \$ 250,063         | \$ 233,285    |
| Less average goodwill and other intangible assets                              | 78,564             | 78,913         | 75,547            | 68,389             | 57,251        |
| Average tangible common equity (Non-GAAP)                                      | \$ 218,006         | \$ 207,163     | \$ 195,337        | \$ 181,674         | \$ 176,034    |

<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.

**Second Quarter 2019 Earnings Release**

*July 24, 2019*



# Legal Disclaimer

## Forward-Looking Statements

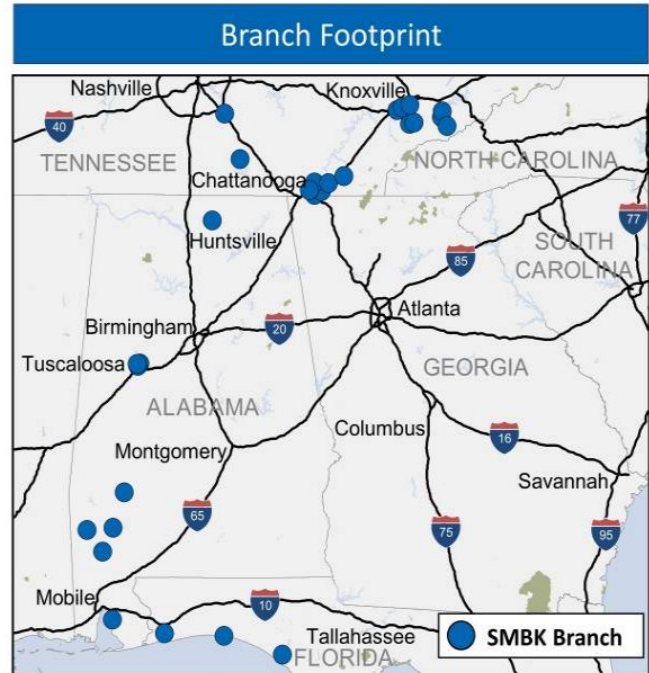
This news release may contain statements that are based on management's current estimates or expectations of future events or future results, and that may be deemed to constitute forward-looking statements as defined under U.S. federal securities laws. These statements are not historical in nature and 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) changes in management's plans for the future; (8) prevailing, or changes in, economic or political conditions, particularly in our market areas; (9) credit risk associated with our lending activities; (10) changes in interest rates, loan demand, real estate values, or competition; (11) changes in accounting principles, policies, or guidelines; (12) changes in applicable laws, rules, or regulations; and (13) 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. The Non-GAAP financial measures used in this presentation include: (i) tangible common equity, (ii) net operating earnings, (iii) net operating return on average assets, (iv) net operating return on average tangible common equity, (v) operating efficiency ratio, (vi) net operating earnings, less accretion, (vii) tangible book value per share, (viii) net operating earnings per share, and (ix) net interest income excluding purchase accounting adjustments. Tangible common equity excludes total preferred stock, preferred stock paid in capital, goodwill, and other intangible assets, and tangible book value per share reflects the per share value of tangible common equity. Net interest income excluding purchase accounting adjustments adjusts net interest income to exclude the impact of purchase accounting. The operating efficiency ratio excludes securities gains and losses, merger termination fee, and merger related and restructuring expenses from the efficiency ratio. Net operating earnings excludes securities gains and losses, merger termination fee, and merger related and restructuring expenses, and the effect of the December, 2017 tax law change on deferred tax assets, and the income tax effect of adjustments, and operating return on average assets is net operating income divided by GAAP total average assets. Net operating earnings per share is net operating income divided by GAAP total average assets. Net operating return on tangible common equity is net operating income divided by tangible common equity. Management believes that Non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. 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 Tennessee, Alabama and Florida
  - 384 full-time employees
  - ~\$306 million market capitalization<sup>(1)</sup>
- **Balance Sheet (06/30/19)**
  - Assets: \$2.4 billion
  - Gross Loans: \$1.8 billion
  - Deposits: \$2.0 billion
  - Shareholders' Equity / Tangible Common Equity (Non-GAAP): \$299.6 million / \$221.3 million
- **Profitability (Q2 '19)**
  - Net Income / Net Operating Earnings (Non-GAAP): \$9.1 million / \$5.6 million
  - ROAA / Net Operating ROAA (Non-GAAP): 1.56% / 0.96%
  - ROATCE / Net Operating ROATCE (Non-GAAP): 16.78% / 10.31%
  - Efficiency Ratio / Operating Efficiency Ratio (Non-GAAP): 57.53% / 65.56%
- **Asset Quality**
  - Superior asset quality and proven credit culture
  - NPAs / Assets of 0.17%



Financial data as of or for the three months ended 06/30/19

(1) Pricing data as of 07/23/19

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

**A**ct with Integrity  
**B**e Enthusiastic  
**C**reate Positivity  
**D**emonstrate Accountability  
**E**mbrace 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.



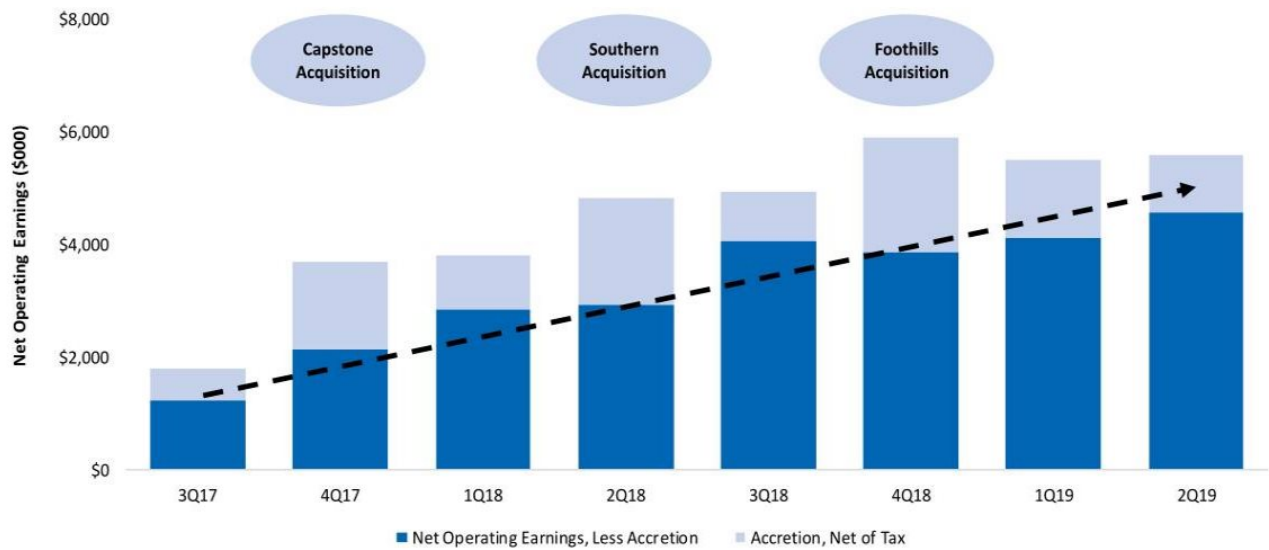


**SmartFinancial, Inc.**

**Second Quarter Financial Highlights**



## Solid Earnings Track Record



| (\$ in thousands)                             | 3Q17    | 4Q17      | 1Q18    | 2Q18      | 3Q18    | 4Q18      | 1Q19      | 2Q19      |
|---|---------|-----------|---------|-----------|---------|-----------|-----------|-----------|
| <b>Net Operating Earnings</b>                 | \$1,819 | \$3,707   | \$3,810 | \$4,844   | \$4,966 | \$5,908   | \$5,509   | \$5,603   |
| <b>Less:</b>                                  |         |           |         |           |         |           |           |           |
| <b>Accretion, Net of Tax</b>                  | (\$577) | (\$1,567) | (\$943) | (\$1,911) | (\$894) | (\$2,039) | (\$1,392) | (\$1,017) |
| <b>Net Operating Earnings, Less Accretion</b> | \$1,242 | \$2,140   | \$2,867 | \$2,933   | \$4,072 | \$3,869   | \$4,117   | \$4,586   |

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

## Performance Trends

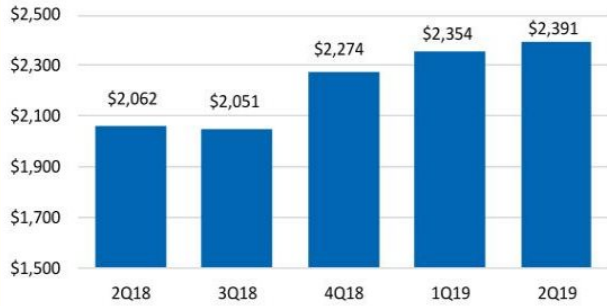
- Net Operating Earnings (Non-GAAP) of \$5.6 million for the quarter, up 16% from a year earlier
- ROAA of 1.56% for the quarter and Net Operating ROAA (Non-GAAP) of 0.96%
- ROATCE (Non-GAAP) of 16.78% for the quarter and Operating ROATCE (Non-GAAP) of 10.31%
- Efficiency Ratio of 57.53% for the quarter and Operating Efficiency Ratio (Non-GAAP) of 65.56%
- Net Interest Margin (fully taxable equivalent "FTE") of 3.94%, down 16 basis points from the prior quarter
- Nonperforming Assets were 0.17% of Total Assets



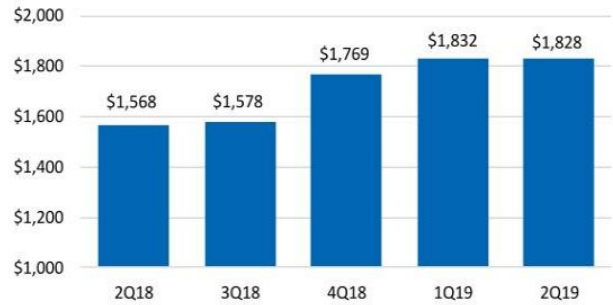
(1) Operating profitability (Non-GAAP) figures exclude gain on sale of securities, merger termination fee, merger-related and restructuring expenses and nonrecurring items  
 Note: For a reconciliation of these Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

# Balance Sheet Trends

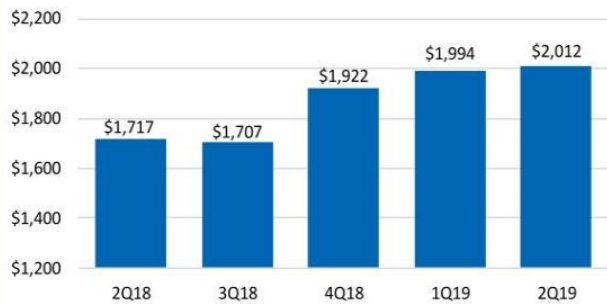
### Total Assets (\$mm)



### Net Loans (\$mm)



### Total Deposits (\$mm)



### Book Value Per Share



(1) For a reconciliation of this Non-GAAP financial measure to its most directly comparable GAAP measures, see the Appendix

## Earnings Profile – Second Quarter 2019

- Net Interest Income increased over 6% year over year (“YoY”) primarily due to higher average earning asset balances
- Increases in Noninterest Income primarily driven by termination fee from proposed merger with Entegra Financial Corp.
- Increases in Noninterest Expense primarily driven by higher salary and occupancy expense from completed acquisitions, as well as merger expenses
- Total Revenue increased 38% YoY
- Net Operating Diluted EPS (Non-GAAP) increased almost 2% YoY

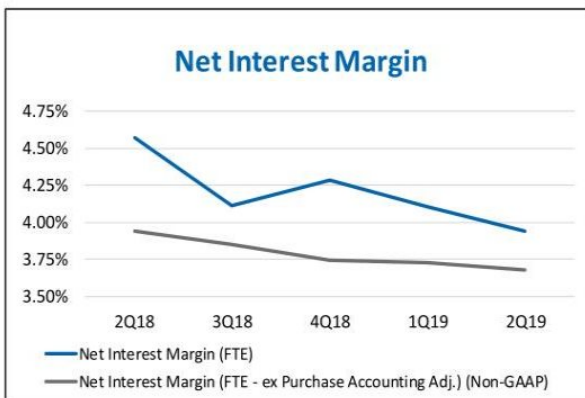
|  | 2Q19           | 1Q19           | 2Q18           |
|--|----------------|----------------|----------------|
| Total Interest Income                        | \$27,303       | \$26,943       | \$22,993       |
| Total Interest Expense                       | 6,501          | 5,946          | 3,455          |
| <b>Net Interest Income</b>                   | <b>20,802</b>  | <b>20,997</b>  | <b>19,538</b>  |
| Total Noninterest Income                     | 8,415          | 1,698          | 1,577          |
| <b>Total Revenue</b>                         | <b>29,217</b>  | <b>22,695</b>  | <b>21,115</b>  |
| Provision for Loan Losses                    | 393            | 797            | 617            |
| Total Noninterest Expense                    | 16,808         | 15,579         | 15,271         |
| <b>Earnings Before Income Taxes</b>          | <b>12,016</b>  | <b>6,319</b>   | <b>5,227</b>   |
| Income Tax Expense                           | 2,895          | 1,588          | 1,295          |
| <b>Net Income</b>                            | <b>\$9,121</b> | <b>\$4,731</b> | <b>\$3,932</b> |
| Net Income Per Share:                        |                |                |                |
| Diluted Net Income Per Share                 | \$0.65         | \$0.34         | \$0.32         |
| Net Operating Earnings Per Share (Non-GAAP): |                |                |                |
| Diluted Operating Earnings Per Share         | \$0.40         | \$0.39         | \$0.39         |

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 lower accretion on acquired loans and increases in deposit costs
- Compared to a year ago, Earning Asset Yields are down 20 basis points; the Average Cost of Interest-bearing Liabilities is up 54 basis points
- Excluding the effect of purchase accounting adjustments, the Net Interest Margin (FTE) decreased 5 basis point quarter to quarter, primarily due to the higher cost of interest-bearing deposits

|                           | 2Q19        | 1Q19        | 2Q18        |
|---------------------------|-------------|-------------|-------------|
| Net Interest Income (FTE) | \$20,918    | \$21,112    | \$19,558    |
| Average Earning Assets    | \$2,127,226 | \$2,089,540 | \$1,718,162 |

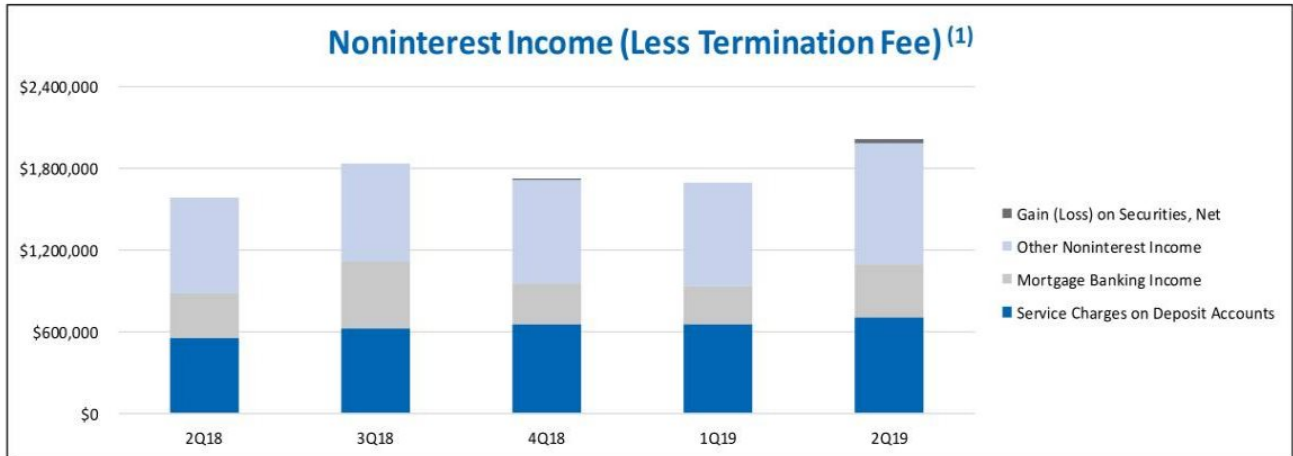


|   | Average Yields and Rates |              |              |
|---|--------------------------|--------------|--------------|
|   | 2Q19                     | 1Q19         | 2Q18         |
| Loans, less accretion                         | 5.23%                    | 5.20%        | 5.11%        |
| Accretion                                     | 0.30%                    | 0.42%        | 0.68%        |
| Loans   | 5.53%                    | 5.62%        | 5.79%        |
| Taxable securities                            | 2.55%                    | 2.67%        | 2.41%        |
| Tax-exempt securities (FTE)                   | 3.75%                    | 4.07%        | 3.29%        |
| Federal funds and other investments           | 2.92%                    | 2.68%        | 2.62%        |
| <b>Earning Asset Yields</b>                   | <b>5.17%</b>             | <b>5.25%</b> | <b>5.37%</b> |
| <b>Total Interest-Bearing Deposits</b>        | <b>1.42%</b>             | <b>1.32%</b> | <b>0.96%</b> |
| Securities sold under agreement to repurchase | 0.33%                    | 0.41%        | 0.28%        |
| Federal funds purchased and other borrowings  | 2.87%                    | 4.09%        | 3.63%        |
| Subordinated debt                             | 6.03%                    | 6.04%        | -            |
| <b>Total Interest-Bearing Liabilities</b>     | <b>1.54%</b>             | <b>1.45%</b> | <b>1.00%</b> |
| <b>Net Interest Margin (FTE)</b>              | <b>3.94%</b>             | <b>4.10%</b> | <b>4.57%</b> |
| <b>Cost of Funds</b>                          | <b>1.28%</b>             | <b>1.21%</b> | <b>0.82%</b> |

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

## Noninterest Income

- Consistent increases in service charges on deposit accounts, and other noninterest income components
- Noninterest Income trending upward, with 2Q19 reporting increased mortgage banking income after decreases in 4Q18 and 1Q19
- Increases in other noninterest income mainly resulting from termination fee from proposed merger with Entegra Financial Corp.



(1) Excludes \$6.4 million fee received for merger termination of Entegra Financial Corp.

## Noninterest Expense

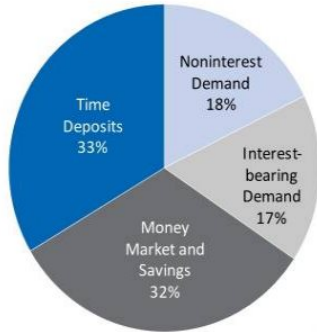
- Efficiency Ratio remained under 70% for the third consecutive quarter while Operating Efficiency Ratio (Non-GAAP) was 65.56%
- Salary increases are primarily due to the addition of associates from two completed acquisitions for periods presented, as well as infrastructure builds
- Merger expense of \$1.8 million in the quarter



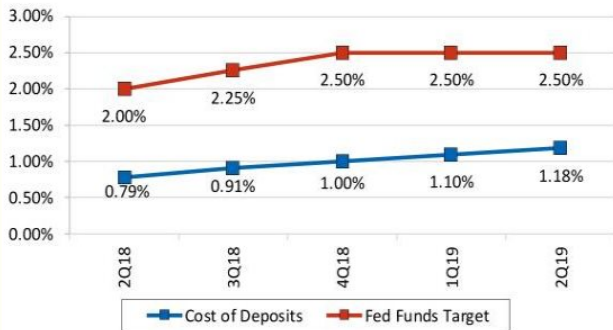
Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

# Attractive Deposit Mix

Deposit Composition (06/30/19)



Historical Cost of Deposits

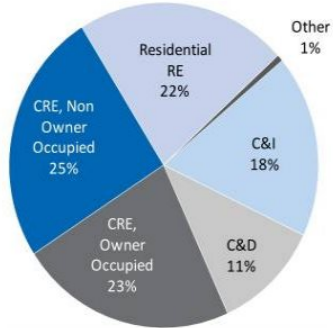


Historical Deposit Composition (\$mm)

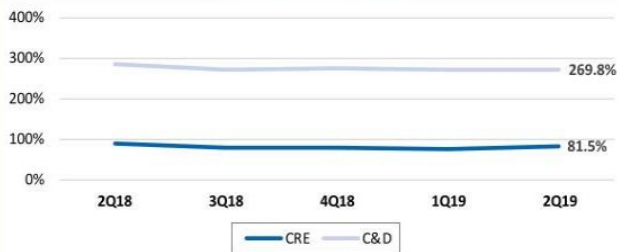


# Overview of Loan Portfolio

Loan Composition (06/30/19)



Historical CRE Ratios



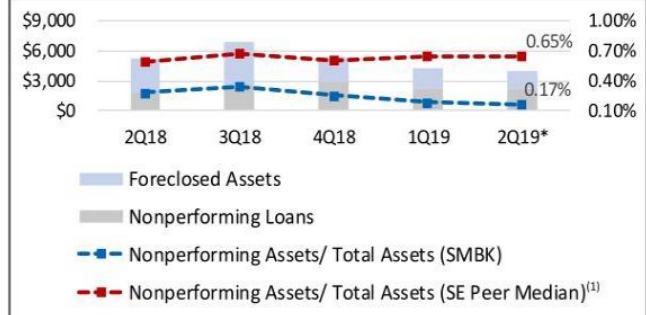
Historical Loan Composition (\$mm)



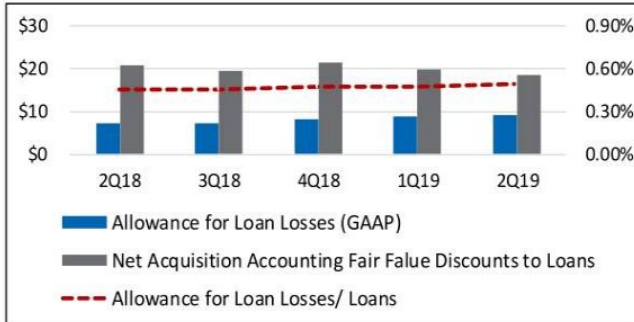
# Asset Quality

- Superior asset quality, with Nonperforming Assets at 0.17% of Total Assets compared to the Southeast Peer Median <sup>(1)</sup> of 0.65%
- Remaining fair value discounts on acquired loans are 2.0x the current Allowance For Loan Losses
- Acquisitions are marked conservatively for potential losses
- Proven credit culture, with Net Charge-Offs to Average Loans of 0.00% compared to the Southeast Peer Median <sup>(1)</sup> of 0.04%

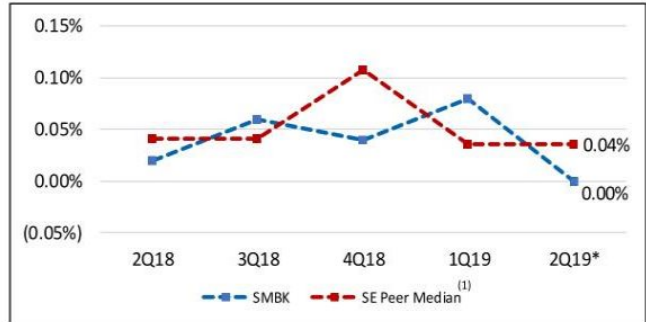
## Nonperforming Assets



## Loan Discounts



## Net Charge-Offs/ Average Loans



Source: S&P Global Market Intelligence

(1) Publicly 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 03/31/19

\* Peer median data held constant from 1Q19 due to unavailable 2Q19 data as of SMBK reporting date

## Summary of Moving Forward Initiatives

The company is **Moving Forward** with several major initiatives that were planned:

| Initiatives  | Completed   | In-Process  |
|--|---|---|
| <ul style="list-style-type: none"> <li>▪ Centralization of operational areas</li> </ul>                          |  |   |
| <ul style="list-style-type: none"> <li>▪ Centralization of finance group</li> </ul>                              |  |   |
| <ul style="list-style-type: none"> <li>▪ Bank-wide organizational chart planning to gain efficiencies</li> </ul> |   |    |
| <ul style="list-style-type: none"> <li>▪ Core data processing decision (contract up in 2020)</li> </ul>          |   |    |
| <ul style="list-style-type: none"> <li>▪ Continued hiring of bank talent in our growth markets</li> </ul>        |   |    |
| <ul style="list-style-type: none"> <li>▪ Evaluation of new M&amp;A opportunities</li> </ul>                      |   |  |



**SmartFinancial, Inc.**

**Appendix**



# Non-GAAP Reconciliations

|  | 2Q19       | 1Q19       | 4Q18       | 3Q18       | 2Q18       |
|--|------------|------------|------------|------------|------------|
| <b>Net interest income - ex purchase acct. adj.</b>                              |            |            |            |            |            |
| Net interest income (GAAP)   | \$ 20,802  | \$ 20,997  | \$ 21,436  | \$ 18,861  | \$ 19,538  |
| Taxable equivalent adjustment  | 116        | 115        | 93         | 16         | 20         |
| Net interest income TEY  | 20,918     | 21,112     | 21,529     | 18,877     | 19,558     |
| Purchase accounting adjustments  | 1,374      | 1,881      | 2,755      | 1,208      | 2,583      |
| Net interest income - ex purchase acct. adj. (Non-GAAP)                          | \$ 19,544  | \$ 19,231  | \$ 18,774  | \$ 17,669  | \$ 16,975  |
| <b>Tangible Common Equity</b>  |            |            |            |            |            |
| Shareholders' equity (GAAP)  | \$ 299,611 | \$ 290,481 | \$ 283,011 | \$ 251,642 | \$ 247,487 |
| Less goodwill and other intangible assets  | 78,348     | 78,690     | 79,034     | 68,254     | 68,449     |
| Tangible Common Equity (Non-GAAP)  | \$ 221,264 | \$ 211,791 | \$ 203,977 | \$ 183,388 | \$ 179,036 |
| <b>Non-GAAP Return Ratios</b>  |            |            |            |            |            |
| Net operating return on average assets (Non-GAAP) <sup>(1)</sup>                 | 0.96%      | 0.98%      | 1.07%      | 0.98%      | 1.00%      |
| Return on average tangible common equity (Non-GAAP) <sup>(2)</sup>               | 16.78%     | 9.26%      | 13.06%     | 9.45%      | 8.96%      |
| Net operating return on average shareholder equity (Non-GAAP) <sup>(3)</sup>     | 7.58%      | 7.81%      | 8.65%      | 7.88%      | 8.33%      |
| Net operating return on average tangible common equity (Non-GAAP) <sup>(4)</sup> | 10.31%     | 10.79%     | 12.00%     | 10.84%     | 11.04%     |

(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).

# Non-GAAP Reconciliations

|   | 2Q19     | 1Q19     | 4Q18     | 3Q18     | 2Q18     | 1Q18     | 4Q17     | 3Q17     | 2Q17     |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Operating Earnings</b>                               |          |          |          |          |          |          |          |          |          |
| Net income (GAAP)                                       | \$ 9,121 | \$ 4,731 | \$ 6,444 | \$ 4,324 | \$ 3,931 | \$ 3,415 | \$ 38    | \$ 1,685 | \$ 1,648 |
| Securities (gains) losses                               | (33)     | -        | (2)      | -        | 1        | -        | -        | (144)    | -        |
| Merger termination fee                                  | (6,400)  | -        | -        | -        | -        | -        | -        | -        | -        |
| Merger costs  | 1,796    | 923      | 1,322    | 838      | 1,123    | 498      | 1,694    | 303      | 420      |
| Tax charge related to change in tax law and tax benefit | -        | -        | (1,600)  | -        | -        | -        | 2,482    | -        | -        |
| Income tax effect of adjustments                        | 1,120    | (145)    | (0)      | (196)    | (211)    | (103)    | (506)    | (25)     | (3)      |
| Net operating earnings (Non-GAAP)                       | \$ 5,603 | \$ 5,509 | \$ 5,908 | \$ 4,966 | \$ 4,844 | \$ 3,810 | \$ 3,707 | \$ 1,819 | \$ 2,065 |
| <b>Net operating earnings per common share:</b>         |          |          |          |          |          |          |          |          |          |
| Basic   | \$0.40   | \$0.40   | \$0.44   | \$0.39   | \$0.40   | \$0.34   | \$0.35   | \$0.22   | \$0.25   |
| Diluted   | \$0.40   | \$0.39   | \$0.43   | \$0.39   | \$0.39   | \$0.34   | \$0.35   | \$0.22   | \$0.25   |
| <b>Operating Efficiency Ratio</b>                       |          |          |          |          |          |          |          |          |          |
| Efficiency ratio (GAAP)                                 | 57.53%   | 68.65%   | 67.71%   | 71.34%   | 72.31%   | 72.39%   | 74.25%   | 78.62%   | 76.77%   |
| Adjustment for taxable equivalent yields                | (0.50%)  | (0.49%)  | (0.45%)  | (0.18%)  | (0.11%)  | (0.06%)  | (0.13%)  | (0.22%)  | (0.22%)  |
| Adjustment for securities gains (losses)                | 0.14%    | -        | 0.01%    | -        | (0.01%)  | -        | -        | 1.50%    | -        |
| Adjustment for merger expenses                          | 8.39%    | (3.91%)  | (5.55%)  | (3.99%)  | (5.28%)  | (2.71%)  | (13.48%) | (3.18%)  | (4.76%)  |
| Operating efficiency ratio (Non-GAAP)                   | 65.56%   | 64.25%   | 61.72%   | 67.17%   | 66.92%   | 69.62%   | 60.64%   | 76.72%   | 71.79%   |

## Investor Contacts

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