



**SmartFinancial, Inc.**

**Announces the Acquisition of  
Foothills Bancorp, Inc.**

**June 27, 2018**

# Compliance Disclosure

## Important Information for Shareholders

This presentation shall not constitute an offer to sell, the solicitation of an offer to sell, or the solicitation of an offer to buy any securities or the solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed transaction, SmartFinancial, Inc. ("**SmartFinancial**") will file a registration statement on Form S-4 with the Securities and Exchange Commission (the "**SEC**"), which will contain the proxy statement of Foothills Bancorp, Inc. ("**Foothills Bancorp**") and a prospectus of SmartFinancial. Shareholders of Foothills Bancorp are encouraged to read the registration statement, including the proxy statement/prospectus that will be part of the registration statement, because it will contain important information about the proposed transaction, Foothills Bancorp, and SmartFinancial. After the registration statement is filed with the SEC, the proxy statement/prospectus and other relevant documents will be mailed to Foothills Bancorp shareholders and will be available for free on the SEC's website ([www.sec.gov](http://www.sec.gov)). The proxy statement/prospectus will also be made available for free by contacting Ron Gorczynski, SmartFinancial's Chief Administrative Officer, at (865) 437-5724 or Mark Loudermilk, the President and Chief Executive Officer of Foothills Bancorp, at (865) 738-2230. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended (the "**Securities Act**").

## Participants in the Solicitation

SmartFinancial, Foothills Bancorp and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Foothills Bancorp shareholders in connection with the proposed transaction under the rules of the SEC. Information about the directors and executive officers of SmartFinancial may be found in the definitive proxy statement of SmartFinancial filed with the SEC by SmartFinancial on April 2, 2018. This definitive proxy statement can be obtained free of charge from the sources indicated above. Information about the directors and executive officers of Foothills Bancorp will be included in the proxy statement/prospectus when filed with the SEC. Additional information regarding the interests of these participants will also be included in the proxy statement/prospectus regarding the proposed transaction when it becomes available.

# Legal Disclaimer

## Forward-Looking Statements

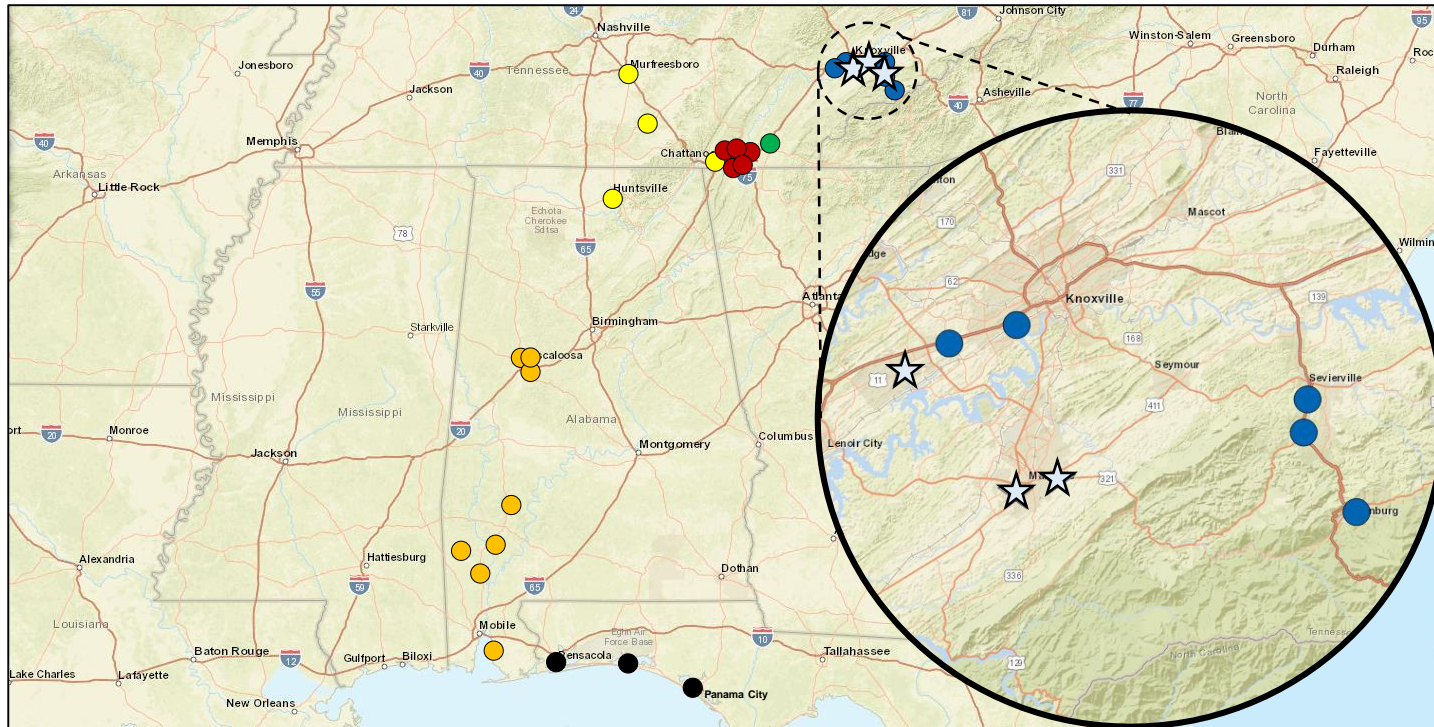
Certain of the statements made in this press release may constitute forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements, including statements regarding the intent, belief, or current expectations of SmartFinancial's management regarding the company's strategic direction, prospects, or future results or the benefits of the proposed transaction, are subject to numerous risks and uncertainties. Such risks and uncertainties include, among others, (1) expected revenue synergies and cost savings from the proposed transaction or the recently completed mergers with Tennessee Bancshares, Inc. (the "Tennessee Bancshares merger") and Capstone Bancshares, Inc. (the "Capstone merger") may not be fully realized or may take longer than anticipated to be realized, (2) disruption from the proposed transaction, the Tennessee Bancshares merger, or the Capstone 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 agreement and plan of merger, (4) the risk of successful integration of the two organizations' businesses, (5) the failure of Foothills Bancorp's shareholders to approve the agreement and plan of merger, (6) the amount of costs, fees, expenses, and charges related to the proposed transaction; (7) risks of expansion into new geographic or product markets, like the proposed expansion into the Nashville, TN MSA associated with the Tennessee Bancshares merger, (8) the ability to obtain required governmental and regulatory approvals for the proposed transaction, (9) reputational risk and the reaction of the parties' customers to the proposed transaction, (10) the failure of the conditions to closing of the proposed transaction to be satisfied, (11) the possibility that the proposed transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events, (12) the dilution caused by SmartFinancial's issuance of additional shares of its common stock in the proposed transaction, (13) changes in management's plans for the future, (14) prevailing economic and political conditions, particularly in our market areas, (15) credit risk associated with our lending activities, (16) changes in interest rates, loan demand, real estate values, and competition, (17) changes in accounting principles, policies, or guidelines, (18) changes in applicable laws, rules, or regulations, and (19) 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](http://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. The non-GAAP financial measures used in this presentation include: (i) tangible common equity, (ii) tangible book value per share, (iii) net interest margin, taxable equivalent, and (iv) efficiency ratio. 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 margin, taxable equivalent and the efficiency ratio include the tax equivalent adjustments on tax-exempt income. 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.

# The SmartFinancial Story

- ▲ SmartBank was founded in 2007 as a de novo bank in East Tennessee and has grown to an approximate \$2.2 billion-asset franchise through prudent organic growth and a thoughtful series of mergers (*pro forma for pending and recently completed transactions*)
- ▲ The core franchise in East Tennessee has been expanded into additional attractive markets in Alabama, Florida, and the Nashville MSA
- ▲ The corporate headquarters for holding company **SmartFinancial, Inc.** is based in Knoxville, TN
- ▲ The company's stock is traded on the Nasdaq Capital Market under the symbol "**SMBK**" and is included in several indexes, including the Russell 2000



- SmartBank (legacy)
- GulfSouth Private Bank
- Cornerstone Community Bank
- Cleveland, TN Branch
- Capstone Bank
- Southern Community Bank
- ☆ Foothills Bank & Trust  
(Today's Announcement)

# 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 this announced 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 Assumed <sup>1</sup> (\$000)	Total Assets Acquired <sup>2</sup> (\$000)
GulfSouth Private Bank	FDIC - Assisted Transaction	10/19/12	Panhandle Florida	3	111,911	159,106
Cornerstone Community Bank	Reverse Merger of Equals	08/31/15	Chattanooga MSA	5	287,609	435,539
Cleveland, TN Branch	Branch	05/19/17	Cleveland, TN	1	21,900	24,400
Capstone Bank	Whole Bank	11/01/17	Alabama	8	379,911	510,650
Southern Community Bank	Whole Bank	05/01/18	Middle TN/Huntsville, AL	4	203,029	237,031
Foothills Bank & Trust	Whole Bank	-	Maryville/Knoxville, TN	3	185,273	214,576
<b>Acquired Franchise</b>				<b>24</b>	<b>1,189,633</b>	<b>1,581,302</b>
<b>Pro Forma SMBK Franchise<sup>3</sup></b>				<b>29</b>	<b>1,649,651</b>	<b>2,212,032</b>

<sup>1</sup> Core deposits are defined as Total Deposits less Brokered Deposits and Listing Service Deposits, as reported just prior to merger completion

<sup>2</sup> Total Assets Acquired are as of quarter prior to merger completion as recorded by S&P Global Market Intelligence, except Foothills Bank & Trust (1Q18)

<sup>3</sup> Pro Forma SMBK Franchise reflects reported 1Q2018 Core Deposits, adjusted to include Southern Community Bank and 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 5 quarters

Target	Announcement	TBV Earnback <sup>1</sup>	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 <sup>2</sup>	June 2018	~ 2.7 years	8%	168%	>ALLL

<sup>1</sup> Earnback periods and EPS accretion for previous deals were projected prior to federal tax reform and should be more favorable to shareholders under the lower corporate tax rate

<sup>2</sup> Pricing based on 20-day closing average in SMBK stock prior to announcement



**SmartFinancial, Inc.**

**Transaction Overview**

# Foothills Overview



Company Name Foothills Bancorp, Inc.  
 Headquarters Maryville, TN  
 CEO Mark Loudermilk

## Dollars in Thousands (Consolidated as of 03/31/18)

Total Assets	214,576
Net Loans	153,034
Total Deposits	191,787
Tangible Common Equity	21,288
Net Income, 2017	1,497
Net Income, 2018 <sup>1</sup>	2,472

## Percentages (Bank Level, 1Q18 Annualized)

ROAA	1.16
ROAE	11.96
Net Interest Margin	3.76
Efficiency Ratio	59.03
NPAs/Assets	0.00
Leverage Ratio	10.03
Total Capital Ratio	15.18
Noninterest Bearing Deposits/ Deposits	16.44

<sup>1</sup> 1Q18 figures on an annualized basis

## Knox – Blount – Sevier: Deposit Market Share

Rank	Institution	Market Share (%)	Deposits in Market (\$mm)	Number of Branches
1	First Horizon National Corp.	19.10	2,989	33
2	SunTrust Banks Inc.	15.22	2,382	19
3	Regions Financial Corp.	10.76	1,684	22
4	Home Federal Bank of Tennessee	10.73	1,680	22
5	BB&T Corp.	6.26	981	15
6	Pinnacle Financial Partners Inc.	5.37	841	6
	<b>Pro Forma</b>	<b>4.94</b>	<b>774</b>	<b>8</b>
7	CNB Bancshares Inc.	4.73	741	16
<b>8</b>	<b>SmartFinancial Inc.</b>	<b>3.77</b>	<b>590</b>	<b>5</b>
9	Tennessee State Bancshares Inc.	3.43	537	14
10	FB Financial Corp.	2.64	414	4
11	Mountain Commerce Bancorp Inc.	2.50	392	2
12	Educational Services of America Inc.	2.48	387	3
13	Bank of America Corp.	2.15	336	3
14	Sevier County Bancshares Inc.	1.92	300	6
15	Twin Cities Financial Services Inc.	1.87	292	8
<b>16</b>	<b>Foothills Bancorp Inc.</b>	<b>1.17</b>	<b>184</b>	<b>3</b>
	<b>Total For Insitutions In Market</b>	<b>100.00</b>	<b>15,653</b>	<b>237</b>

## Foothills Company Details

- ▲ Founded in 2007
- ▲ Strong asset quality and profitability
- ▲ Three branches in Knox and Blount counties
- ▲ Top 4 deposit market share among locally based banks in the Knoxville MSA



**SmartFinancial, Inc.**

Source: S&P Global Market Intelligence

Note: Deposits for market share analysis are as of 06/30/17 FDIC deposit survey, adjusted for acquisitions



# Transaction Rationale

## Strategic

- ✓ Attractive financial transaction with strong geographic fit
- ✓ Good mix of synergistic opportunities and core market growth
- ✓ Meaningfully additive to SmartFinancial's 1%+ core ROAA run rate target

## Markets & Growth

- ✓ Strengthens Tennessee footprint
- ✓ Improves market share position in the greater Knoxville region
- ✓ Adds scale in attractive home market

## Financially Attractive

- ✓ 6.5% and 8.0% projected EPS accretion in 2019<sup>(1)</sup> and 2020<sup>(2)</sup>, respectively
- ✓ Less than 3 years to earn back initial TBVPS dilution (crossover method)
- ✓ Cash IRR > 20%

## Low Risk

- ✓ Conservative credit culture and credit marks
- ✓ In-market transaction
- ✓ Straightforward integration

<sup>(1)</sup> Based off mean consensus estimate from S&P Global Market Intelligence as of 06/27/18

<sup>(2)</sup> First full year of cost saves

Sources: Definitive Agreement, Company Documents



# Transaction Terms

Consideration Form	90% Stock / 10% Cash (each shareholder receives stock and cash)
Per Share Consideration	0.666 SMBK share and \$1.75 in cash per Foothills share
Implied Common Price per Share <sup>1</sup>	\$18.69
Announced Transaction Value <sup>1</sup>	\$36.2 million
Management Retention	Key production personnel retained
Termination Fee	\$1.45 million
Required Approvals	Foothills shareholder and customary regulatory approvals
Expected Closing	4 <sup>th</sup> Quarter 2018
Estimated Transaction Multiples <sup>2</sup>	Price/LTM EPS: 21.7x Price/ 1Q18 EPS (Annualized): 14.9x Price/ TBVPS: 167.8% TBVPS Dilution Earn Back: ~2.7 Years (crossover method)

<sup>(1)</sup> Based on SMBK's 20-day average closing price of \$25.44 as of 06/27/18

<sup>(2)</sup> Based on Foothills Bancorp, Inc. unaudited financials as of 03/31/18

Sources: Definitive Agreement, Company Documents



# Key Transaction Assumptions

## Expected Cost Savings

- Cost savings target = 34% of seller's annual non-interest expense base
  - 75% realized in 2019
  - 100% realized thereafter

## Merger & Integration Costs

- Approximately \$3.3 million in combined pre-tax merger expenses

## Purchase Accounting & Other Adjustments

- Total loan fair value mark of \$3.95 million
  - Equals 2.5% on total loans
- Core Deposit Intangible = 1.6% of non-time deposits, S/L over 15 years

## Treatment of Options

- 394,500 options cashed out for approximately \$2.96 million
  - Strike price of \$10.00 per share and \$17.50 cash value

# Knoxville, TN CSA

Knoxville has a strong business community, a diverse industrial base, and the steady influence of a major university

## Knoxville is a Desired Location for Business

- ▲ #5 “Best Place for Business and Careers” according to *Forbes*
- ▲ #9 “Hottest American City for Business Relocation and Expansion” according to *Expansion Management*
- ▲ Top 10 “America’s Best Cities For Global Trade” according to *Global Trade*
- ▲ 20+ foreign countries have divisions or subsidiaries in the market

## The University of Tennessee Drives Culture And Innovation

- ▲ One of the meccas of college football, drawing hundreds of thousands of fans to Neyland Stadium on fall weekends
- ▲ A student population of 28,000 and an annual \$1.6B economic impact
- ▲ Large medical campus is one of four in the state system that produces many of Tennessee’s doctors, dentists and nurses
- ▲ Tennessee is the #2 state for medical equipment and supplies exports (\$3.4B in 2017)

## Major Employers



## Selected Data: Knoxville, TN CSA

<b>Total Population:</b> <i>(2018 Estimate)</i>	1,128,800
<b>Projected 5-Year Population Growth:</b> <i>(2023 Projection)</i>	3.64%
<b>Median HH Income:</b> <i>(2018 Estimate)</i>	\$50,718
<b>Projected %-year HHI Growth:</b> <i>(2023 Projection)</i>	\$55,874
<b>Total Market Deposits:</b> <i>(2017 FDIC deposit survey)</i>	\$20.8B

Sources: Knox County Chamber of Commerce, UT Medical, Claritas, S&P Global Market Intelligence

Market is officially called the Knoxville-Morristown-Sevierville Combined Statistical Area (CSA)

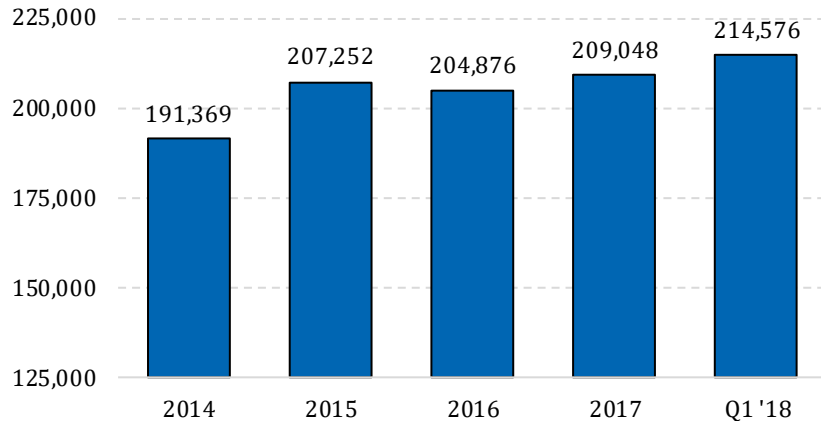


**SmartFinancial, Inc.**

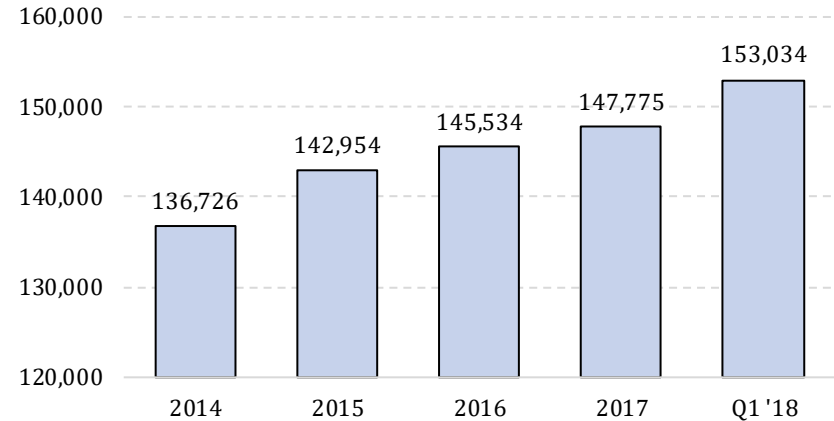
**Foothills Bank & Trust  
Financial Highlights**

# Balance Sheet Metrics

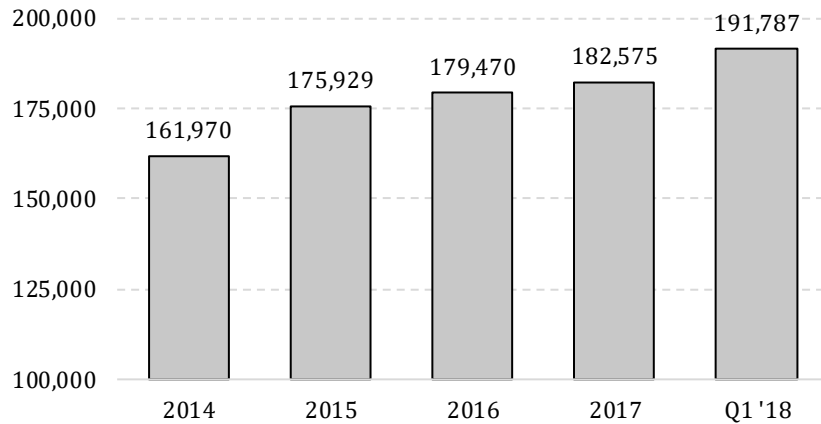
Total Assets (\$000)



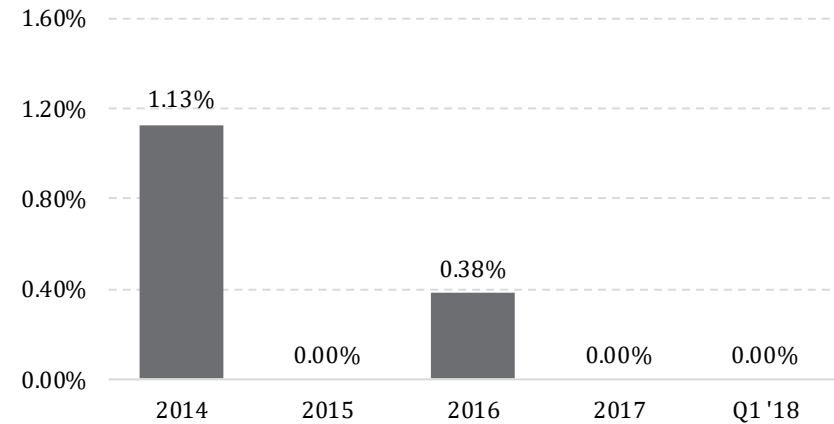
Total Loans and Leases (\$000)



Total Deposits (\$000)



NPAs / Assets



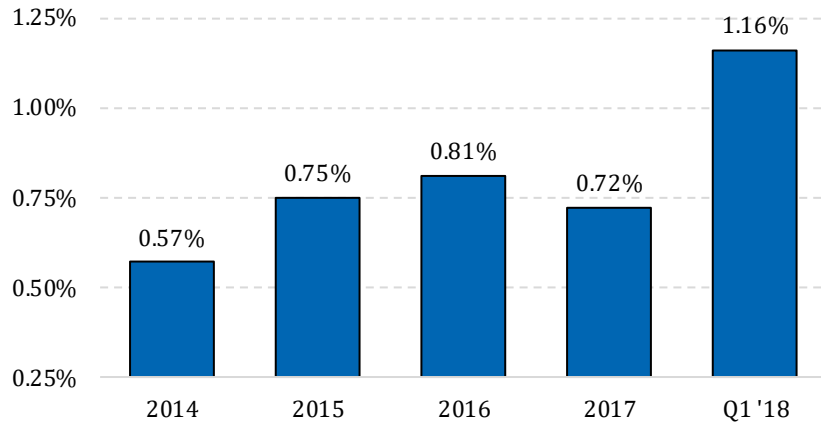
Source: S&P Global Market Intelligence

Note: Data is bank level for Foothills Bank & Trust

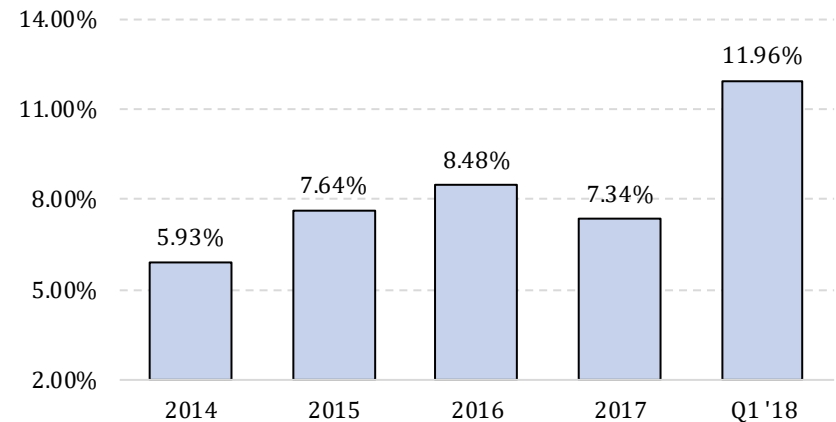


# Performance Ratios

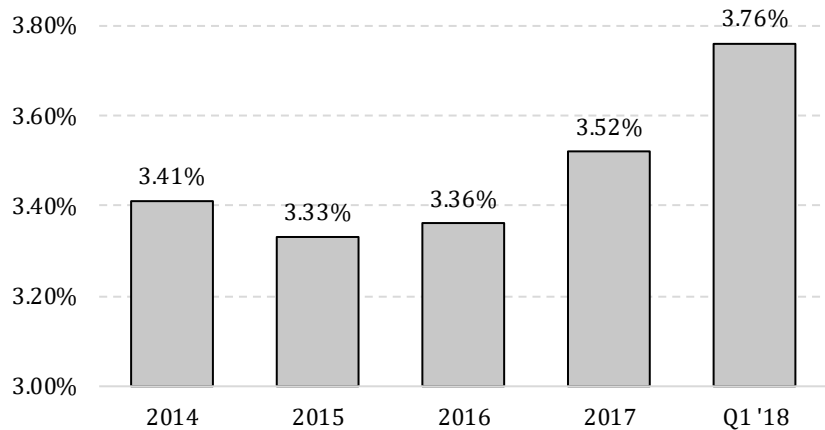
## Return on Average Assets



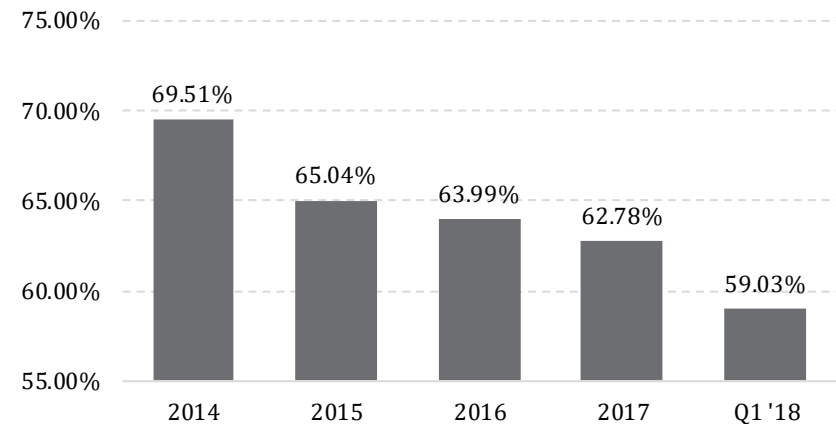
## Return on Average Equity



## Net Interest Margin



## Efficiency Ratio



Source: S&P Global Market Intelligence  
 Note: Data is bank level for Foothills Bank & Trust

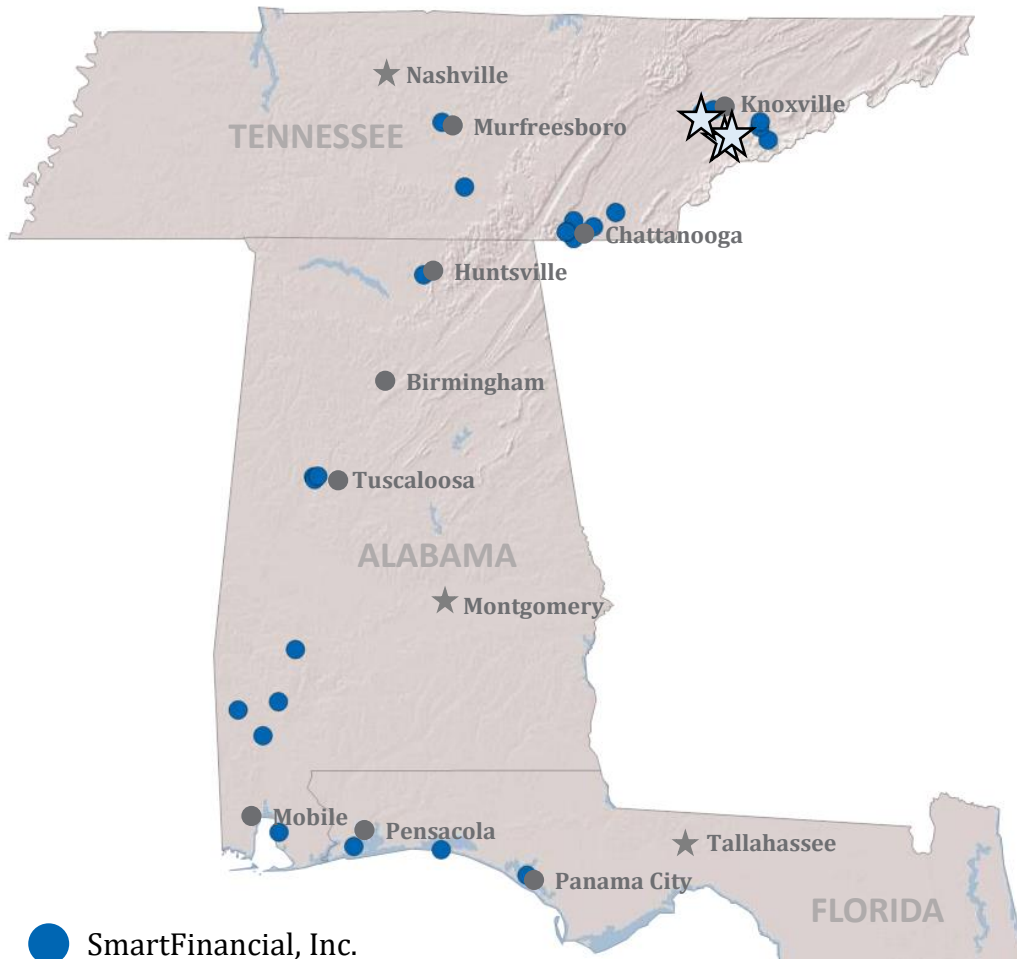




**SmartFinancial, Inc.**

**Pro Forma Company**

# Pro Forma Footprint and Highlights



● SmartFinancial, Inc.  
 ☆ Foothills Bancorp, Inc.

## Pro Forma Highlights

Assets (\$mm)	2,212
Loans (\$mm)	1,719
Deposits (\$mm)	1,902
TCE Ratio (%)	9.0%
Branches	29
Loans/Deposits	90%

*Pro Forma as of 03/31/18, inclusive of Tennessee Bancshares merger*

## Combined TN Counties of Operation: Deposit Market Share

Rank	Institution	Market Share (%)	Deposits in Market (\$mm)	Number of Branches
1	First Horizon National Corp.	20.71	6,279	64
2	SunTrust Banks, Inc.	15.30	4,638	47
3	Regions Financial Corp.	11.92	3,612	53
4	Pinnacle Financial Partners, Inc.	8.31	2,520	18
5	Home Federal Bank of Tennessee	5.54	1,680	22
	<b>Pro Forma</b>	<b>4.29</b>	<b>1,301</b>	<b>17</b>
6	Branch Banking and Trust Co.	4.17	1,165	25
7	Bank of America Corp.	3.84	1,117	12
<b>8</b>	<b>SmartFinancial, Inc.</b>	<b>3.68</b>	<b>1,117</b>	<b>14</b>
9	FB Financial Corp.	3.05	741	13
10	Citizens Holding Co.	2.44	569	16
<b>23</b>	<b>Foothills Bancorp, Inc.</b>	<b>0.61</b>	<b>184</b>	<b>3</b>
	<b>Total For Insitutions In Market</b>	<b>100.00</b>	<b>30,313</b>	<b>465</b>

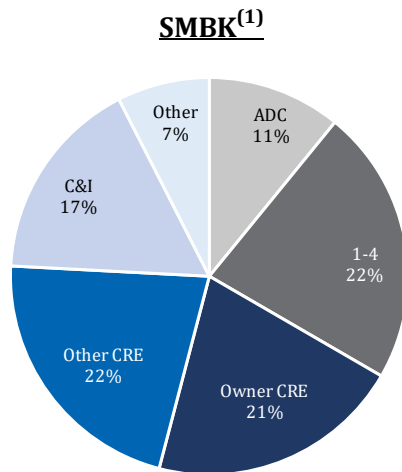
Source: S&P Global Market Intelligence

Note: Deposits for market share analysis are as of 06/30/17 FDIC deposit survey, adjusted for acquisitions

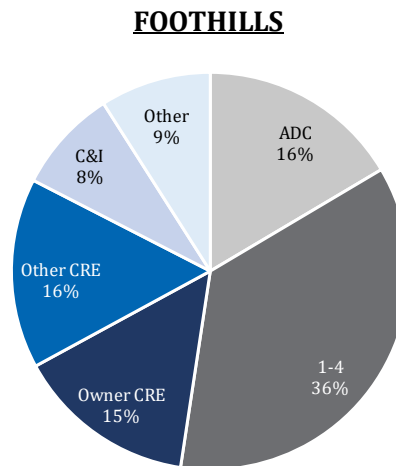
# Pro Forma Loan Composition

<i>Dollars in Thousands (Bank Level)</i>	<b>SMBK<sup>(1)</sup></b>		<b>FOOTHILLS</b>		<b>Combined</b>	
ADC	170,479	10.9%	25,207	16.5%	195,686	11.4%
1-4 Family	352,123	22.5%	54,975	35.9%	407,098	23.7%
Owner-Occupied CRE	324,237	20.7%	22,454	14.7%	346,691	20.2%
Other CRE	340,808	21.8%	23,690	15.5%	364,498	21.2%
Commercial & Industrial	260,894	16.7%	12,900	8.4%	273,794	15.9%
Other	117,692	7.5%	13,808	9.0%	131,500	7.6%
<b>Total Loans</b>	<b>1,566,233</b>	<b>100.0%</b>	<b>153,034</b>	<b>100.0%</b>	<b>1,719,267</b>	<b>100.0%</b>

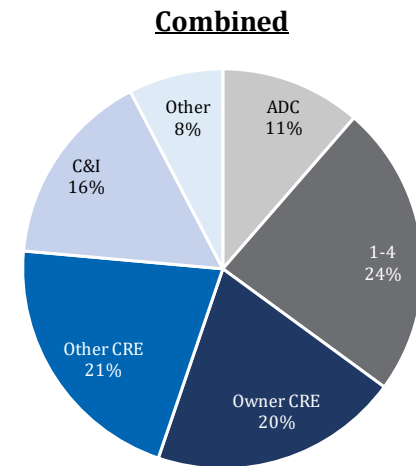
Data is as of most recent reported quarter



**Avg. Yield on Loans:**  
5.39%



**Avg. Yield on Loans:**  
5.26%



**Avg. Yield on Loans:**  
5.38%

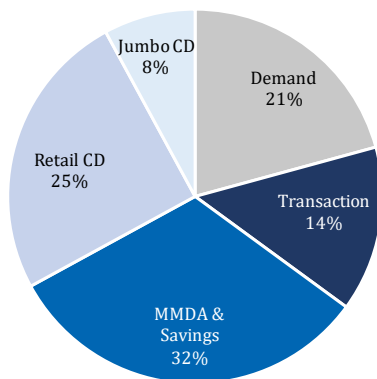
<sup>(1)</sup> Pro forma for 05/01/18 acquisition of Tennessee Bancshares, Inc.  
Source: S&P Global Market Intelligence

# Pro Forma Deposit Composition

<i>Dollars in Thousands (Bank Level)</i>	SMBK <sup>(1)</sup>		FOOTHILLS		Combined	
■ Demand Deposits	355,045	20.8%	31,535	16.4%	386,580	20.3%
■ NOW and Other Transaction	244,533	14.3%	21,613	11.3%	266,146	14.0%
■ MMDA & Savings	547,274	32.0%	96,824	50.5%	644,098	33.9%
■ Retail CDs	428,143	25.0%	35,940	18.7%	464,083	24.4%
■ Jumbo CDs	135,541	7.9%	5,875	3.1%	141,416	7.4%
<b>Total Deposits</b>	<b>1,710,537</b>	<b>100.0%</b>	<b>191,787</b>	<b>100.0%</b>	<b>1,902,324</b>	<b>100.0%</b>

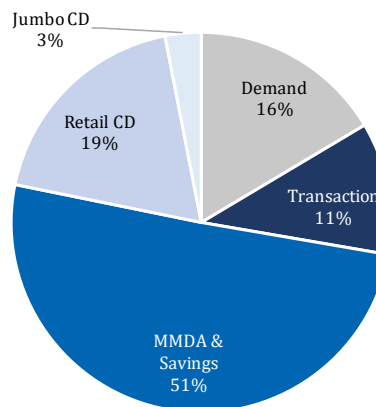
Data is as of most recent reported quarter

**SMBK<sup>(1)</sup>**



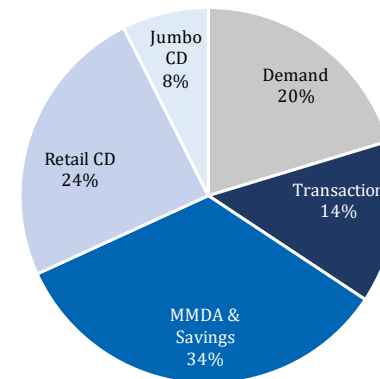
**Avg. Cost of Deposits:**  
0.67%

**FOOTHILLS**



**Avg. Cost of Deposits:**  
0.56%

**Combined**



**Avg. Cost of Deposits:**  
0.66%

<sup>(1)</sup> Pro forma for 05/01/18 acquisition of Tennessee Bancshares, Inc.  
Source: S&P Global Market Intelligence

# Investor Contacts



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