

# **SmartFinancial**



BUILDING EXCEPTIONAL VALUE





SmartBank organized in 2006 with the goal to build an innovative and dynamic bank with unmatched client service. SmartBank opened its first office in January 2007 in Pigeon Forge, Tennessee and has expanded its footprint to total 29 branches across Tennessee, Alabama and the Florida Panhandle. Pairing these strong and dynamic markets with the best people, advanced technology and innovative products will continue to drive the company's expansion and future growth opportunities.

#### **WE BEGIN**

this annual letter with a thank you to our shareholders, clients and associates for their support in the growth of our tremendous company during 2018. Over the past several years, it seems as though we experience a transformational year annually, and 2018 was no exception. We completed two bank acquisitions re-branding and converting systems, while organically growing our balance sheet in the high-single digits.

Our company now has \$2.3 billion in assets, along with loans of \$1.8 billion and deposits of \$1.9 billion, ranking us as the 7th largest bank chartered in the state of Tennessee. We also have a strong foothold in Alabama and an expanding one in Florida, and will look to add more density in these states. All of our regions have shown solid performance as economies in these areas remain sound and we maintain a positive outlook for growth.

During 2018, we entered Middle Tennessee, adding offices in Murfreesboro and Tullahoma, and also expanded into Huntsville, Alabama. The Murfreesboro/ Rutherford County, Tennessee market is projected to have one of the strongest population growths in the state over the next 10 years and the Huntsville/Madison County, Alabama market is projected with the same impact for Alabama. These two markets provide as much upside as any markets in our footprint. Also during the year we grew in our Knoxville, Tennessee, MSA by expanding into Maryville and Farragut to now give us a very nice footprint in one of the state's top three metro markets.

During the year, we kept our focus on growth and also spent a great deal of time working on efficiency gains to drive earnings growth. We are proud of our

## SHAREHOLDERS SHAREHOLDERS

Record high total assets of \$2.3 billion, net loans of \$1.8 billion, and deposits of \$1.9 billion

Net interest margin, taxable equivalent, increased from 4.29% in 2017

Increase in pre-tax income year over year

Asset quality was outstanding with nonperforming assets to total assets of just 0.25%

Book value of common stock,

build a great company that drives shareholder value in an environment with which we are all

proud to be associated. 2018 was another great year where we took a number of steps in that process.

On behalf of our fellow board members, management team and all of our associates, we would like to thank you for your support and loyalty to SmartFinancial and SmartBank.

accomplishments related to earnings as we ended the year with record net income and outstanding growth in our Earnings per Share (EPS). Our focus to drive EPS growth is a top priority for our company. The foundation that we've built over the last several years has positioned us with the ability to continue to shape an already sound financial base.

On the credit front, our team remains diligent as we watch trends in all of our markets. Our credit metrics are some of best in our peer group and we are very proud of this accomplishment. Maintaining the correct balance of growth along with disciplined credit underwriting is one of the most challenged areas of our business and our team does this exceptionally well.

As our team has grown to over 385 associates, in 3 states, we are building a very strong and sustainable culture. These team members work every day to

Sincerely,

Chairman of the Board SmartFinancial, Inc.

/ men well

Billy Carroll President & CEO SmartFinancial, Inc.



Our vision is to build exceptional value for our brand and for our **Shareholders**, **Associates**, **Clients**, and **Communities** by delivering more than they think possible.

We build exceptional value for our Shareholders by managing growth and maximizing profitability, return on investment, stock value, dividends, and liquidity.

We build exceptional value for our **Associates** by fostering a more fulfilling environment that respects individual needs, establishes high expectations and recognizes achievement.

We build exceptional value for our **Clients** by demonstrating incomparable care for their needs and increasing their financial wealth.

We build exceptional value in our **Communities** by providing lasting solutions to their problems and protecting their greatest assets.

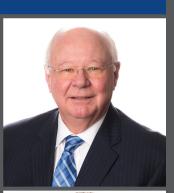
We've achieved this through the integrity and innovation of our Associates and Directors – it's The SmartBank Way.





























#### MILLER WELBORN

Chairman

#### **BILLY CARROLL**

President & CEO

#### **BILL CARROLL**

Vice-Chairman

#### VIC BARRETT

Co-founder and Partner of The Track Recreation Center

#### MONIQUE BERKE

Vice President of Business Transformation at **CBL** Properties

#### **CLIFTON MILLER**

Managing Director of Henry, McCord, Bean, Miller, Gabriel & LaBar, P.L.L.C.

#### TED MILLER

Business Manager & Partner of Dolly Parton Productions

#### DAVID OGLE

President and Co-founder of Five Oaks Development Group

#### STEVE TUCKER

Principal in TriCo Resources and BTI Real Estate

#### DR. KEITH WHALEY

Founder of Whaley Family Eyecare

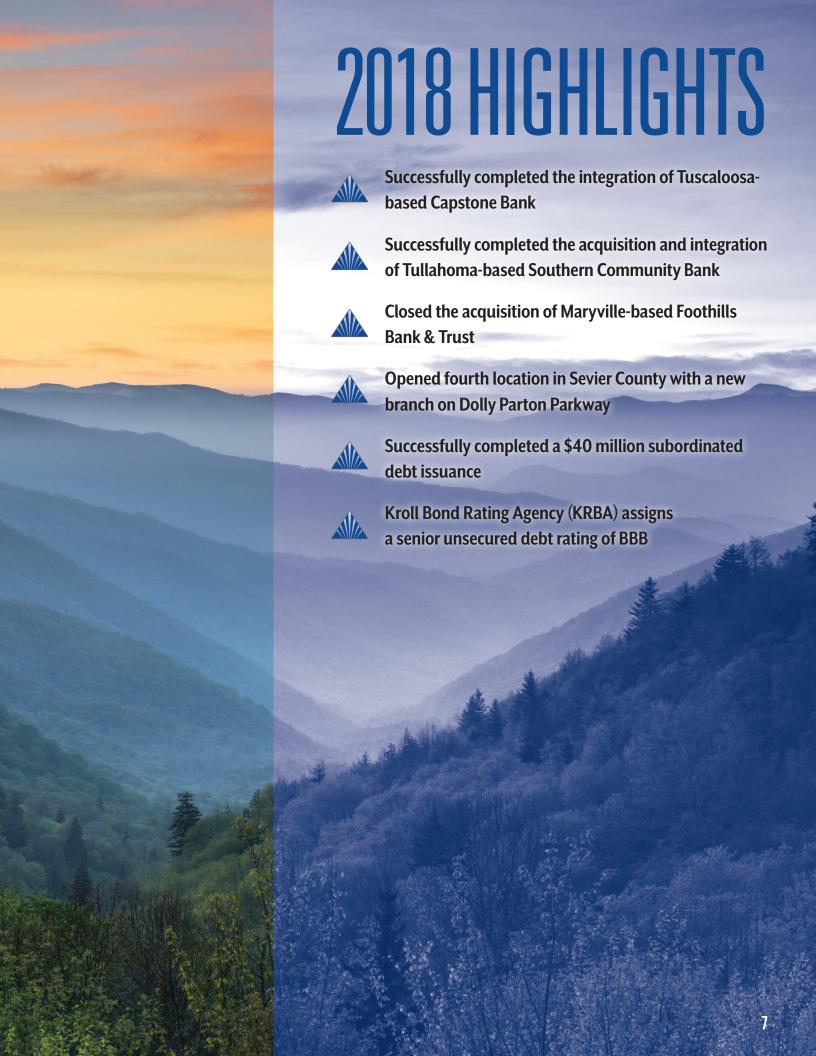
#### **BEAU WICKS**

President of Southeast Logistics, Inc.

#### **GEOFF WOLPERT**

Owner of The Park Grill and The Peddler Steakhouse





## FROM THE START

SmartBank, known for its progressiveness and innovative style of banking, organized in 2006 and has been building a foundation of strong leadership, forward thinking and a sincere desire to provide incomparable client service.

2006
Organization of SmartBank



2008

SmartBank opened its third branch in Gatlinburg, TN Formation of SmartFinancial, Inc. holding company

2010

2012

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





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

2007

SmartBank expanded into the Knoxville market with its fourth branch

2009

Assets grew to over \$325 million through organic growth

2011

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

2014



2016

SmartBank successfully completed the merger and integration with Chattanooga-based Cornerstone Community Bank

SmartBank successfully completed the acquisition and integration of Tuscaloosa-based Capstone Bank, and Tullahoma-based Southern Community Bank. SmartFinancial, Inc. closed the acquisition of Maryville-based Foothills Bank and Trust.

2018

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

SmartBank opened the Panama City, FL loan production office and relocated the Pensacola, FL branch. SmartBank also opened its newly designed and second location in Knoxville, TN

2013



SmartBank successfully completed the acquisition and integration of an FSG Bank branch in Cleveland, TN. SmartFinancial, Inc. closed the acquisition of Tuscaloosa, AL-based Capstone Bank

2017

### 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,

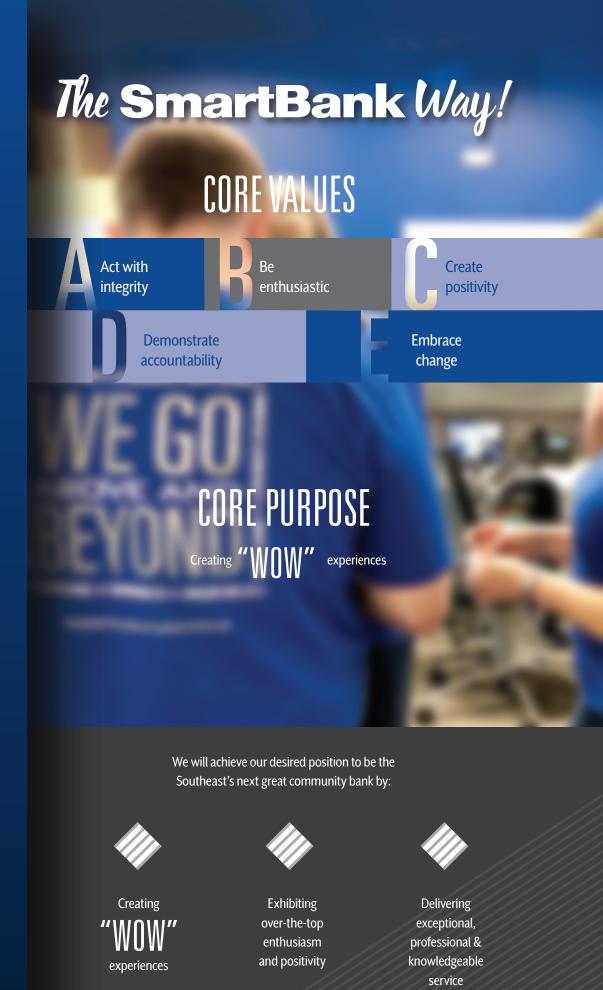
FAST RESPONSES

and

#### DEEP COMMITMENT

every single time.

By doing this, we will create the Southeast's next, great community banking franchise.











Senior Vice President Senior Deposit Operations & Administrative Officer



Executive Vice President Chief Lending Officer

#### **KELLEY FOWLER**

Senior Vice President Director of Marketing and Public Relations

#### RON GORCZYNSKI

Executive Vice President Chief Administrative Officer

#### C. BRYAN JOHNSON

Executive Vice President Chief Financial Officer

#### RHETT JORDAN

Executive Vice President Chief Credit Officer

#### **GARY PETTY**

Executive Vice President Chief Risk Officer

#### DIANE SHORT

Executive Vice President Chief Human Resources Officer

#### BILL YODER

Executive Vice President
Chief Banking and Deposit Officer



















## REGIONAL PRESIDENTS



MIKE HONEYCUTT Northeast Tennessee



ROBERT KUHN Alabama and Florida



BARRY WATSON
Southeast Tennessee







## **SmartFinancial**

#### SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF SMARTFINANCIAL

The following selected historical consolidated financial data as of and for the years ended December 31, 2018 and 2017 is derived from the audited consolidated financial statements of the company. (Amounts are in thousands, except ratios, per share data, branches and FTEs.)

	Years Ended December 31,	
	2018	2017
SUMMARY OF OPERATIONS		
Total interest income	\$ 92,210	\$ 52,022
Total interest expense	15,566	5,693
Net interest income	76,644	46,329
Provision for loan losses	2,936	783
Net interest income after provision for loan losses	73,708	45,546
Non interest income	6,584	5,027
Non interest expense	58,956	39,130
Income before income taxes	21,336	11,443
Income tax expense	3,234	6,428
Consolidated net income	18,102	5,015
Preferred stock dividend	-	195
Net income available to common stockholders	\$ 18,102	\$ 4,820
SHARE AND PER COMMON SHARE DATA:		
Basic earnings per share	\$ 1.46	\$ 0.56
Diluted earnings per share	1.45	0.55
Common equity per common share outstanding	20.31	18.46
Tangible book value per common share <sup>1</sup>	14.64	13.90
Dividends per common share	N/A	N/A
Preferred shares outstanding	-	_
Actual common shares outstanding	13,934	11,153
Weighted average common shares outstanding	12,424	8,639
Diluted weighted average	12.510	0.70.4
common shares outstanding	12,518	8,794

<sup>&</sup>lt;sup>1</sup> Tangible book value per common share equals stockholders' equity minus goodwill and other intangible assets divided by common shares outstanding.

	Years Ended December 31,	
	2018	2017
BALANCE SHEET DATA:		
Average total assets	\$ 1,962,717	\$ 1,188,589
Average gross loans, net of deferred loan fees	1,511,724	919,603
Average interest-earning assets	1,739,983	1,086,358
Average deposits	1,667,360	1,011,385
Average interest-bearing deposits	1,381,631	838,543
Average interest-bearing liabilities	1,424,365	863,273
Average total shareholders' equity	242,451	145,804
SELECTED FINANCIAL RATIOS:		
Return on average assets	0.92%	0.41%
Return on average equity	7.47%	3.31%
Average equity to average total assets	12.35%	12.27%
Efficiency ratio <sup>1</sup>	70.68%	76.02%
Net interest margin <sup>2</sup>	4.43%	4.29%
Net interest spread <sup>3</sup>	4.22%	4.15%
CAPITAL RATIOS:4		
Total Capital (to Risk-Weighted Assets)	12.75%	11.29%
Tier I Capital (to Risk-Weighted Assets)	12.31%	10.90%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	12.31%	10.90%
Tier I Capital (to Average Assets)	11.17%	11.26%
ASSET QUALITY RATIOS:		
Net charge-offs to average loans	(0.03)%	-%
Allowance to period end loans	0.47%	0.44%
Allowance for loan losses to non-performing loans	252.29%	179.04%
Non-performing assets to total assets	0.25%	0.34%
OTHER DATA:		
Branches	29	21
Loan production offices	4	3
Full-time equivalent employees	387	343
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#### **Table Assumptions**

<sup>&</sup>lt;sup>1</sup> SmartFinancial's efficiency ratio is calculated as non-interest expense divided by the sum of net interest income on a fully tax equivalent basis plus non-interest income.

 $<sup>^2 \</sup>textit{Net interest margin is the result of net interest income calculated on a tax-equivalent basis divided by average interest earning assets for the period.}$ 

 $<sup>^{3} \</sup>textit{Net interest spread is calculated as the yields realized on interest-bearing assets less the rates paid on interest-bearing liabilities.}$ 

<sup>&</sup>lt;sup>4</sup> For SmartBank

## **MARKETS**









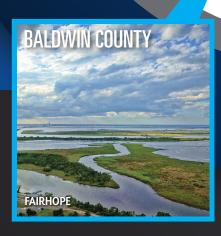


KENTUCK



## ALABAMA

SmartBank completed the integration of Tuscaloosa-based Capstone Bank in early 2018, adding eight branches, including three in Tuscaloosa, Northport and Indian Hills, and five spanning throughout Southwest Alabama to the coast with a new branch in Fairhope. Alabama is a great banking market and the pairing with Capstone Bank and SmartBank was a perfect match as both banks have deep roots in their communities, cultural alignment and a disciplined client-first focus.

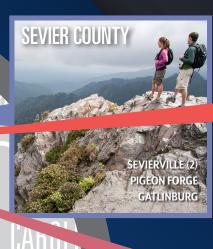


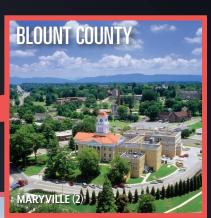


## TENNESSEE

A true Tennessee native, veteran banking executive Bill Carroll, and son, Billy Carroll, along with several other local and successful business entrepreneurs decided to organize a bank in 2006 with a vision to build an innovative and dynamic bank with the image, values and service level unlike any other community bank in the market. SmartBank opened its first office in January 2007 in Pigeon Forge, Tennessee and has since expanded its footprint across several of the Southeast's strongest and most desired markets. SmartBank now operates 29 branches across Tennessee, Alabama and the Florida Panhandle.

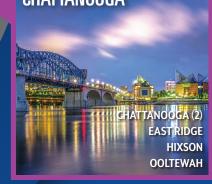
CLEVELAND





GEORGIA

CHATTANOOGA



### **FLORIDA**



### FLORIDA

SmartBank's expansion into the Florida Panhandle by way of its first acquisition (2012) of GulfSouth Private Bank has proven that growth in this thriving market continues to be strong with lots of opportunities for continued success. SmartBank operates branches in Pensacola, Destin and Panama City, which is scheduled to move into a newly constructed branch in the Fall of 2019.



## INVESTOR RELATIONS

### SmartFinancial, Inc. Annual Shareholders' Meeting

Thursday, May 2, 2019 at 10:00 am
SmartBank - Pigeon Forge Branch
2430 Teaster Lane Pigeon Forge, TN 37863
Meeting contact: Frank Hughes at frank.hughes@smartbank.com

#### **Electronic Voting**

To vote electronically, please go to www.smartfinancialinc.com You may also download a copy of the 2018 SmartFinancial, Inc. Annual Report.

#### **Forward-Looking Statements**

This document may contain forward-looking statements about SmartFinancial which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, growth opportunities, interest rates, and cost savings anticipated to be realized by management. Words such as "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements by SmartFinancial and its management are based on beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management and are not guarantees of future performance. We disclaim any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. The factors we discuss in our annual report on Form 10-K and other filings with the Securities and Exchange Commission, and those presented elsewhere by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this document.

#### **Investor Relations Contact**

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frank.hughes@smartbank.com

#### SmartFinancial, Inc.

5401 Kingston Pike #600 Knoxville, TN 37919 866.290.2554

#### **Market Makers**

Virtu Financial
UBS AG
Raymond James & Associates
Merrill Lynch
Credit Swiss 1st Boston
J.P. Morgan Securities Inc.
Citi Group
Goldman Sachs
Hovde Group

#### **Stock Transfer Agent Info**

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

#### **Stock Symbol**

Nasdaq Capital Market: **SMBK** 

#### **Analyst Coverage**

Keefe, Bruyette & Woods, Inc Raymond James & Associates Hovde Group Stephens Inc. Sandler O'Neill & Partners FIG Partners LLC





