

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: October 23, 2018

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)

(865) 437-5700

(Registrant's telephone number, including area code)

(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))

Item 2.02 Results of Operations and Financial Condition.

On October 23, 2018, SmartFinancial, Inc. issued a press release reporting earnings results for its third quarter ending September 30, 2018. The information included in the press release is considered to be “furnished” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). SmartFinancial will include final financial statements and additional analysis for the quarter ended September 30, 2018 as part of its quarterly report on Form 10-Q covering that period.

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 October 24, 2018. The slides are included as Exhibit 99.2 to this report and 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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release announcing third quarter 2018 financial results dated October 23, 2018
99.2	Third quarter 2018 investor presentation

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: October 24, 2018

/s/ William Y. Carroll, Jr.

William Y. Carroll, Jr.

President & Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1</u>	Press release announcing third quarter 2018 financial results dated October 23, 2018
<u>99.2</u>	Third quarter 2018 investor presentation



3 Q 2018

SmartFinancial Announces Record Earnings with Third Quarter 2018 Net Income of \$4.3 million
Net operating earnings (Non-GAAP) of \$5.0 million for the quarter

Performance Highlights

- **Return on average assets of 0.85 percent and net operating return on average assets (non-GAAP) of 0.98 percent .**
- **Yield on earning assets, taxable equivalent, of 5.03 percent , an increase of 0.33 percentage points from a year ago.**
- **Noninterest expense to average assets of 2.90 percent , a decrease of 0.44 percentage points from a year ago.**
- **Completed subordinated debt offering of \$40 million during the quarter.**

KNOXVILLE, TN - October 23, 2018 - SmartFinancial, Inc. ("SmartFinancial"; NASDAQ: SMBK), today announced net income of \$4.3 million for the third quarter of 2018 , compared to \$1.7 million a year ago. Diluted net income per share was \$0.34 for the third quarter of 2018 , compared to \$0.20 during the third quarter of 2017 . Net operating earnings (Non-GAAP), which excludes securities gains and merger expenses, totaled \$5.0 million in the third quarter of 2018 compared to \$1.8 million in the third quarter of 2017 .

Billy Carroll, President & CEO, stated: "I am pleased to report a very solid quarter with record earnings for SmartFinancial. As we execute on our growth strategy, we continue to make strides on building a very solid foundation for our company. We had another successful conversion, as we integrated and rebranded the middle Tennessee and northern Alabama offices of Tennessee Bancshares , Inc. while planning for our upcoming acquisition of east Tennessee-based Foothills Bancorp, Inc. Also highlighting this quarter was our successful \$40 million subordinated debt raise that positions the company for our next phase of growth."

SmartFinancial's Chairman, Miller Welborn, concluded: "I am excited about our continued growth and accomplishments this quarter. Also, being assigned an investment grade BBB senior unsecured debt rating and BBB- subordinated debt rating from the Kroll Bond Rating Agency during the quarter is an accolade we are extremely proud to obtain. We also have all necessary approvals for the acquisition of Foothills Bancorp, Inc. and anticipate a closing of November 1."

Third Quarter 2018 compared to Second Quarter 2018

Net income was \$4.3 million for the third quarter of 2018 , compared to \$3.9 million in the prior quarter. Diluted net income per share was \$0.34 for the third quarter of 2018 , compared to \$0.32 during the second quarter of 2018 . Net operating earnings (non-GAAP), which is net income excluding securities gains and merger expenses, totaled \$5.0 million in the third quarter of 2018 compared to \$4.8 million in the previous quarter.

Net interest income to average assets of 3.70 percent for the quarter decreased from 4.03 percent in the second quarter of 2018 , primarily due to lower accretion on acquired loans. Net interest income totaled \$18.9 million in the third quarter of 2018 , compared to \$19.5 million in the second quarter of 2018 . Net interest margin, taxable equivalent, decreased from 4.54 percent in the second quarter of 2018 to 4.11 percent in the third quarter of 2018 as a result of lower accretion income on acquired loans and higher deposit costs.

Provision for loan losses was \$302 thousand in the third quarter of 2018 , compared to \$617 thousand in the second quarter of 2018 . The decrease in provision for loan losses was due to slower growth of the organic loan portfolio during the period. The allowance for loan losses and leases ("ALLL") was \$7.2 million , or 0.45 percent of total loans as of September 30, 2018 , compared to \$7.1 million , or 0.45 percent of total loans, as of June 30, 2018 .

Nonperforming loans as a percentage of total loans was 0.16 percent as of September 30, 2018 , which was an increase from 0.11 percent in the prior quarter. Total nonperforming assets (which include nonaccrual loans, loans past due 90 days or more and still accruing, and foreclosed assets) as a percentage of total assets was 0.27 percent as of September 30, 2018 , compared to 0.25 percent as of June 30, 2018 .

Noninterest income to average assets of 0.36 percent for the period increased slightly from 0.33 percent in the second quarter of 2018 . Noninterest income totaled \$1.9 million in the third quarter of 2018 , compared to \$1.6 million in the second quarter of 2018 , primarily due to higher gains on sale of loans and other assets.

Noninterest expense to average assets of 2.90 percent for the quarter decreased from 3.15 percent in the second quarter of 2018 . Noninterest expense totaled \$14.8 million in the third quarter of 2018 , a decrease of \$0.5 million from the second quarter of 2018 , primarily due to lower merger expenses. Income tax expense was \$1.3 million in the third quarter of 2018 compared to \$1.3 million in the second quarter of 2018 . The company's effective tax rate decreased to 23.2 percent in the third quarter of 2018 compared to 24.8 percent in the second quarter of 2018 , due to lower nondeductible merger expenses and an increase in exercised options with associated tax benefits.

Third Quarter 2018 compared to Third Quarter 2017

Net income totaled \$4.3 million in the third quarter of 2018 , or \$0.34 per diluted share, compared to \$1.7 million , or \$0.20 per diluted share, in the third quarter of 2017 . Net operating earnings (non-GAAP), which excludes securities gains and merger expenses, totaled \$5.0 million in the third quarter of 2018 compared to \$1.8 million in the third quarter of 2017 .

Net interest income to average assets of 3.70 percent for the quarter decreased from 3.81 percent in the third quarter of 2017 . Net interest income totaled \$18.9 million in the third quarter of 2018 , compared to \$10.9 million in the third quarter of 2017 . Net interest income was positively impacted compared to the prior year due to increases in loan and securities balances and increases in the yields of the loan and securities portfolios. Net interest margin, taxable equivalent, decreased from 4.17 percent in the third quarter of 2017 to 4.11 percent in the third quarter of 2018 as a result of increases on the cost of deposits.

Provision for loan losses was \$302 thousand in the third quarter of 2018 , compared to \$30 thousand in the third quarter of 2017 . The increase in provision for loan losses was due to faster growth of the organic loan portfolio during the period. The ALLL was \$7.2 million , or 0.45 percent of total loans as of September 30, 2018 , compared to \$5.4 million , or 0.62 percent of total loans, as of September 30, 2017 .

Nonperforming loans as a percentage of total loans was 0.16 percent as of September 30, 2018 , an increase from 0.15 percent in the prior year. Total nonperforming assets (which include nonaccrual loans, loans past due 90 days or more and still accruing, and foreclosed assets) as a percentage of total assets was 0.27 percent as of September 30, 2018 , compared to 0.37 percent as of September 30, 2017 .

Noninterest income to average assets of 0.36 percent for the quarter decreased from 0.43 percent in the third quarter of 2017 . Noninterest income totaled \$1.9 million in the third quarter of 2018 , compared to \$1.2 million in the third quarter of 2017 .

Noninterest expense to average assets of 2.90 percent for the quarter decreased from 3.34 percent in the third quarter of 2017 . Noninterest expense totaled \$14.8 million in the third quarter of 2018 , compared to \$9.6 million in the third quarter of 2017 . The increases in noninterest expense over the prior year in salaries and employee benefits and occupancy expense were primarily due to the acquisitions of Capstone Bancshares, Inc. in the fourth quarter of 2017 and Tennessee Bancshares, Inc. in the second quarter of 2018. The company's effective tax rate was 23.2 percent in the third quarter of 2018 compared to 34.4 percent in the third quarter of 2017 , primarily due to the decrease in the federal tax rate for 2018.

Conference Call Information

SmartFinancial plans to issue its earnings release for the third quarter of 2018 on Tuesday, October 23, 2018, and will host a conference call on Wednesday, October 24, 2018 at 10:00 a.m. ET. To access this interactive teleconference, dial (888) 317-6003 or (412) 317-6061 and enter the confirmation number, 2373912. A replay of the conference call will be available through October 24, 2019, by dialing (877) 344-7529 or (412) 317-0088 and entering the confirmation number, 10125644. Conference call materials (earnings release & conference call presentation will be published on the company's webpage located at <http://www.smartfinancialinc.com/CorporateProfile>), 9:00 am EDT prior to the morning of 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 25 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.

Source

SmartFinancial, Inc.

Investor Contacts

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Non-GAAP Financial Matters

Statements included in this press release 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 available to common shareholders; (ii) operating efficiency ratio; (iii) tangible common equity; and (iv) net operating return on average assets, in its analysis of the company's performance. Net operating earnings available to common shareholders excludes the following from net income available to common shareholders: securities gains and losses, merger related expenses, and the effect of the December, 2017 tax law change on deferred tax assets, and the income tax effect of adjustments. The operating efficiency ratio excludes securities gains and losses and merger related expenses from the efficiency ratio. Tangible common equity excludes goodwill and other intangible assets. Net operating return on average assets is annualized net operating income divided by GAAP total average 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

Certain of the statements made in this press release may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements, including statements regarding the intent, belief, or current expectations of SmartFinancial's management regarding the company's strategic direction, prospects, or future results or the benefits of the proposed merger with Foothills Bancorp, Inc. (the "Foothills merger"), are subject to numerous risks and uncertainties. Such risks and uncertainties include, among others, (1) the risk that the cost savings and revenue synergies anticipated in connection with the Foothills merger may not be realized or may take longer than anticipated to be realized, (2) disruption from the Foothills merger with customers, suppliers, or employee or other business relationships, (3) the occurrence of any event, change, or other circumstances that could give rise to the termination of the merger agreement with Foothills Bancorp, (4) the risk of successful integration of our business with that of Foothills Bancorp, (5) the amount of costs, fees, expenses, and charges related to the Foothills merger, (6) our ability to successfully integrate the businesses acquired as part of previous mergers with that of SmartBank, (7) reputational risk and the reaction of our customers and Foothills Bancorp's customers to the Foothills merger, (8) the failure of the conditions to closing of the Foothills merger to be satisfied, (9) the risk that the integration of our merger partner's business into our operations will be materially delayed or will be more costly or difficult than expected, (10) the possibility that the Foothills merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events, (11) the dilution caused by SmartFinancial's issuance of additional shares of its common stock in the Foothills merger, (12) changes in management's plans for the future, (13) prevailing economic and political conditions, particularly in our market areas, (14) credit risk associated with our lending activities, (15) changes in interest rates, loan demand, real estate values, and competition, (16) changes in accounting principles, policies, or guidelines, (17) changes in applicable laws, rules, or regulations, and (18) other competitive, economic, political, and market factors affecting our business, operations, pricing, products, and services. Certain additional factors which could affect the forward-looking statements can be found in SmartFinancial's 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 SEC and available on the SEC's website (www.sec.gov). SmartFinancial disclaims any obligation to update or revise any forward-looking statements contained in this press 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 per share data)

	As of and for the three months ending				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Selected Performance Ratios (Annualized)					
Return on average assets	0.85%	0.81%	0.80%	0.01 %	0.59 %
Net operating return on average assets (Non-GAAP)	0.98%	1.00%	0.89%	0.99 %	0.63 %
Return on average shareholder equity	6.86%	6.76%	6.25%	0.08 %	4.91 %
Return on average tangible common equity (Non-GAAP)	9.44%	8.96%	8.10%	0.10 %	5.20 %
Net operating return on average shareholder equity (Non-GAAP)	7.88%	8.33%	6.97%	7.98 %	5.30 %
Net operating return on average tangible common equity (Non-GAAP)	10.84%	11.04%	9.04%	9.94 %	5.61 %
Net interest income / average assets	3.70%	4.03%	3.93%	4.09 %	3.81 %
Yield on earning assets	5.02%	5.34%	5.02%	5.04 %	4.69 %
Yield on earning assets, TE	5.03%	5.34%	5.03%	5.05 %	4.70 %
Cost of interest-bearing liabilities	1.15%	1.00%	0.82%	0.70 %	0.68 %
Net interest margin	4.11%	4.53%	4.36%	4.49 %	4.16 %
Net interest margin, TE	4.11%	4.54%	4.36%	4.49 %	4.17 %
Noninterest income / average assets	0.36%	0.33%	0.34%	0.42 %	0.43 %
Noninterest expense / average assets	2.90%	3.15%	3.09%	3.35 %	3.34 %
Efficiency ratio	71.37%	72.34%	72.39%	74.26 %	78.67 %
Operating efficiency ratio (Non-GAAP)	67.21%	64.82%	69.12%	60.64 %	76.72 %
Pre-tax pre-provision income / average assets	1.23%	1.21%	1.18%	1.16 %	0.90 %
Per Common Share					
Net income, basic	\$ 0.34	\$ 0.32	\$ 0.30	\$ —	\$ 0.20
Net income, diluted	0.34	0.32	0.30	—	0.20
Net operating earnings, basic (Non-GAAP)	0.39	0.40	0.34	0.35	0.22
Net operating earnings, diluted (Non-GAAP)	0.39	0.39	0.34	0.34	0.22
Book value	19.74	19.48	18.60	18.46	16.57
Tangible book value (Non-GAAP)	14.38	14.09	14.09	13.90	15.67
Common shares outstanding	12,750	12,705	11,234	11,153	8,243

SmartFinancial, Inc. and Subsidiary

Condensed Consolidated Financial Information (unaudited)

(In thousands except per share data)

	As of and for the three months ending				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Composition of Loans					
Real estate commercial					
owner occupied	\$ 364,164	\$ 360,294	\$ 288,666	\$ 281,297	\$ 210,489
non-owner occupied	400,275	385,536	375,028	361,691	237,131
Real estate commercial, total	764,439	745,830	663,694	642,988	447,620
Commercial & industrial	289,732	279,341	256,333	238,087	119,782
Real estate construction & development	166,089	179,361	142,702	135,409	98,212
Real estate residential	351,948	355,755	299,148	293,457	199,704
Other loans	12,986	15,148	12,380	13,317	6,361
Total loans	\$ 1,585,194	\$ 1,575,435	\$ 1,374,257	\$ 1,323,258	\$ 871,679
Asset Quality and Additional Loan Data					
Nonperforming loans	\$ 2,604	\$ 1,730	\$ 1,931	\$ 1,764	\$ 1,264
Foreclosed assets	2,941	3,524	2,665	3,254	2,888

Total nonperforming assets	\$ 5,545	\$ 5,254	\$ 4,596	\$ 5,018	\$ 4,152
Restructured loans not included in nonperforming loans	\$ 369	\$ 660	\$ 40	\$ 41	\$ 42
Net charge-offs (recoveries) to average loans (annualized)	0.06%	0.02%	0.02%	(0.01)%	(0.02)%
Allowance for loan losses to loans	0.45%	0.45%	0.47%	0.44 %	0.62 %
Nonperforming loans to total loans, gross	0.16%	0.11%	0.14%	0.13 %	0.15 %
Nonperforming assets to total assets	0.27%	0.25%	0.26%	0.29 %	0.37 %
Acquisition accounting discounts to loans	19,500	20,748	16,323	17,862	8,167
Accretion income on acquired loans	1,208	2,583	1,274	2,411	888

Capital Ratios

Equity to Assets	12.27%	12.00%	11.87%	11.96 %	12.03 %
Tangible equity to tangible assets (Non-GAAP)	9.25%	8.98%	9.26%	9.28 %	11.45 %
Tangible common equity to tangible assets (Non-GAAP)	9.25%	8.98%	9.26%	9.28 %	11.45 %
SmartFinancial, Inc.:	Estimated ¹				
Tier 1 leverage	9.26%	9.82%	9.59%	10.48 %	11.46 %
Common equity Tier 1	10.70%	10.83%	10.84%	10.59 %	13.37 %
Tier 1 capital	10.70%	10.83%	10.84%	10.59 %	13.37 %
Total capital	13.34%	11.25%	11.27%	10.98 %	13.93 %
SmartBank:	Estimated ¹				
Tier 1 leverage	10.08%	10.43%	10.17%	11.26 %	10.57 %
Common equity Tier 1	11.65%	11.41%	11.12%	10.90 %	12.30 %
Tier 1 risk-based capital	11.65%	11.41%	11.12%	10.90 %	12.30 %
Total risk-based capital	12.06%	11.83%	11.56%	11.30 %	12.86 %

¹ Current period capital ratios are estimated as of the date of this earnings release.

SmartFinancial, Inc. and Subsidiary

Condensed Consolidated Financial Information (unaudited)

(In thousands)

BALANCE SHEET

	Ending Balances				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Assets					
Cash & cash equivalents	\$ 130,104	\$ 170,235	\$ 96,710	\$ 113,027	\$ 84,098
Securities available for sale	173,039	156,577	156,210	151,945	115,535
Other investments	10,735	8,273	7,808	6,431	6,081
Total loans	1,585,194	1,575,435	1,374,257	1,323,258	871,679
Allowance for loan losses	(7,156)	(7,074)	(6,477)	(5,860)	(5,393)
Loans, net	1,578,038	1,568,361	1,367,780	1,317,398	866,286
Premises and equipment	52,427	52,203	44,202	43,000	33,778
Foreclosed assets	2,941	3,524	2,665	3,254	2,888
Goodwill and other intangibles	68,254	68,449	50,660	50,837	7,414
Cash surrender value of life insurance	22,088	21,944	21,797	21,647	11,484
Other assets	13,320	12,666	12,593	13,232	8,258
Total assets	\$ 2,050,946	\$ 2,062,232	\$ 1,760,425	\$ 1,720,771	\$ 1,135,822
Liabilities					
Noninterest demand	\$ 301,197	\$ 301,318	\$ 276,249	\$ 220,520	\$ 185,386
Interest-bearing demand	267,146	246,942	278,965	231,644	156,953
Money market and savings	570,172	632,518	491,243	543,645	306,358
Time deposits	568,796	535,879	453,276	442,774	311,490
Total deposits	1,707,311	1,716,657	1,499,733	1,438,583	960,187
Repurchase agreements	16,787	18,635	15,968	24,055	26,542
FHLB & other borrowings	25,324	72,040	30,000	43,600	6,000
Subordinated debt	39,158	—	—	—	—
Other liabilities	10,724	7,413	5,775	8,681	6,505
Total liabilities	1,799,304	1,814,745	1,551,476	1,514,919	999,234
Shareholders' Equity					
Common stock	12,750	12,705	11,234	11,152	8,243
Additional paid-in capital	208,999	208,513	174,981	174,009	107,065
Retained earnings	33,559	29,235	25,303	21,889	21,654
Accumulated other comprehensive loss	(3,666)	(2,966)	(2,569)	(1,198)	(374)
Total shareholders' equity	251,642	247,487	208,949	205,852	136,588
Total liabilities & shareholders' equity	\$ 2,050,946	\$ 2,062,232	\$ 1,760,425	\$ 1,720,771	\$ 1,135,822

SmartFinancial, Inc. and Subsidiary

Condensed Consolidated Financial Information (unaudited)

(In thousands, except per share data)

INCOME STATEMENT

	Three months ending				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Interest Income					
Loans, including fees	\$ 21,572	\$ 21,652	\$ 18,228	\$ 16,357	\$ 11,491
Investment securities and interest bearing due froms	1,326	1,198	1,049	770	740
Other interest income	170	144	101	117	86
Total interest income	23,068	22,993	19,378	17,244	12,317
Interest Expense					
Deposits	3,968	3,238	2,401	1,806	1,373
Repurchase agreements	12	11	13	15	15
Subordinated debt	19	—	—	—	—
FHLB and other borrowings	209	207	153	81	5
Total interest expense	4,208	3,455	2,567	1,902	1,393
Net interest income	18,860	19,538	16,811	15,342	10,924
Provision for loan losses	302	617	689	442	30
Net interest income after provision for loan losses	18,558	18,921	16,122	14,900	10,894
Noninterest income					
Service charges on deposit accounts	623	557	578	524	294
(Loss) gain on securities	—	(1)	—	—	144
Gain on sale of loans and other assets	519	327	325	366	224
Interchange and debit card transaction fees	144	121	146	304	233
Other noninterest income	570	579	406	386	352
Total noninterest income	1,856	1,583	1,455	1,580	1,247
Noninterest expense					
Salaries and employee benefits	7,934	7,649	7,176	6,272	5,035
Occupancy expense	1,638	1,522	1,533	1,217	1,114
FDIC premiums	158	317	102	150	102
Foreclosed asset expense	105	245	189	59	47
Marketing	228	215	185	167	177
Data processing	407	600	526	583	483
Professional expenses	922	918	898	602	472
Amortization of other intangibles	248	229	188	155	78
Service contracts	507	492	479	426	363
Merger expense	838	1,123	498	1,694	303
Other noninterest expense	1,800	1,968	1,448	1,242	1,400
Total noninterest expense	14,785	15,278	13,222	12,567	9,574
Earnings before income taxes	5,629	5,226	4,355	3,913	2,567
Income tax expense	1,305	1,295	940	3,875	882
Net income	\$ 4,324	\$ 3,931	\$ 3,415	\$ 38	\$ 1,685
NET INCOME PER COMMON SHARE					
Basic	\$ 0.34	\$ 0.32	\$ 0.30	\$ —	\$ 0.20
Diluted	0.34	0.32	0.30	—	0.20
Weighted average common shares outstanding					
Basic	12,719	12,201	11,211	10,552	8,235
Diluted	12,817	12,320	11,324	10,709	8,333

SmartFinancial, Inc. and Subsidiary

Condensed Consolidated Financial Information (unaudited)

(In thousands)

YIELD ANALYSIS

	Three Months Ended September 30, 2018			Three Months Ended June 30, 2018			Three Months Ended September 30, 2017		
	Average Balance	Interest ¹	Yield/ Cost ¹	Average Balance	Interest ¹	Yield/ Cost1	Average Balance	Interest ¹	Yield/ Cost ¹
Assets									
Loans	\$ 1,577,222	\$ 21,573	5.43%	\$ 1,508,351	\$ 21,654	5.76%	\$ 868,357	\$ 11,496	5.25%
Investment securities and interest bearing due froms	232,041	1,361	2.33%	211,587	1,218	2.31%	142,467	757	2.11%
Federal funds and other	13,033	170	5.17%	9,616	144	6.01%	31,864	86	1.07%
Total interest-earning assets	1,822,296	23,104	5.03%	1,729,554	23,016	5.34%	1,042,305	12,339	4.70%
Non-interest-earning assets	198,215			194,517			96,147		
Total assets	<u>\$ 2,020,511</u>			<u>\$ 1,924,071</u>			<u>\$ 1,138,452</u>		
Liabilities and Stockholders' Equity									
Interest-bearing demand deposits	\$ 239,220	\$ 283	0.47%	\$ 244,208	\$ 265	0.44%	\$ 153,838	\$ 118	0.30%
Money market and savings deposits	615,334	1,595	1.03%	597,353	1,418	0.95%	329,933	519	0.62%
Time deposits	564,945	2,090	1.47%	510,445	1,555	1.22%	311,668	736	0.94%
Total interest-bearing deposits	1,419,499	3,968	1.11%	1,352,006	3,238	0.96%	795,439	1,373	0.68%
Securities sold under agreement to repurchase	17,694	12	0.27%	15,643	11	0.28%	20,589	15	0.29%
Federal Home Loan Bank advances, sub debt and other borrowings	17,719	228	5.11%	22,780	207	3.64%	381	5	5.21%
Total interest-bearing liabilities	1,454,912	4,208	1.15%	1,390,429	3,455	1.00%	816,409	1,393	0.68%
Noninterest-bearing deposits	307,007			283,413			179,968		
Other liabilities	8,529			16,944			5,978		
Total liabilities	1,770,448			1,690,786			1,002,355		
Shareholders' equity	250,063			233,285			136,097		
Total liabilities and stockholders' equity	<u>\$ 2,020,511</u>			<u>\$ 1,924,071</u>			<u>\$ 1,138,452</u>		
Net interest income, taxable equivalent									
		<u>\$ 18,896</u>			<u>\$ 19,561</u>			<u>\$ 10,946</u>	
Interest rate spread			<u>3.88%</u>			<u>4.34%</u>			<u>4.02%</u>
Tax equivalent net interest margin			<u>4.11%</u>			<u>4.54%</u>			<u>4.17%</u>
Percentage of average interest-earning assets to average interest-bearing liabilities									
			<u>125.25%</u>			<u>124.39%</u>			<u>127.67%</u>
Percentage of average equity to average assets									
			<u>12.38%</u>			<u>12.12%</u>			<u>11.95%</u>

¹ Taxable equivalent

SmartFinancial, Inc. and Subsidiary

Condensed Consolidated Financial Information (unaudited)

(In thousands)

NON-GAAP RECONCILIATIONS

	Three months ending				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Operating Earnings					
Net income (GAAP)	\$ 4,324	\$ 3,931	\$ 3,415	\$ 38	\$ 1,685
Securities (gains) losses	—	1	—	—	(144)
Merger expenses	838	1,123	498	1,694	303
Revaluation of deferred tax assets due to change in tax law	—	—	—	2,440	—
Income tax effect of adjustments	(196)	(211)	(103)	(506)	(25)
Net operating earnings (Non-GAAP)	<u>\$ 4,966</u>	<u>\$ 4,844</u>	<u>\$ 3,810</u>	<u>\$ 3,666</u>	<u>\$ 1,819</u>
Net operating earnings per common share (Non-GAAP):					
Basic	\$ 0.39	\$ 0.40	\$ 0.34	\$ 0.35	\$ 0.22
Diluted	0.39	0.39	0.34	0.34	0.22

Non-GAAP Return Ratios

Net operating return on average assets (Non-GAAP) ¹	0.98 %	1.00 %	0.89 %	0.99 %	0.63 %
Return on average tangible common equity (Non-GAAP) ²	9.44 %	8.96 %	8.10 %	0.10 %	5.20 %
Net operating return on average shareholder equity (Non-GAAP) ³	7.88 %	8.33 %	6.97 %	7.98 %	5.30 %
Net operating return on average tangible common equity (Non-GAAP) ⁴	10.84 %	11.04 %	9.04 %	9.94 %	5.61 %

Operating Efficiency Ratio

Efficiency ratio (GAAP)	71.37 %	72.34 %	72.39 %	74.26 %	78.67 %
Adjustment for taxable equivalent yields	(0.17)%	(0.15)%	(0.09)%	(0.13)%	(0.23)%
Adjustment for securities gains (losses)	—%	(0.01)%	—%	—%	1.54 %
Adjustment for merger related costs	(3.99)%	(7.35)%	(3.76)%	(13.48)%	(3.26)%
Operating efficiency ratio (Non-GAAP)	<u>67.21 %</u>	<u>64.82 %</u>	<u>69.12 %</u>	<u>60.64 %</u>	<u>76.72 %</u>

Tangible Common Equity

Shareholders' equity (GAAP)	\$ 251,642	\$ 247,487	\$ 208,949	\$ 205,852	\$ 136,588
Less goodwill and other intangible assets	68,254	68,449	50,660	50,837	7,414
Tangible common equity (Non-GAAP)	<u>\$ 183,388</u>	<u>\$ 179,037</u>	<u>\$ 158,289</u>	<u>\$ 155,015</u>	<u>\$ 129,174</u>

Average Tangible Common Equity

Average shareholders' equity (GAAP)	\$ 250,063	\$ 233,285	\$ 221,711	\$ 184,295	\$ 136,097
Less average goodwill and other intangible assets	68,389	57,251	50,780	36,267	7,465
Average tangible common equity (Non-GAAP)	<u>\$ 181,674</u>	<u>\$ 176,034</u>	<u>\$ 170,931</u>	<u>\$ 148,028</u>	<u>\$ 128,631</u>

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 equity (non-GAAP) is the annualized net operating earnings (non-GAAP) divided by average 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).



SmartFinancial, Inc.

Third Quarter 2018 Earnings Call

October 24, 2018

Legal Disclaimer

Forward-Looking Statements

Certain of the statements made in this presentation may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements, including statements regarding the intent, belief, or current expectations of the management of SmartFinancial, Inc. ("SmartFinancial") regarding the company's strategic direction, prospects, or future results or the benefits of the proposed merger with Foothills Bancorp, Inc. (the "Foothills merger"), are subject to numerous risks and uncertainties. Such risks and uncertainties include, among others, (1) the risk that the cost savings and revenue synergies anticipated in connection with the Foothills merger may not be realized or may take longer than anticipated to be realized, (2) disruption from the Foothills merger with customers, suppliers, or employee or other business relationships, (3) the occurrence of any event, change, or other circumstances that could give rise to the termination of the merger agreement with Foothills Bancorp, Inc. ("Foothills Bancorp"), (4) the risk of successful integration of our business with that of Foothills Bancorp, (5) the amount of costs, fees, expenses, and charges related to the Foothills merger, (6) our ability to successfully integrate the businesses acquired as part of previous mergers with that of SmartBank, (7) reputational risk and the reaction of our customers and Foothills Bancorp's customers to the Foothills merger, (8) the failure of the conditions to closing of the Foothills merger to be satisfied, (9) the risk that the integration of Foothills Bancorp's business into our operations will be materially delayed or will be more costly or difficult than expected, (10) the possibility that the Foothills merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events, (11) the dilution caused by SmartFinancial's issuance of additional shares of its common stock in the Foothills merger, (12) changes in management's plans for the future, (13) prevailing economic and political conditions, particularly in our market areas, (14) credit risk associated with our lending activities, (15) changes in interest rates, loan demand, real estate values, and competition, (16) changes in accounting principles, policies, or guidelines, (17) changes in applicable laws, rules, or regulations, and (18) other competitive, economic, political, and market factors affecting our business, operations, pricing, products, and services. Certain additional factors which could affect the forward-looking statements can be found in SmartFinancial's 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 SEC and available on the SEC's website (www.sec.gov). SmartFinancial disclaims any obligation to update or revise any forward-looking statements contained in this presentation, 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 available to common shareholders; (ii) operating efficiency ratio; (iii) tangible common equity, and (iv) net interest income ex purchase accounting adjustments in its analysis of the company's performance. Net operating earnings available to common shareholders excludes the following from net income available to common shareholders: securities gains and losses, merger conversion expenses, and the effect of the December, 2017 tax law change on deferred tax assets, and the income tax effect of adjustments. The operating efficiency ratio excludes securities gains and losses and merger expenses from the efficiency ratio. Tangible common equity excludes total preferred stock, preferred stock paid in capital, goodwill, and other intangible assets. Net interest income ex purchase accounting adjustments excludes the additional accretion income from acquired loans which are a result of purchase accounting treatment. 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 \$2.3 billion⁽¹⁾ 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
- ▲ 365 full-time employees
- ▲ ~\$331 million market capitalization⁽¹⁾⁽²⁾

▲ **Balance Sheet (9/30/18) (Standalone / Pro Forma⁽¹⁾)**

- ▲ Assets: \$2.1 / \$2.3 billion
- ▲ Gross Loans: \$1.6 / \$1.7 billion
- ▲ Deposits: \$1.7 / \$1.9 billion
- ▲ Tangible Common Equity: \$183 / \$206 million

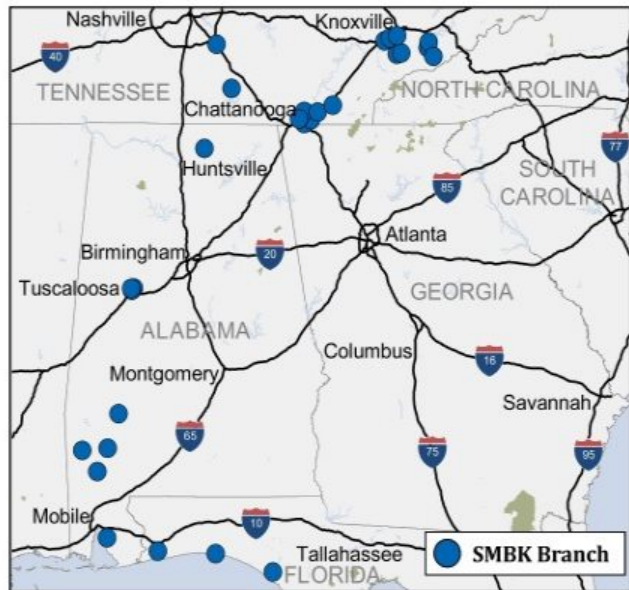
▲ **Profitability (Q3 '18)**

- ▲ Net Income / Operating Net Income: \$4.3 million / \$5.0 million
- ▲ ROAA / Operating ROAA: 0.85% / 0.98%
- ▲ ROE / Operating ROATCE: 6.86% / 10.84%
- ▲ Efficiency Ratio / Operating Efficiency Ratio: 71.37% / 67.21%

▲ **Asset Quality**

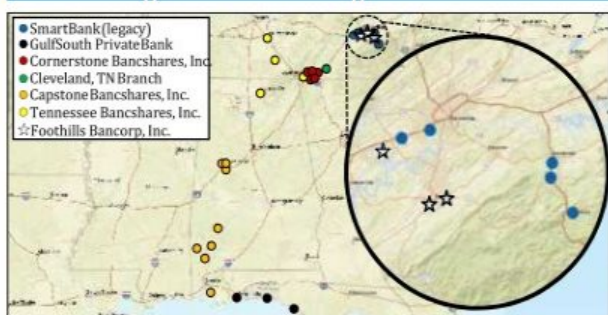
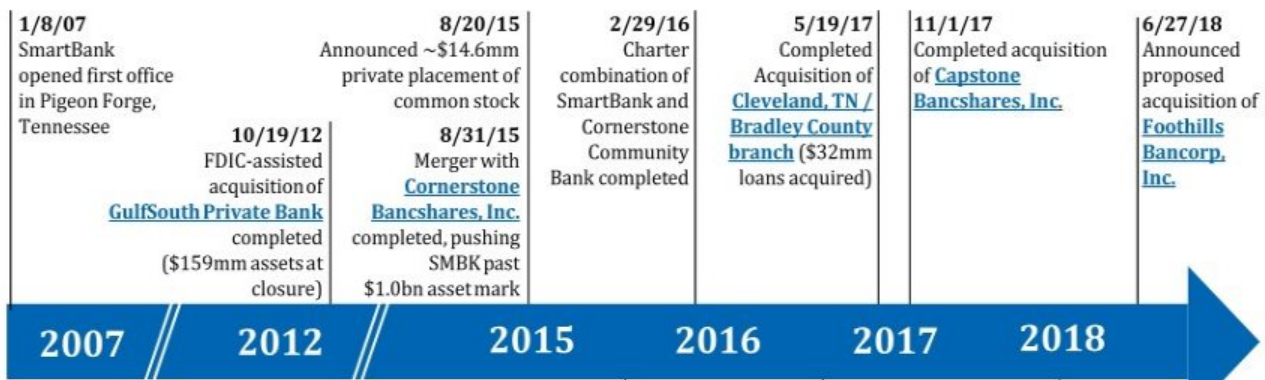
- ▲ Superior asset quality and proven credit culture
- ▲ NPAs / Assets of 0.27%
- ▲ NCOs / Average Loans of 0.06%

Branch Footprint



Financial data as of or for the three months ended 9/30/18
 (1) Pro forma for pending acquisition of Foothills Bancorp, Inc., as of 6/30/18
 (2) Pricing data as of 10/18/18
 Note: For a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP measures see Appendix

Our History



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.



Our Business Strategy

- ▲ Create a valuable southeastern banking franchise through organic growth in strong markets, coupled with an acquisition model positioning our company as a partner of choice for banks in our region
- ▲ Continually improve earnings and efficiency metrics as we grow our franchise with scale
- ▲ Execute a disciplined growth strategy that never loses focus on a strong asset quality culture
- ▲ Create the premier banking franchise in our markets by driving quality core deposit growth
- ▲ Insist on a consistent culture and environment where top performers want to work

An Emerging Southeast Acquirer

- ▲ SmartFinancial is transforming into an experienced and preferred Southeast acquirer, having completed five transactions that added low-cost core deposits in attractive markets across three states
- ▲ Nearly three-fourths of the total franchise's assets and core deposits, including the pro forma impact of the Foothills transaction, have been assembled through a careful series of acquisitions since 2012
- ▲ SmartFinancial continues to have ongoing discussions with potential targets in existing and contiguous markets

Merger Target	Merger Type	Merger Completion Date	Target Markets	Current SmartBank Branches	Core Deposits Acquired ¹ (\$000)
GulfSouth Private Bank	FDIC - Assisted Transaction	10/19/12	Panhandle Florida	2	111,900
Cornerstone Community Bank	Reverse Merger of Equals	08/31/15	Chattanooga MSA	5	287,609
Cleveland, TN Branch	Branch	05/19/17	Cleveland, TN	1	21,900
Capstone Bank	Whole Bank	11/01/17	Alabama	8	379,911
Southern Community Bank	Whole Bank	05/01/18	Middle TN/Huntsville, AL	3	203,029
Foothills Bank & Trust	Whole Bank	-	Knoxville, TN	3	184,944
Acquired Franchise				22	1,004,349
Pro Forma SMBK Franchise²				28	1,721,862

¹ Core deposits are defined as Total Deposits less Brokered Deposits and Listing Service Deposits, as reported just prior to completion

² Pro Forma SMBK Franchise reflects reported 2Q2018 Core Deposits, adjusted to include Foothills Bank & Trust

Disciplined Acquisition Strategy

- ▲ SmartFinancial has adhered to a disciplined set of merger criteria including:
 - ▲ No more than 3 years of initial TBV-per-share dilution
 - ▲ Meaningful EPS accretion in the first full year of operations
 - ▲ Conservative loan marks
 - ▲ Franchise additive
- ▲ SmartFinancial is committed to balancing organic growth with thoughtful acquisitions and will not make acquisitions simply for the sake of growth
- ▲ The table below shows the initial projected impacts of the three whole bank acquisitions announced within the last 6 quarters

Target	Announcement	TBV Earnback ¹	First Full Year EPS Accretion (Projected)	P/TBV (Announce)	Credit Mark Approach
Capstone Bank	May 2017	~ 3.0 years	25%	159%	>ALLL
Southern Community Bank	December 2017	< 2.5 years	10%	149%	>ALLL
Foothills Bank & Trust ²	June 2018	~ 2.7 years	8%	168%	>ALLL

¹ Earnback periods and EPS accretion for mergers announced before federal tax reform should be more favorable to shareholders under the lower corporate tax rate

² Pricing based on 20-day closing average in SMBK stock prior to announcement



SmartFinancial, Inc.

Third Quarter 2018 Earnings Call

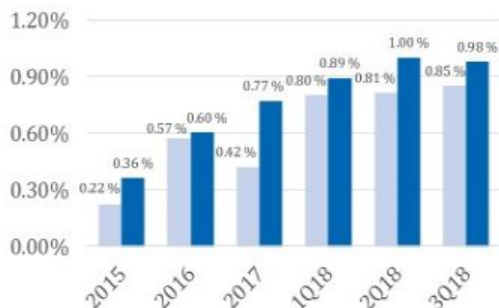
FINANCIAL HIGHLIGHTS

Third Quarter 2018 Highlights

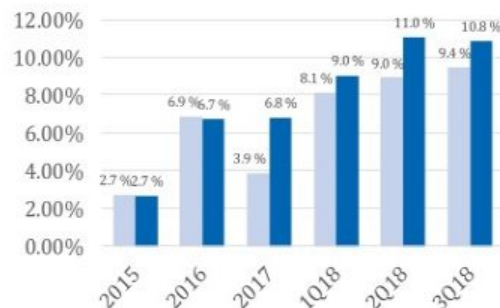
- ▲ Net Income of \$4.3 million for the quarter, up 157% from a year earlier, and Net Operating Earnings (Non-GAAP) of \$5.0 million for the quarter, up 173% from a year earlier
- ▲ ROAA of 0.85% for the quarter and Net Operating ROAA (Non-GAAP) of 0.98%
- ▲ Net Interest Margin (*fully taxable equivalent "FTE"*) of 4.11%, down 6 basis points from a year earlier
- ▲ Nonperforming Assets were 0.27% of Total Assets
- ▲ Received investment grade debt rating by Kroll Bond Rating Agency
- ▲ Completed subordinated debt offering of \$40 million
- ▲ All regulatory and shareholder approvals received for Foothills Bancorp, Inc. acquisition

Profitability Metrics

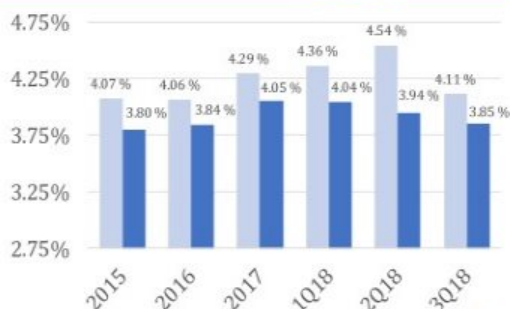
ROAA (%)



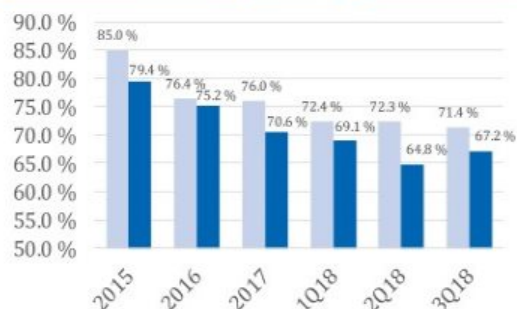
ROATCE (%)



Net Interest Margin (%)



Efficiency Ratio (%)



■ Reported ■ Operating ⁽¹⁾⁽²⁾

(1) Operating profitability (non-GAAP) figures exclude gain on sale of securities, merger-related expenses and nonrecurring items
 (2) Operating net interest margin (non-GAAP) excludes purchase accounting adjustments
 Note: For a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

Earnings Profile – Third Quarter 2018

- ▲ EPS increased 70% year over year (“YoY”)
- ▲ Earnings Before Income Taxes increased 123% YoY
- ▲ Net Interest Income increased 73% YoY primarily due to higher average earning asset balances and higher earning asset yields
- ▲ Increases in Noninterest Expense primarily driven by higher salary and occupancy expense from the Capstone Bancshares and Tennessee Bancshares acquisitions, as well as merger expenses

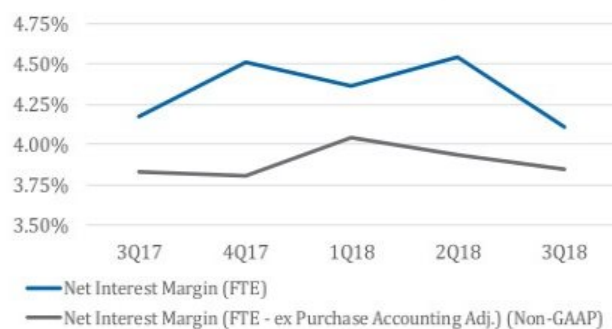
	3Q18	2Q18	3Q17
Total Interest Income	\$23,068	\$22,993	\$12,317
Total Interest Expense	4,208	3,455	1,393
Net Interest Income	18,860	19,538	10,924
Provision for Loan Losses	302	617	30
Net Interest Income After Provision for Loan Losses	18,558	18,921	10,894
Total Noninterest Income	1,856	1,583	1,247
Total Noninterest Expense	14,785	15,278	9,574
Earnings Before Income Taxes	5,629	5,226	2,567
Income Tax Expense	1,305	1,295	882
Net Income Available to Common Shareholders	\$4,324	\$3,931	\$1,685
Net Income Per Common Share			
Basic	\$0.34	\$0.32	\$0.20
Diluted	\$0.34	\$0.32	\$0.20
Net Operating Earnings Per Common Share (Non-GAAP):			
Basic	\$0.39	\$0.40	\$0.22
Diluted	\$0.39	\$0.39	\$0.22

Net Interest Income

- ▲ Net Interest Margin (FTE) decreased quarter to quarter primarily due to lower accretion on acquired loans
- ▲ Compared to a year ago, Earning Asset Yields are up 33 basis points; the Average Cost of Interest-bearing Liabilities are up 47 basis points
- ▲ Excluding the effect of purchase accounting adjustments, the Net Interest Margin (FTE) decreased 9 basis points quarter to quarter

	3Q18	2Q18	3Q17
Net Interest Income	\$18,860	\$19,538	\$10,924
Average Earning Assets	\$1,811,210	\$1,718,162	\$1,042,305

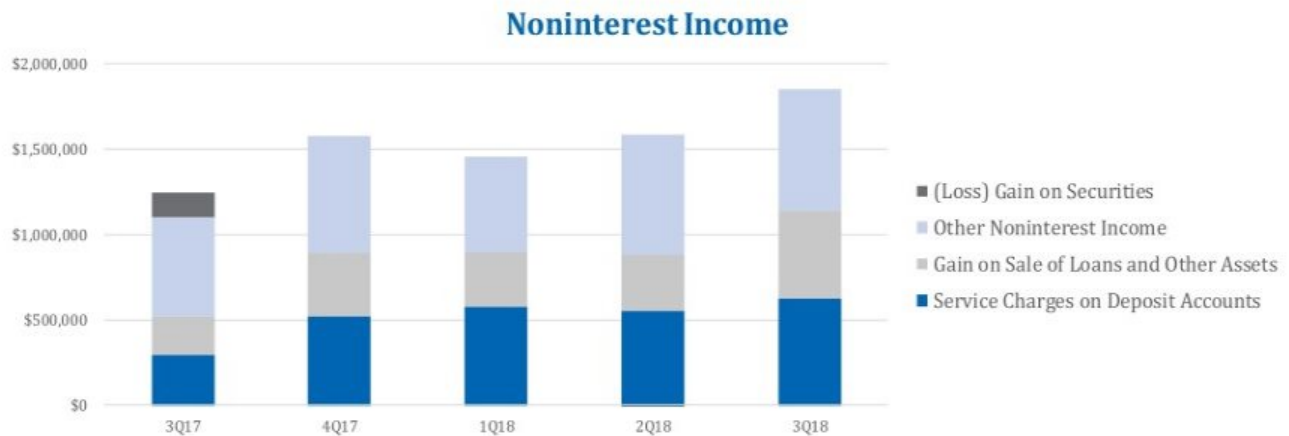
Net Interest Margin



Average Yields and Rates			
	3Q18	2Q18	3Q17
Loans	5.43%	5.76%	5.25%
Investment Securities and Interest-bearing Due from Banks	2.33%	2.31%	2.11%
Federal Funds and Other Investments	5.17%	6.01%	1.07%
Earning Asset Yields	5.03%	5.34%	4.70%
Total Interest-bearing Deposits	1.11%	0.96%	0.68%
Securities Sold Under Agreement to Repurchase	0.27%	0.28%	0.29%
Federal Home Loan Bank Advances and Other Borrowings	5.11%	3.64%	5.21%
Total Interest-bearing Liabilities	1.15%	1.00%	0.68%
Net Interest Margin (FTE)	4.11%	4.54%	4.17%
Cost of Funds	0.94%	0.82%	0.55%

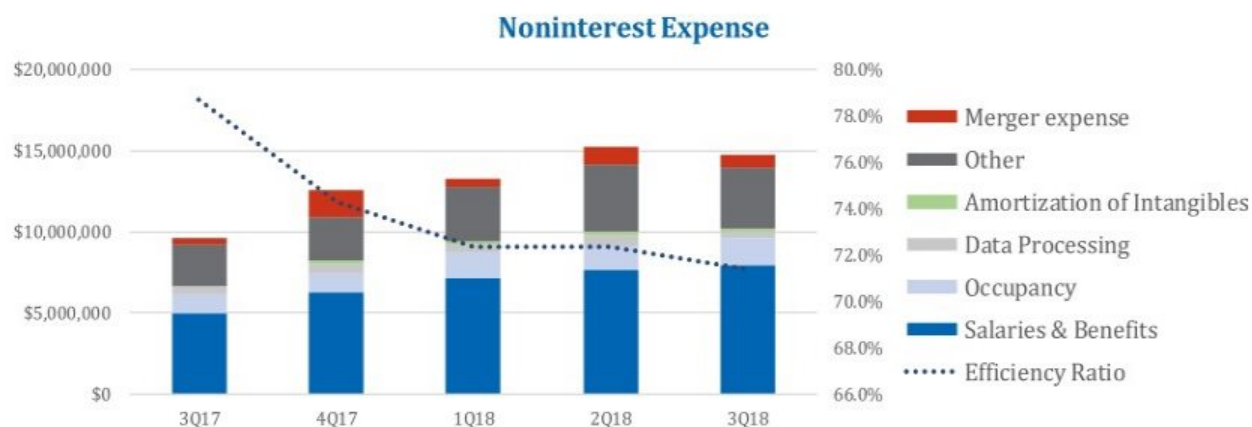
Noninterest Income

- ▲ 3Q18 Noninterest Income increased primarily due to increases in both service charge revenue and gain on sale of loans and other assets
- ▲ Quarterly Noninterest Income has trended higher over the last five quarters from approximately \$1.2 million in 3Q17 to \$1.9 million in 3Q18



Noninterest Expense

- ▲ Efficiency Ratio decreased to 71.4%, the lowest of any quarter since the Cornerstone merger in 2015. Operating Efficiency Ratio (Non-GAAP) was 67.2%.
- ▲ Salary increases are primarily due to the addition of associates from the Tennessee Bancshares acquisition during the quarter.
- ▲ Merger expense of \$0.8 million in the quarter.



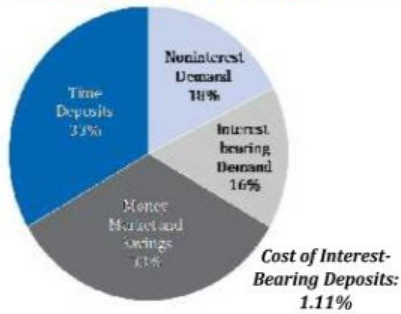
Balance Sheet

- ▲ Assets roughly flat compared to 2Q18
- ▲ Cash & Cash Equivalents declined over the quarter, offset by higher Securities Available for Sale
- ▲ Shift from Money Market and Savings to Interest-bearing Demand and Time Deposits, reduction in wholesale and other high beta deposit accounts

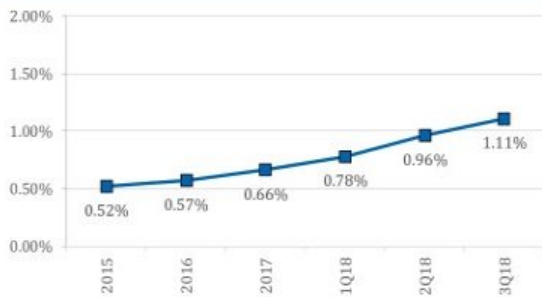
	3Q18	2Q18	3Q17
Cash & Cash Equivalents	\$ 130,104	\$ 170,235	\$ 84,098
Securities Available for Sale	173,039	156,577	115,535
Other Investments	10,736	8,273	6,081
Total Loans	1,585,194	1,575,435	871,679
Allowance for Loan Losses	(7,156)	(7,074)	(5,393)
Premises and Equipment	52,427	52,203	33,778
Foreclosed Assets	2,941	3,524	2,888
Goodwill and Other Intangibles	68,254	68,449	7,414
Cash Surrender Value of Life Insurance	22,088	21,944	11,484
Other Assets	13,320	12,666	8,258
Total Assets	\$ 2,050,946	\$ 2,062,232	\$ 1,135,822
Non-interest Demand	\$ 301,197	\$ 301,318	\$ 185,386
Interest-bearing Demand	267,146	246,942	156,953
Money Market and Savings	570,172	632,518	306,358
Time Deposits	568,796	535,879	311,490
Total Deposits	1,707,311	1,716,657	960,187
Repurchase Agreements	16,786	18,635	26,542
FHLB & Other Borrowings	25,324	72,040	6,000
Subordinated Debt	39,158	-	-
Other Liabilities	10,724	7,413	6,505
Total Liabilities	1,799,304	1,814,745	999,234
Total Shareholders' Equity	251,642	247,487	136,588
Total Liabilities & Shareholders' Equity	\$ 2,050,946	\$ 2,062,232	\$ 1,135,822

Attractive Deposit Mix

Deposit Composition (9/30/18)



Historical Cost of Interest-Bearing Deposits

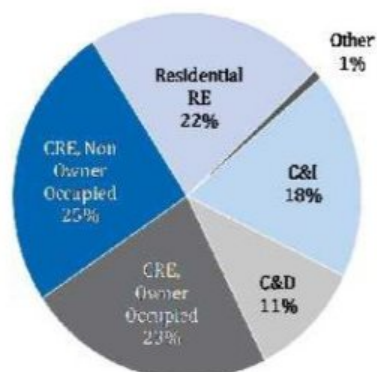


Historical Deposit Composition (\$mm)



Overview of Loan Portfolio

Loan Composition (9/30/18)



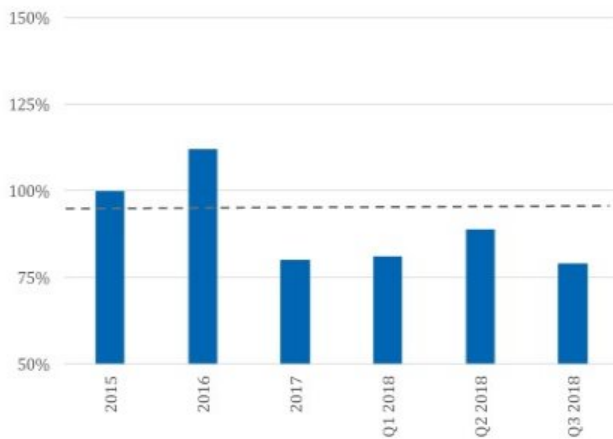
Loan Portfolio	Amount (\$mm)	% of Total
C&I	\$290	18.3%
C&D	166	10.5%
CRE, Owner Occupied	364	23.0%
CRE, Non Owner Occupied	400	25.3%
Residential RE	352	22.2%
Other	13	0.8%
Gross Loans & Leases	\$1,585	100.0%

Historical Loan Composition (\$mm)



SmartBank CRE Ratios

- ▲ C&D levels (100 Ratio) are still well below regulatory guidance levels
- ▲ Total CRE levels (300 Ratio) remained relatively stable quarter to quarter
- ▲ Managing these ratios are part of our overall organic growth, merger opportunity and capital management strategies



Asset Quality

- ▲ Excellent asset quality, with Nonperforming Assets at 0.27% of Total Assets
- ▲ Remaining fair value discounts on acquired loans are more than 2.7x the current Allowance For Loan Losses
- ▲ Acquisitions are marked conservatively for potential losses





SmartFinancial, Inc.

Appendix

Non-GAAP Reconciliations

	3Q18	2Q18	1Q18	4Q17	3Q17
Net interest income - ex purchase acct. adj.					
Net interest income (GAAP)	\$ 18,860	\$ 19,538	\$ 16,811	\$ 15,342	\$ 10,924
Taxable equivalent adjustment	36	16	22	21	21
Net interest income TEY	18,896	19,554	16,833	15,363	10,945
Purchase accounting adjustments	1,208	2,583	1,273	2,411	888
Net interest income -ex purchase acct. adj. (Non-GAAP)	\$ 17,688	\$ 16,971	\$ 15,560	\$ 12,952	\$ 10,057
Tangible Common Equity					
Shareholders' equity (GAAP)	\$ 251,642	\$ 247,487	\$ 208,949	\$ 205,852	\$ 136,588
Less goodwill and other intangible assets	68,254	68,449	50,660	50,837	7,414
Tangible Common Equity (Non-GAAP)	\$ 183,388	\$ 179,038	\$ 158,289	\$ 155,015	\$ 129,174
Non-GAAP Return Ratios					
Net operating return on average assets (Non-GAAP) ⁽¹⁾	0.98%	1.00%	0.89%	0.99%	0.63%
Return on average tangible common equity (Non-GAAP) ⁽²⁾	9.44%	8.96%	8.10%	0.10%	5.20%
Net operating return on average shareholder equity (Non-GAAP) ⁽³⁾	7.88%	8.33%	6.97%	7.98%	5.30%
Net operating return on average tangible common equity (Non-GAAP) ⁽⁴⁾	10.84%	11.04%	9.04%	9.94%	5.61%

(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 equity (non-GAAP) is the annualized net operating earnings (non-GAAP) divided by average 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

	3Q18	2Q18	1Q18	4Q17	3Q17
Operating Earnings					
Net income (GAAP)	\$ 4,324	\$ 3,931	\$ 3,415	\$ 38	\$ 1,685
Securities (gains) losses	-	1	-	-	(144)
Merger costs	838	1,123	498	1,694	303
Revaluation of deferred tax assets due to change in tax law	-	-	-	2,482	-
Income tax effect of adjustments	(196)	(211)	(103)	(506)	(25)
Net operating earnings available to common shareholders (Non-GAAP)	\$ 4,966	\$ 4,844	\$ 3,810	\$ 3,707	\$ 1,819
Net operating earnings per common share:					
Basic	\$0.39	\$0.40	\$0.34	\$0.35	\$0.22
Diluted	\$0.39	\$0.39	\$0.34	\$0.35	\$0.22
Operating Efficiency Ratio					
Efficiency ratio (GAAP)	71.37%	72.34%	72.97%	74.25%	78.67%
Adjustment for taxable equivalent yields	(0.17%)	(0.15%)	(0.09%)	(0.13%)	(0.23%)
Adjustment for securities gains (losses)	-	(0.01%)	-	-	1.54%
Adjustment for merger expenses	(3.99%)	(7.35%)	(3.76%)	(13.48%)	(3.26%)
Operating efficiency ratio (Non-GAAP)	67.21%	64.82%	69.12%	60.64%	76.72%

SmartFinancial, Inc. Management

- ▲ Over 26 years in banking
- ▲ Led company from start-up in 2007 to over \$2.0 billion in assets today
- ▲ Former EVP and Chief Financial Officer of Citizens National Bank

Billy Carroll
President & CEO



- ▲ Over 15 years in banking
- ▲ Responsible for driving key strategic initiatives and oversees the Board of Directors
- ▲ President of Welborn and Associates, Inc.; Managing Partner of Foresight Holdings, LP; Former Partner - Lamp Post Group

Miller Welborn
Chairman of the Board



- ▲ Over 23 years in banking and financial services
- ▲ Responsible for driving M&A, investor relations, financial analysis and development management
- ▲ Former EVP and Chief Accounting Officer of BNC; and CFO of Square 1 Bank

Ron Gorczynski
Chief Administrative Officer



- ▲ Over 20 years in financial services
- ▲ Oversees the risk management functions within the bank, including audit, compliance and loan review
- ▲ Former Chief Financial Officer and Chief Operating Officer for Cornerstone Community Bank

Gary Petty
Chief Risk Officer



- ▲ Over 16 years in financial services
- ▲ Responsible for finance and accounting
- ▲ Former investment advisor at Moon Capital Management

C. Bryan Johnson
Chief Financial Officer



- ▲ Over 20 years in banking
- ▲ Responsible for credit risk including credit underwriting, policy and special assets
- ▲ Former SVP and East Tennessee Area Credit Officer of Regions Bank

Rhett Jordan
Chief Credit Officer



- ▲ Over 30 years in financial industry
- ▲ Oversees the commercial and consumer lending divisions
- ▲ Former bank examiner for TN Dep. of Financial Institutions; SVP and City Executive for BB&T

Greg Davis
Chief Lending Officer



- ▲ Over 30 years in financial industry
- ▲ Oversees the commercial and retail deposit divisions
- ▲ Former President & CEO of Southern Community Bank; District Manager for US Bank

Bill Yoder
Chief Banking and Deposit Officer



Investor Contacts



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