



3Q 2020

### SmartFinancial Announces Results for the Third Quarter 2020

KNOXVILLE, TN – October 20, 2020 - SmartFinancial, Inc. ("SmartFinancial" or the "Company"; NASDAQ: SMBK), today announced net income of \$6.4 million, or \$0.42 per diluted common share, for the third quarter of 2020, compared to net income of \$6.2 million, or \$0.41 per diluted common share for the second quarter of 2020. Operating earnings (Non-GAAP), which excludes securities gains, merger related and restructuring expenses and non-operating items, totaled \$6.6 million, or \$0.44 per diluted common share, in the third quarter of 2020, compared to \$7.3 million, or \$0.48 per diluted common share, in the second quarter of 2020.

#### Highlights for the Third Quarter of 2020

- **Net income of \$6.4 million and operating earnings of \$6.6 million (Non-GAAP)**
- **Tangible book value per share (Non-GAAP) of \$17.27, a 5.5% year-over-year increase**
- **Deposits increased by \$604.8 million or 29.5% from December 31, 2019**
- **COVID loan modifications declined 62.1% from prior quarter**
- **Total nonperforming assets to total assets improved to 0.18% for the quarter, as compared to 0.28% in the prior quarter**

Billy Carroll, President & CEO, stated: "We are extremely pleased with our results on another very solid quarter. Our credit metrics continue to be outstanding and our projections on loan modifications have been right on target and reducing as we have planned. This tremendous asset quality, coupled with the work we are doing on growth in our noninterest income and improvement in efficiency give us reason to feel very good regarding the outlook for our company."

SmartFinancial's Chairman, Miller Welborn, concluded: "The quarter was, once again, strong and right on plan for SmartFinancial. Our Board is extremely happy with the continued progress and improvements that we are making every day. 2020 has certainly been a challenge, but our team has executed superbly."

#### Net Interest Income and Net Interest Margin

Net interest income increased \$297 thousand to \$26.0 million for the third quarter of 2020, compared to \$25.7 million for the second quarter of 2020, due to a higher balance of interest-earning assets at lower yields supplemented by increased balances of interest-bearing liabilities at lower costs. Average earning assets totaled \$3.1 billion, an increase of \$205.8 million, which reflects a \$51.1 million increase in average loans, a \$12.4 million increase in average securities and a \$141.1 million increase in average other earning assets. Average interest-bearing liabilities increased by \$137.0 million to \$2.3 billion, driven by an increase of \$54.9 million in average interest-bearing deposits and an increase of \$82.1 million in average borrowings.

The tax equivalent net interest margin was 3.39% for the third quarter of 2020, compared to 3.63% for the second quarter of 2020. The tax equivalent net interest margin was impacted by a 34 basis point decline in the average yield on interest-earning assets offset by a 12 basis point decline in the rate on interest-bearing liabilities over the last quarter. The excess liquidity realized during the third quarter, which is reflected in the increases in the average balance of Federal funds sold and other earning assets, had a negative impact on the tax equivalent net interest margin of 15 bps. The tax equivalent net interest margin, less discount accretion was 3.26% for the third quarter of 2020, a decrease from 3.50% for the second quarter of 2020.

The tax equivalent average yield on interest-earning assets was 3.88% for the third quarter of 2020, a decrease from 4.22% for the second quarter of 2020. The yield on average loans was 4.71% for the third quarter of 2020, compared to 4.87% for the second quarter of 2020. Included in the yield on average loans for the third quarter of 2020 was \$1.8 million of the Payroll Protection Program ("PPP") fee accretion and \$960 thousand of discount accretion on acquired loans, compared to \$1.9 million of PPP fee accretion and \$888 thousand of discount accretion recognized in the second quarter of 2020.

The yield on interest-bearing liabilities decreased to 0.65% for the third quarter of 2020 when compared to 0.77% for the second quarter of 2020. The cost of average interest-bearing deposits was 0.59% for the third quarter of 2020 compared to 0.71% for the second quarter of 2020, a decrease of 12 basis points. The lower cost of average deposits was attributable to the maturing and repricing of time deposits, with average costs decreasing 20 basis points. The cost of total deposits for the third quarter of 2020 was 0.44%.

The following table presents selected interest rates and yields for the periods indicated:

| Selected Interest Rates and Yields   | Three Months Ended |             | Increase<br>(Decrease) |
|--------------------------------------|--------------------|-------------|------------------------|
|                                      | Sep<br>2020        | Jun<br>2020 |                        |
| Yield on loans                       | 4.71 %             | 4.87 %      | (0.17)%                |
| Yield on earning assets, FTE         | 3.88 %             | 4.22 %      | (0.34)%                |
| Cost of interest-bearing deposits    | 0.59 %             | 0.71 %      | (0.12)%                |
| Cost of total deposits               | 0.44 %             | 0.54 %      | (0.10)%                |
| Cost of interest-bearing liabilities | 0.65 %             | 0.77 %      | (0.12)%                |
| Net interest margin, FTE             | 3.39 %             | 3.63 %      | (0.24)%                |

### Provision for Loan Loss and Credit Quality

Provision for loan losses was \$2.6 million in the third quarter of 2020, compared to \$2.9 million in the second quarter of 2020. At September 30, 2020, the allowance for loan losses was \$18.8 million. The allowance for loan losses to total loans was 0.78% as of September 30, 2020, compared to 0.67% as of June 30, 2020. For the Company's originated loans, the allowance for loan losses to originated loans, less PPP loans, was 1.00% as of September 30, 2020, compared to 0.89% as of June 30, 2020. The remaining discounts on the acquired loan portfolio totaled \$15.1 million, or 3.53% of acquired loans as of September 30, 2020. The increase in the allowance for loan losses for the third quarter is primarily attributable to the ongoing economic uncertainties related to the COVID-19 pandemic. Also, during the quarter, the Company refined the qualitative factors of the allowance for loan loss calculation to include additional granularity related to the hospitality and restaurant industries which are most impacted by the pandemic within our footprint at this time.

As of June 30, 2020, the Company had modified loans totaling \$615.7 million, or 25.6%, of the loan portfolio. As of September 30, 2020, \$383.2 million of those modifications had resumed their normal payment schedule leaving \$232.5 million, or 9.7%, still under modification plans.

The following table presents detailed information related to the provision for loan losses for the periods indicated (*dollars in thousands*):

| Provision for Loan Losses Rollforward           | Three Months Ended |             | Change   |
|---|--------------------|-------------|----------|
|   | Sep<br>2020        | Jun<br>2020 |          |
| Beginning balance                               | \$ 16,254          | \$ 13,431   | \$ 2,823 |
| Charge-offs                                     | (174)              | (75)        | (99)     |
| Recoveries                                      | 103                | 48          | 55       |
| Net charge-offs                                 | (71)               | (27)        | (44)     |
| Provision                                       | 2,634              | 2,850       | (216)    |
| Ending balance                                  | \$ 18,817          | \$ 16,254   | \$ 2,563 |
| Allowance for loan losses to total loans, gross | 0.78 %             | 0.67 %      | 0.11 %   |

The Company is not required to implement the provisions of the CECL accounting standard until January 1, 2023 and is continuing to account for the allowance for loan losses under the incurred loss model.

Nonperforming loans as a percentage of total loans was 0.09% as of September 30, 2020, a decrease of seven basis points from the 0.16% reported in the second quarter of 2020. Total nonperforming assets (which include nonaccrual loans, loans past due 90 days or more and still accruing, and other real estate owned) as a percentage of total assets was 0.18% as of September 30, 2020, as compared to 0.28% as of June 30, 2020.

The following table presents detailed information related to credit quality for the periods indicated (*dollars in thousands*):

| Credit Quality                                    | Three Months Ended |             | Increase<br>(Decrease) |
|---|--------------------|-------------|------------------------|
|   | Sep<br>2020        | Jun<br>2020 |                        |
| Nonaccrual loans                                  | \$ 2,248           | \$ 2,899    | \$ (651)               |
| Loans past due 90 days or more and still accruing | -                  | 877         | (877)                  |
| Total nonperforming loans                         | 2,248              | 3,776       | (1,528)                |
| Other real estate owned                           | 3,932              | 5,524       | (1,592)                |
| Total nonperforming assets                        | \$ 6,180           | \$ 9,300    | \$ (3,120)             |
| Nonperforming loans to total loans, gross         | 0.09 %             | 0.16 %      | (0.07)%                |
| Nonperforming assets to total assets              | 0.18 %             | 0.28 %      | (0.10)%                |

### Noninterest Income

Noninterest income increased \$610 thousand to \$4.1 million for the third quarter of 2020 compared to \$3.5 million for the second quarter of 2020. During the third quarter of 2020, the primary components of the changes in noninterest income were as follows:

- Increase in service charges on deposit accounts of \$183 thousand, primarily related to increased volume;
- Increase in mortgage banking income of \$98 thousand, continued to experience high volume during the quarter; and
- Increase in interchange and debit card transaction fees of \$360 thousand, includes a \$130 thousand one-time credit from vendor.

The following table presents detailed information related to noninterest income for the periods indicated (*dollars in thousands*):

| Noninterest Income                          | Three Months Ended |             | Increase<br>(Decrease) |
|---|--------------------|-------------|------------------------|
|   | Sep<br>2020        | Jun<br>2020 |                        |
| Service charges on deposit accounts         | \$ 892             | \$ 709      | \$ 183                 |
| Gain (loss) on sale of securities, net      | (9)                | 16          | (25)                   |
| Mortgage banking income                     | 1,029              | 931         | 98                     |
| Investment services                         | 359                | 363         | (4)                    |
| Insurance commissions                       | 560                | 473         | 87                     |
| Interchange and debit card transaction fees | 868                | 508         | 360                    |
| Other                                       | 422                | 511         | (89)                   |
| Total noninterest income                    | \$ 4,121           | \$ 3,511    | \$ 610                 |

### Noninterest Expense

Noninterest expense was \$19.2 million for the third quarter of 2020 compared to \$18.8 million for the second quarter of 2020. During the third quarter of 2020, the primary components of the changes in noninterest expense were as follows:

- Salaries and employee benefits increased \$675 thousand, increase is primarily attributable to the deferred salary cost in the second quarter related to the origination of PPP loans;
- FDIC insurance increased \$354 thousand related to increase in assets due to overall asset growth stemming from our recent acquisition, deposit growth and production of PPP loans;
- Other real estate and loan related expenses increased \$297 thousand, primarily attributable to increased activity in loan related production and a \$90 thousand evaluation adjustment on other real estate owned;
- Professional services decreased \$274 thousand, due to a lower volume of expenses;
- Decrease of \$1.2 million in merger related and restructuring expenses; and
- Other noninterest expenses increased \$282 thousand, due to overall franchise growth.

The following table presents detailed information related to noninterest expense for the periods indicated (*dollars in thousands*):

|   | <b>Three Months Ended</b> |                  | Increase<br>(Decrease) |
|---|---------------------------|------------------|------------------------|
|   | Sep<br>2020               | Jun<br>2020      |                        |
| <b>Noninterest Expense</b>                  |                           |                  |                        |
| Salaries and employee benefits              | \$ 11,032                 | \$ 10,357        | \$ 675                 |
| Occupancy and equipment                     | 2,186                     | 1,996            | 190                    |
| FDIC insurance                              | 534                       | 180              | 354                    |
| Other real estate and loan related expenses | 643                       | 346              | 297                    |
| Advertising and marketing                   | 253                       | 202              | 51                     |
| Data processing                             | 558                       | 594              | (36)                   |
| Professional services                       | 594                       | 868              | (274)                  |
| Amortization of intangibles                 | 402                       | 405              | (3)                    |
| Software as service contracts               | 573                       | 561              | 12                     |
| Merger related and restructuring expenses   | 290                       | 1,477            | (1,187)                |
| Other                                       | 2,102                     | 1,820            | 282                    |
| Total noninterest income                    | <u>\$ 19,167</u>          | <u>\$ 18,806</u> | <u>\$ 361</u>          |

### Income Tax Expense

Income tax expense was \$2.0 million for the third quarter of 2020, an increase of \$541 thousand, compared to \$1.4 million for the second quarter of 2020.

For the third quarter of 2020, the effective tax rate was 23.5% compared to 18.8% for the second quarter of 2020. The lower effective tax rate during the second quarter of 2020 included an additional tax benefit from the Company's overall reconciliation of the tax rates from operations, and the final effects of the CARES Act legislation.

### Balance Sheet Trends

Total assets at September 30, 2020, were \$3.39 billion compared with \$2.45 billion at December 31, 2019. The increase of \$938.5 million is primarily attributable to assets acquired from the acquisition of Progressive Financial Group ("PFG") of approximately \$308.2 million, increase in cash and cash equivalents of \$301.8 million and the origination of \$300.8 million of PPP loans.

Total liabilities increased to \$3.04 billion at September 30, 2020 from \$2.14 billion at December 31, 2019. The increase of \$901.4 million was primarily from deposit growth of \$332.8 million, acquired deposits from the acquisition of PFG in the amount of \$272.0 million, and an increase in borrowings of \$287.8 million.

Shareholders' equity at September 30, 2020, totaled \$349.8 million, an increase of \$37.0 million, from December 31, 2019. The increase in shareholders' equity was primarily from the issuance of common stock for the acquisition of PFG of \$24.5 million, net income of \$15.3 million for the nine months ended September 30, 2020 and a net change in accumulated other comprehensive income of \$844 thousand, which was offset by the repurchase of the Company's common stock of \$2.1 million and \$2.2 million of dividends paid. Tangible book value per share (Non-GAAP) was \$17.27 at September 30, 2020, an increase from \$16.82 at December 31, 2019. Tangible common equity (Non-GAAP) as a percentage of tangible assets (Non-GAAP) was 7.97% at September 30, 2020, compared with 9.93% at December 31, 2019.

The following table presents selected balance sheet information for the periods indicated (*dollars in thousands*):

| Selected Balance Sheet Information           | Sep<br>2020  | Dec<br>2019  | Increase<br>(Decrease) |
|--|--------------|--------------|------------------------|
|  | Total assets | \$ 3,387,588 | \$ 2,449,123           |
| Total liabilities                            | 3,037,799    | 2,136,376    | 901,423                |
| Total equity                                 | 349,789      | 312,747      | 37,042                 |
| Securities available-for-sale, at fair value | 214,634      | 178,348      | 36,286                 |
| Loans  | 2,404,057    | 1,897,392    | 506,665                |
| Deposits                                     | 2,652,023    | 2,047,214    | 604,809                |
| Borrowings                                   | 319,391      | 31,623       | 287,768                |

## **Conference Call Information**

SmartFinancial issued this earnings release for the third quarter of 2020 on Tuesday, October 20, 2020, and will host a conference call on Wednesday, October 21, 2020, at 10:00 a.m. ET. To access this interactive teleconference, dial (888) 317-6003 or (412) 317-6061 and enter the confirmation number, 9589795. A replay of the conference call will be available through October 21, 2021, by dialing (877) 344-7529 or (412) 317-0088 and entering the confirmation number, 10148910. Conference call materials will be published on the Company's webpage located at <http://www.smartfinancialinc.com/CorporateProfile>, at 9:00 am ET prior to the conference call.

## **About SmartFinancial, Inc.**

SmartFinancial, Inc., based in Knoxville, Tennessee, is the bank holding company for SmartBank. SmartBank is a full-service commercial bank founded in 2007, with 36 branches across East and Middle Tennessee, Alabama, and the Florida Panhandle. Recruiting the best people, delivering exceptional client service, strategic branching, and a disciplined approach to lending have contributed to SmartBank's success. More information about SmartFinancial can be found on its website: [www.smartfinancialinc.com](http://www.smartfinancialinc.com).

## **Source**

SmartFinancial, Inc.

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## **Non-GAAP Financial Measures**

Statements included in this earnings release include measures not recognized under U.S. generally accepted accounting principles ("GAAP") and therefore are considered 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) operating earnings, (ii) operating return on average assets, (iii) operating pre-tax pre-provision return on average assets (iv) operating return on average shareholder' equity, (v) return on average tangible common equity, (vi) operating return on average tangible common equity, (vii) operating efficiency ratio, (viii) operating noninterest income, (ix) operating pre-tax pre-provision income (x) operating noninterest expense, (xi) tangible common equity, (xii) average tangible common equity, (xiii) tangible book value, (xiv) tax equivalent net interest margin, (xv) tax equivalent average yield in earning assets; and ratios derived therefrom, in its analysis of the company's performance. Operating earnings excludes the following from net income: securities gains and losses, expenses related to the termination of an Alabama Department of Economic and Community Affairs ("ADECA") loan program, merger termination fee of \$6.4 million in the second quarter of 2019, merger related and restructuring expenses. Operating return on average assets is the annualized operating earnings divided by average assets. Operating pre-tax pre-provision return on average assets is the annualized operating pre-tax pre-provision income divided by average assets. Operating return on average shareholders' equity is the annualized operating earnings divided by average equity. Return on average tangible common equity is the annualized net income divided by average tangible common equity. Operating return on average tangible common equity is the annualized operating earnings divided by average tangible common equity (Non-GAAP). The operating efficiency ratio includes an adjustment for taxable equivalent yields and excludes securities gains and losses and merger related and restructuring expenses from the efficiency ratio. Operating noninterest income excludes the following from noninterest income: securities gains and losses, expenses related to the termination of the ADECA loan program and the merger termination fee of \$6.4 million in the second quarter of 2019. Operating pre-tax pre-provision income is net interest expense plus operating noninterest income less operating noninterest expense. Operating noninterest expense excludes the following from noninterest expense: prior year adjustments to salaries, merger related and restructuring expenses and certain franchise tax true-up expenses. Tangible common equity and average tangible common equity excludes goodwill and other intangible assets from shareholders' equity and average shareholders' equity, respectively. Tangible book value is tangible common equity divided by common shares outstanding. Tax equivalent net interest margin is the annualized net interest income plus tax equivalent income divided by average interest earning assets. Tax equivalent average yield in earning assets is the annualized interest income plus tax equivalent income divided by average interest earning assets. Management believes that Non-GAAP financial measures provide additional useful information that allows investors to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. Management believes these non-GAAP financial measures also enhance investors' ability to compare period-to-period financial results and allow investors and company management to view our operating results excluding the impact of items that are not reflective of the underlying operating performance. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider SmartFinancial's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP.

## **Forward-Looking Statements**

*This news release may contain statements that are based on management's current estimates or expectations of future events or future results, and that may be deemed to constitute forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements, including statements regarding the potential effects of the COVID-19 pandemic on the Company's business and financial results and conditions, are not historical in nature and can generally be identified by such words as "expect," "anticipate," "intend," "plan," "believe," "seek," "may," "estimate," and similar expressions. All forward-looking statements are subject to risks, uncertainties, and other factors that may cause the actual results of SmartFinancial to differ materially from future results expressed or implied by such forward-looking statements. Such risks, uncertainties, and other factors include, among others, (1) risks associated with our growth strategy, including a failure to implement our growth plans or an inability to manage our growth effectively; (2) claims and litigation arising from our business activities and from the companies we acquire, which may relate to contractual issues, environmental laws, fiduciary responsibility, and other matters; (3) the risk that cost savings and revenue synergies from recently completed acquisitions may not be realized or may take longer than anticipated to realize; (4) disruption from recently completed acquisitions with customer, supplier, employee, or other business relationships; (5) our ability to successfully integrate the businesses acquired as part of previous acquisitions with the business of SmartBank; (6) risks related to the completed acquisition of PFG; (7) the risk that the anticipated benefits from the completed acquisition of PFG may not be realized in the time frame anticipated; (8) changes in management's plans for the future; (9) prevailing, or changes in, economic or political conditions, particularly in our market areas; (10) credit risk associated with our lending activities; (11) changes in interest rates, loan demand, real estate values, or competition; (12) changes in accounting principles, policies, or guidelines; (13) changes in applicable laws, rules, or regulations, including changes to statutes, regulations or regulatory policies or practices as a result of, or in response to COVID-19; (14) adverse results from current or future litigation, regulatory examinations or other legal and/or regulatory actions, including as a result of the Company's participation in and execution of government programs related to the COVID-19 pandemic; (15) the impact of the COVID-19 pandemic on the Company's assets, business, cash flows, financial condition, liquidity, prospects and results of operations; (16) potential increases in the provision for loan losses resulting from the COVID-19 pandemic; and (17) other general competitive, economic, political, and market factors, including those affecting our business, operations, pricing, products, or services. These and other factors that could cause results to differ materially from those described in the forward-looking statements can be found in SmartFinancial's most recent annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, in each case filed with or furnished to the Securities and Exchange Commission (the "SEC") and available on the SEC's website (www.sec.gov). Undue reliance should not be placed on forward-looking statements. SmartFinancial disclaims any obligation to update or revise any forward-looking statements contained in this release, which speak only as of the date hereof, whether as a result of new information, future events, or otherwise.*

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

|   | Ending Balances     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | Sep<br>2020         | Jun<br>2020         | Mar<br>2020         | Dec<br>2019         | Sep<br>2019         |
| <b>Assets:</b>                                |                     |                     |                     |                     |                     |
| Cash and cash equivalents                     | \$ 541,815          | \$ 399,467          | \$ 309,089          | \$ 183,971          | \$ 170,934          |
| Securities available-for-sale, at fair value  | 214,634             | 219,631             | 201,002             | 178,348             | 171,507             |
| Other investments                             | 14,829              | 14,829              | 14,113              | 12,913              | 12,913              |
| Loans held for sale                           | 11,292              | 6,330               | 6,045               | 5,856               | 3,068               |
| Loans   | 2,404,057           | 2,408,284           | 2,139,247           | 1,897,392           | 1,864,679           |
| Less: Allowance for loan losses               | (18,817)            | (16,254)            | (13,431)            | (10,243)            | (9,792)             |
| Loans, net                                    | 2,385,240           | 2,392,030           | 2,125,816           | 1,887,149           | 1,854,887           |
| Premises and equipment, net                   | 73,934              | 73,868              | 73,801              | 59,433              | 58,386              |
| Other real estate owned                       | 3,932               | 5,524               | 5,894               | 1,757               | 1,561               |
| Goodwill and core deposit intangibles, net    | 86,710              | 86,327              | 86,503              | 77,193              | 77,534              |
| Bank owned life insurance                     | 31,034              | 30,853              | 30,671              | 24,949              | 24,796              |
| Other assets                                  | 24,168              | 37,126              | 20,781              | 17,554              | 14,899              |
| Total assets                                  | <u>\$ 3,387,588</u> | <u>\$ 3,265,985</u> | <u>\$ 2,873,715</u> | <u>\$ 2,449,123</u> | <u>\$ 2,390,485</u> |
| <b>Liabilities:</b>                           |                     |                     |                     |                     |                     |
| <b>Deposits:</b>                              |                     |                     |                     |                     |                     |
| Noninterest-bearing demand                    | \$ 669,733          | \$ 645,650          | \$ 431,781          | \$ 364,155          | \$ 365,024          |
| Interest-bearing demand                       | 534,128             | 479,212             | 444,141             | 380,234             | 351,474             |
| Money market and savings                      | 871,098             | 762,246             | 730,392             | 623,284             | 634,934             |
| Time deposits                                 | 577,064             | 652,581             | 735,616             | 679,541             | 646,641             |
| Total deposits                                | 2,652,023           | 2,539,689           | 2,341,930           | 2,047,214           | 1,998,073           |
| Borrowings                                    | 319,391             | 318,855             | 131,603             | 31,623              | 29,828              |
| Subordinated debt                             | 39,325              | 39,304              | 39,283              | 39,261              | 39,240              |
| Other liabilities                             | 27,060              | 24,649              | 24,699              | 18,278              | 17,304              |
| Total liabilities                             | <u>3,037,799</u>    | <u>2,922,497</u>    | <u>2,537,515</u>    | <u>2,136,376</u>    | <u>2,084,445</u>    |
| <b>Shareholders' Equity:</b>                  |                     |                     |                     |                     |                     |
| Common stock                                  | 15,233              | 15,217              | 15,222              | 14,008              | 13,958              |
| Additional paid-in capital                    | 254,626             | 254,396             | 254,356             | 232,732             | 232,573             |
| Retained earnings                             | 78,918              | 73,283              | 67,869              | 65,839              | 59,806              |
| Accumulated other comprehensive income (loss) | 1,012               | 592                 | (1,247)             | 168                 | (297)               |
| Total shareholders' equity                    | <u>349,789</u>      | <u>343,488</u>      | <u>336,200</u>      | <u>312,747</u>      | <u>306,040</u>      |
| Total liabilities & shareholders' equity      | <u>\$ 3,387,588</u> | <u>\$ 3,265,985</u> | <u>\$ 2,873,715</u> | <u>\$ 2,449,123</u> | <u>\$ 2,390,485</u> |



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

|  | Three Months Ended |             |             |             |             | Nine Months Ended |             |
|--|--------------------|-------------|-------------|-------------|-------------|-------------------|-------------|
|  | Sep<br>2020        | Jun<br>2020 | Mar<br>2020 | Dec<br>2019 | Sep<br>2019 | Sep<br>2020       | Sep<br>2019 |
| <b>Interest income:</b>                                    |                    |             |             |             |             |                   |             |
| Loans, including fees                                      | \$ 28,621          | \$ 28,663   | \$ 26,434   | \$ 25,398   | \$ 25,515   | \$ 83,718         | \$ 75,768   |
| Securities available-for-sale:                             |                    |             |             |             |             |                   |             |
| Taxable  | 546                | 589         | 679         | 698         | 748         | 1,813             | 2,591       |
| Tax-exempt   | 364                | 416         | 283         | 345         | 338         | 1,064             | 1,173       |
| Federal funds sold and other earning assets                | 327                | 277         | 602         | 587         | 743         | 1,206             | 2,059       |
| Total interest income                                      | 29,858             | 29,945      | 27,998      | 27,028      | 27,344      | 87,801            | 81,591      |
| <b>Interest expense:</b>                                   |                    |             |             |             |             |                   |             |
| Deposits   | 2,897              | 3,366       | 4,754       | 5,271       | 5,605       | 11,016            | 16,644      |
| Borrowings   | 334                | 249         | 89          | 70          | 15          | 674               | 250         |
| Subordinated debt  | 584                | 584         | 584         | 584         | 584         | 1,751             | 1,757       |
| Total interest expense                                     | 3,815              | 4,199       | 5,427       | 5,924       | 6,204       | 13,441            | 18,651      |
| Net interest income  | 26,043             | 25,746      | 22,571      | 21,104      | 21,140      | 74,360            | 62,940      |
| <b>Provision for loan losses</b>                           | 2,634              | 2,850       | 3,200       | 685         | 724         | 8,683             | 1,914       |
| <b>Net interest income after provision for loan losses</b> | 23,409             | 22,896      | 19,371      | 20,419      | 20,416      | 65,677            | 61,026      |
| <b>Noninterest income:</b>                                 |                    |             |             |             |             |                   |             |
| Service charges on deposit accounts                        | 892                | 709         | 770         | 773         | 767         | 2,370             | 2,129       |
| Gain (loss) on sale of securities, net                     | (9)                | 16          | —           | —           | 1           | 6                 | 34          |
| Mortgage banking   | 1,029              | 931         | 584         | 374         | 518         | 2,544             | 1,192       |
| Investment services  | 359                | 363         | 437         | 261         | 260         | 1,159             | 684         |
| Insurance commissions                                      | 560                | 473         | 269         | —           | —           | 1,302             | —           |
| Interchange and debit card transaction fees                | 868                | 508         | 276         | 163         | 148         | 1,652             | 467         |
| Merger termination fee                                     | —                  | —           | —           | —           | —           | —                 | 6,400       |
| Other  | 422                | 511         | 482         | 1,269       | 502         | 1,417             | 1,405       |
| Total noninterest income                                   | 4,121              | 3,511       | 2,818       | 2,840       | 2,196       | 10,450            | 12,311      |
| <b>Noninterest expense:</b>                                |                    |             |             |             |             |                   |             |
| Salaries and employee benefits                             | 11,032             | 10,357      | 10,006      | 10,278      | 9,072       | 31,395            | 26,357      |
| Occupancy and equipment                                    | 2,186              | 1,996       | 1,911       | 1,749       | 1,635       | 6,093             | 4,967       |
| FDIC insurance   | 534                | 180         | 180         | —           | (219)       | 894               | 140         |
| Other real estate and loan related expense                 | 643                | 346         | 545         | 253         | 335         | 1,535             | 1,067       |
| Advertising and marketing                                  | 253                | 202         | 198         | 166         | 263         | 653               | 817         |
| Data processing  | 558                | 594         | 538         | 530         | 273         | 1,689             | 1,465       |
| Professional services                                      | 594                | 868         | 711         | 652         | 573         | 2,172             | 1,724       |
| Amortization of intangibles                                | 402                | 405         | 362         | 340         | 341         | 1,169             | 1,027       |
| Software as service contracts                              | 573                | 561         | 470         | 500         | 560         | 1,604             | 1,696       |
| Merger related and restructuring expenses                  | 290                | 1,477       | 2,096       | 427         | 73          | 3,863             | 2,792       |
| Other  | 2,102              | 1,820       | 1,776       | 1,157       | 1,802       | 5,699             | 5,045       |
| Total noninterest expense                                  | 19,167             | 18,806      | 18,793      | 16,052      | 14,708      | 56,766            | 47,097      |
| <b>Income before income taxes</b>                          | 8,363              | 7,601       | 3,396       | 7,206       | 7,904       | 19,361            | 26,240      |
| Income tax expense   | 1,968              | 1,427       | 664         | 473         | 1,941       | 4,059             | 6,425       |
| <b>Net income</b>  | \$ 6,395           | \$ 6,174    | \$ 2,732    | \$ 6,733    | \$ 5,963    | \$ 15,302         | \$ 19,815   |
| <b>Earnings per common share:</b>                          |                    |             |             |             |             |                   |             |
| Basic  | \$ 0.42            | \$ 0.41     | \$ 0.19     | \$ 0.48     | \$ 0.43     | \$ 1.03           | \$ 1.42     |
| Diluted  | \$ 0.42            | \$ 0.41     | \$ 0.19     | \$ 0.48     | \$ 0.42     | \$ 1.02           | \$ 1.41     |
| <b>Weighted average common shares outstanding:</b>         |                    |             |             |             |             |                   |             |
| Basic  | 15,160,579         | 15,152,768  | 14,395,103  | 13,965,877  | 13,955,859  | 14,903,757        | 13,949,325  |
| Diluted  | 15,210,611         | 15,202,335  | 14,479,679  | 14,066,269  | 14,053,432  | 14,965,455        | 14,038,414  |

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

|   | <b>Three Months Ended</b> |                       |                             |                     |                       |                             |                     |                       |                             |
|---|---------------------------|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------------|
|   | September 30, 2020        |                       |                             | June 30, 2020       |                       |                             | September 30, 2019  |                       |                             |
|   | Average<br>Balance        | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> | Average<br>Balance  | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> | Average<br>Balance  | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> |
| <b>Assets:</b>  |                           |                       |                             |                     |                       |                             |                     |                       |                             |
| Loans, including fees <sup>2</sup>  | \$ 2,410,173              | \$ 28,508             | 4.71 %                      | \$ 2,359,101        | \$ 28,590             | 4.87 %                      | \$ 1,842,007        | \$ 25,471             | 5.49 %                      |
| Loans held for sale   | 8,048                     | 113                   | 5.57 %                      | 6,868               | 73                    | 4.28 %                      | 4,189               | 44                    | 4.17 %                      |
| Taxable securities  | 132,642                   | 546                   | 1.64 %                      | 122,135             | 589                   | 1.94 %                      | 118,955             | 748                   | 2.49 %                      |
| Tax-exempt securities   | 88,129                    | 515                   | 2.32 %                      | 86,227              | 570                   | 2.66 %                      | 56,598              | 448                   | 3.14 %                      |
| Federal funds sold and other earning assets   | 438,785                   | 327                   | 0.30 %                      | 297,696             | 277                   | 0.37 %                      | 135,444             | 743                   | 2.18 %                      |
| Total interest-earning assets   | <u>3,077,777</u>          | <u>30,009</u>         | 3.88 %                      | <u>2,872,027</u>    | <u>30,099</u>         | 4.22 %                      | <u>2,157,193</u>    | <u>27,454</u>         | 5.05 %                      |
| Noninterest-earning assets  | 262,764                   |                       |                             | 260,089             |                       |                             | 191,940             |                       |                             |
| Total assets  | <u>\$ 3,340,541</u>       |                       |                             | <u>\$ 3,132,116</u> |                       |                             | <u>\$ 2,349,133</u> |                       |                             |
| <b>Liabilities and Stockholders' Equity:</b>  |                           |                       |                             |                     |                       |                             |                     |                       |                             |
| Interest-bearing demand deposits  | \$ 509,999                | 199                   | 0.16 %                      | \$ 453,795          | 148                   | 0.13 %                      | \$ 343,827          | 511                   | 0.59 %                      |
| Money market and savings deposits   | 833,022                   | 704                   | 0.34 %                      | 748,673             | 614                   | 0.33 %                      | 637,290             | 1,829                 | 1.14 %                      |
| Time deposits   | 615,714                   | 1,994                 | 1.29 %                      | 701,390             | 2,604                 | 1.49 %                      | 640,679             | 3,265                 | 2.02 %                      |
| Total interest-bearing deposits   | <u>1,958,735</u>          | <u>2,897</u>          | 0.59 %                      | <u>1,903,858</u>    | <u>3,366</u>          | 0.71 %                      | <u>1,621,796</u>    | <u>5,605</u>          | 1.37 %                      |
| Borrowings <sup>3</sup>   | 319,265                   | 334                   | 0.42 %                      | 237,143             | 249                   | 0.42 %                      | 13,310              | 15                    | 0.45 %                      |
| Subordinated debt   | 39,311                    | 584                   | 5.91 %                      | 39,290              | 584                   | 5.98 %                      | 39,226              | 584                   | 5.91 %                      |
| Total interest-bearing liabilities  | <u>2,317,311</u>          | <u>3,815</u>          | 0.65 %                      | <u>2,180,291</u>    | <u>4,199</u>          | 0.77 %                      | <u>1,674,332</u>    | <u>6,204</u>          | 1.47 %                      |
| Noninterest-bearing deposits  | 649,489                   |                       |                             | 587,322             |                       |                             | 353,315             |                       |                             |
| Other liabilities   | 25,834                    |                       |                             | 24,642              |                       |                             | 18,286              |                       |                             |
| Total liabilities   | <u>2,992,634</u>          |                       |                             | <u>2,792,255</u>    |                       |                             | <u>2,045,933</u>    |                       |                             |
| Shareholders' equity  | 347,907                   |                       |                             | 339,861             |                       |                             | 303,200             |                       |                             |
| Total liabilities and shareholders' equity  | <u>\$ 3,340,541</u>       |                       |                             | <u>\$ 3,132,116</u> |                       |                             | <u>\$ 2,349,133</u> |                       |                             |
| Net interest income, taxable equivalent   |                           | <u>\$ 26,194</u>      |                             |                     | <u>\$ 25,900</u>      |                             |                     | <u>\$ 21,250</u>      |                             |
| Interest rate spread  |                           |                       | 3.22 %                      |                     |                       | 3.44 %                      |                     |                       | 3.58 %                      |
| Tax equivalent net interest margin  |                           |                       | <u>3.39 %</u>               |                     |                       | <u>3.63 %</u>               |                     |                       | <u>3.91 %</u>               |
| Percentage of average interest-earning assets to average interest-bearing liabilities |                           |                       | <u>132.82 %</u>             |                     |                       | <u>131.73 %</u>             |                     |                       | <u>128.84 %</u>             |
| Percentage of average equity to average assets  |                           |                       | <u>10.41 %</u>              |                     |                       | <u>10.85 %</u>              |                     |                       | <u>12.91 %</u>              |

<sup>1</sup> Taxable equivalent

<sup>2</sup> Includes average balance of \$295,045 and \$208,814 in PPP loans for the quarters ended September 30, 2020 and June 30, 2020, respectively.

<sup>3</sup> Includes average balance of \$237,780 and \$108,082 in Paycheck Protection Program Liquidity Facility ("PPPLF") funding for the quarters ended September 30, 2020 and June 30, 2020, respectively.

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

|   | <b>Nine Months Ended</b> |                       |                             |                     |                       |                             |
|---|--------------------------|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------------|
|   | September 30, 2020       |                       |                             | September 30, 2019  |                       |                             |
|   | Average<br>Balance       | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> | Average<br>Balance  | Interest <sup>1</sup> | Yield/<br>Cost <sup>1</sup> |
| <b>Assets:</b>  |                          |                       |                             |                     |                       |                             |
| Loans, including fees <sup>2</sup>  | \$ 2,252,075             | \$ 83,487             | 4.95 %                      | \$ 1,823,523        | \$ 75,645             | 5.55 %                      |
| Loans held for sale   | 6,409                    | 231                   | 4.81 %                      | 3,589               | 123                   | 4.58 %                      |
| Taxable securities  | 123,895                  | 1,813                 | 1.95 %                      | 134,230             | 2,591                 | 2.58 %                      |
| Tax-exempt securities   | 81,604                   | 1,486                 | 2.43 %                      | 55,585              | 1,512                 | 3.64 %                      |
| Federal funds sold and other earning assets   | 296,449                  | 1,206                 | 0.54 %                      | 102,528             | 2,056                 | 2.68 %                      |
| Total interest-earning assets   | <u>2,760,432</u>         | <u>88,223</u>         | 4.27 %                      | <u>2,119,455</u>    | <u>81,927</u>         | 5.17 %                      |
| Noninterest-earning assets  | 248,293                  |                       |                             | 205,984             |                       |                             |
| Total assets  | <u>\$ 3,008,725</u>      |                       |                             | <u>\$ 2,325,439</u> |                       |                             |
| <b>Liabilities and Stockholders' Equity:</b>  |                          |                       |                             |                     |                       |                             |
| Interest-bearing demand deposits  | \$ 451,074               | 782                   | 0.23 %                      | \$ 326,764          | 1,397                 | 0.57 %                      |
| Money market and savings deposits   | 749,316                  | 2,707                 | 0.48 %                      | 658,358             | 6,131                 | 1.25 %                      |
| Time deposits   | 667,303                  | 7,527                 | 1.51 %                      | 635,986             | 9,116                 | 1.92 %                      |
| Total interest-bearing deposits   | <u>1,867,693</u>         | <u>11,016</u>         | 0.79 %                      | <u>1,621,108</u>    | <u>16,644</u>         | 1.37 %                      |
| Borrowings <sup>3</sup>   | 203,202                  | 674                   | 0.44 %                      | 18,377              | 250                   | 1.82 %                      |
| Subordinated debt   | 39,290                   | 1,751                 | 5.95 %                      | 39,205              | 1,757                 | 5.99 %                      |
| Total interest-bearing liabilities  | <u>2,110,185</u>         | <u>13,441</u>         | 0.85 %                      | <u>1,678,690</u>    | <u>18,651</u>         | 1.49 %                      |
| Noninterest-bearing deposits  | 537,860                  |                       |                             | 336,895             |                       |                             |
| Other liabilities   | 23,826                   |                       |                             | 14,509              |                       |                             |
| Total liabilities   | <u>2,671,871</u>         |                       |                             | <u>2,030,094</u>    |                       |                             |
| Shareholders' equity  | 336,854                  |                       |                             | 295,345             |                       |                             |
| Total liabilities and shareholders' equity  | <u>\$ 3,008,725</u>      |                       |                             | <u>\$ 2,325,439</u> |                       |                             |
| Net interest income, taxable equivalent   |                          | <u>\$ 74,782</u>      |                             |                     | <u>\$ 63,276</u>      |                             |
| Interest rate spread  |                          |                       | 3.42 %                      |                     |                       | 3.68 %                      |
| Tax equivalent net interest margin  |                          |                       | <u>3.62 %</u>               |                     |                       | <u>3.99 %</u>               |
| Percentage of average interest-earning assets to average interest-bearing liabilities |                          |                       | <u>130.81 %</u>             |                     |                       | <u>126.26 %</u>             |
| Percentage of average equity to average assets  |                          |                       | <u>11.20 %</u>              |                     |                       | <u>12.70 %</u>              |

<sup>1</sup> Taxable equivalent

<sup>2</sup> Includes average balance of \$169,617 in PPP loans for the nine months ended September 30, 2020

<sup>3</sup> Includes average balance of \$115,734 in PPPLF funding for the nine months ended September 30, 2020

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

|   | <b>As of and for The Three Months Ended</b> |                     |                     |                     |                     |
|---|---|---------------------|---------------------|---------------------|---------------------|
|   | Sep<br>2020                                 | Jun<br>2020         | Mar<br>2020         | Dec<br>2019         | Sep<br>2019         |
| <b>Composition of Loans:</b>                                      |   |                     |                     |                     |                     |
| Commercial real estate  |   |                     |                     |                     |                     |
| owner occupied  | \$ 467,569                                  | \$ 464,073          | \$ 473,398          | \$ 429,269          | \$ 422,363          |
| non-owner occupied  | 563,082                                     | 552,958             | 535,637             | 476,038             | 468,099             |
| Commercial real estate, total                                     | 1,030,651                                   | 1,017,031           | 1,009,035           | 905,307             | 890,462             |
| Commercial & industrial   | 644,498                                     | 637,450             | 377,173             | 337,075             | 341,207             |
| Construction & land development                                   | 275,172                                     | 279,216             | 253,445             | 227,626             | 219,751             |
| Consumer real estate  | 440,310                                     | 459,861             | 482,728             | 417,481             | 402,463             |
| Consumer and other  | 13,426                                      | 14,726              | 16,866              | 9,903               | 10,796              |
| Total loans   | <u>\$ 2,404,057</u>                         | <u>\$ 2,408,284</u> | <u>\$ 2,139,247</u> | <u>\$ 1,897,392</u> | <u>\$ 1,864,679</u> |
| <b>Asset Quality and Additional Loan Data:</b>                    |   |                     |                     |                     |                     |
| Nonperforming loans   | \$ 2,248                                    | \$ 3,776            | \$ 3,069            | \$ 3,350            | \$ 3,166            |
| Other real estate owned   | 3,932                                       | 5,524               | 5,894               | 1,757               | 1,561               |
| Total nonperforming assets  | <u>\$ 6,180</u>                             | <u>\$ 9,300</u>     | <u>\$ 8,963</u>     | <u>\$ 5,107</u>     | <u>\$ 4,727</u>     |
| Restructured loans not included in nonperforming loans            | \$ 8  | \$ 9                | \$ 9                | \$ 61               | \$ 61               |
| Net charge-offs to average loans (annualized)                     | 0.01 %                                      | — %                 | — %                 | 0.01 %              | 0.01 %              |
| Allowance for loan losses to loans                                | 0.78 %                                      | 0.67 %              | 0.63 %              | 0.54 %              | 0.53 %              |
| Nonperforming loans to total loans, gross                         | 0.09 %                                      | 0.16 %              | 0.14 %              | 0.18 %              | 0.17 %              |
| Nonperforming assets to total assets                              | 0.18 %                                      | 0.28 %              | 0.31 %              | 0.21 %              | 0.20 %              |
| Acquired loan fair value discount balance                         | \$ 15,141                                   | \$ 16,187           | \$ 17,237           | \$ 15,348           | \$ 16,784           |
| Accretion income on acquired loans                                | 960   | 888                 | 1,841               | 1,375               | 1,246               |
| PPP net fees deferred balance                                     | 6,348                                       | 8,582               | —                   | —                   | —                   |
| PPP net fees recognized   | 1,812                                       | 1,909               | —                   | —                   | —                   |
| <b>Capital Ratios:</b>  |   |                     |                     |                     |                     |
| Equity to Assets  | 10.33 %                                     | 10.52 %             | 11.70 %             | 12.77 %             | 12.80 %             |
| Tangible common equity to tangible assets (Non-GAAP) <sup>1</sup> | 7.97 %                                      | 8.09 %              | 8.96 %              | 9.93 %              | 9.88 %              |
| <b>SmartFinancial, Inc.<sup>2</sup></b>                           |   |                     |                     |                     |                     |
| Tier 1 leverage   | 8.78 %                                      | 8.83 %              | 10.28 %             | 10.34 %             | 10.02 %             |
| Common equity Tier 1  | 11.33 %                                     | 10.92 %             | 10.87 %             | 11.61 %             | 11.54 %             |
| Tier 1 capital  | 11.33 %                                     | 10.92 %             | 10.87 %             | 11.61 %             | 11.54 %             |
| Total capital   | 13.82 %                                     | 13.25 %             | 13.13 %             | 14.02 %             | 13.98 %             |
| <b>SmartBank</b>  |   |                     |                     |                     |                     |
|   | <b>Estimated<sup>3</sup></b>                |                     |                     |                     |                     |
| Tier 1 leverage   | 9.74 %                                      | 9.82 %              | 11.42 %             | 11.41 %             | 11.22 %             |
| Common equity Tier 1  | 12.57 %                                     | 12.14 %             | 12.05 %             | 12.81 %             | 12.71 %             |
| Tier 1 risk-based capital   | 12.57 %                                     | 12.14 %             | 12.05 %             | 12.81 %             | 12.71 %             |
| Total risk-based capital  | 13.37 %                                     | 12.82 %             | 12.62 %             | 13.31 %             | 13.19 %             |

<sup>1</sup>Total common equity less intangibles divided by total assets less intangibles. See reconciliation of Non-GAAP measures.

<sup>2</sup>All periods presented are estimated.

<sup>3</sup>Current period capital ratios are estimated as of the date of this earnings release.

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

|   | As of and for The<br>Three Months Ended |             |             |             |             | As of and for The<br>Nine Months Ended |             |
|---|---|-------------|-------------|-------------|-------------|--|-------------|
|   | Sep<br>2020                             | Jun<br>2020 | Mar<br>2020 | Dec<br>2019 | Sep<br>2019 | Sep<br>2020                            | Sep<br>2019 |
| <b>Selected Performance Ratios (Annualized):</b>                |   |             |             |             |             |  |             |
| Return on average assets  | 0.76 %                                  | 0.79 %      | 0.43 %      | 1.12 %      | 1.01 %      | 0.68 %                                 | 1.14 %      |
| Return on average shareholders' equity                          | 7.31 %                                  | 7.31 %      | 3.33 %      | 8.65 %      | 7.80 %      | 6.07 %                                 | 8.97 %      |
| Return on average tangible common equity <sup>1</sup>           | 9.72 %                                  | 9.80 %      | 4.41 %      | 11.55 %     | 10.52 %     | 8.10 %                                 | 12.22 %     |
| Noninterest income / average assets                             | 0.49 %                                  | 0.45 %      | 0.44 %      | 0.47 %      | 0.37 %      | 0.46 %                                 | 0.71 %      |
| Noninterest expense / average assets                            | 2.28 %                                  | 2.41 %      | 2.96 %      | 2.68 %      | 2.48 %      | 2.52 %                                 | 2.71 %      |
| Efficiency ratio  | 63.54 %                                 | 64.28 %     | 74.02 %     | 67.04 %     | 63.03 %     | 66.93 %                                | 62.59 %     |
| <b>Operating Selected Performance Ratios (Annualized):</b>      |   |             |             |             |             |  |             |
| Operating return on average assets <sup>1</sup>                 | 0.79 %                                  | 0.93 %      | 0.67 %      | 1.08 %      | 1.02 %      | 0.81 %                                 | 0.98 %      |
| Operating PTPP return on average assets <sup>1</sup>            | 1.35 %                                  | 1.53 %      | 1.37 %      | 1.31 %      | 1.47 %      | 1.42 %                                 | 1.41 %      |
| Operating return on average shareholders' equity <sup>1</sup>   | 7.57 %                                  | 8.58 %      | 5.22 %      | 8.34 %      | 7.87 %      | 7.20 %                                 | 7.75 %      |
| Operating return on average tangible common equity <sup>1</sup> | 10.06 %                                 | 11.51 %     | 6.90 %      | 11.12 %     | 10.61 %     | 9.60 %                                 | 10.56 %     |
| Operating efficiency ratio <sup>1</sup>                         | 62.25 %                                 | 58.95 %     | 65.46 %     | 64.95 %     | 62.42 %     | 62.07 %                                | 64.07 %     |
| Operating noninterest income / average assets <sup>1</sup>      | 0.49 %                                  | 0.45 %      | 0.44 %      | 0.35 %      | 0.37 %      | 0.46 %                                 | 0.34 %      |
| Operating noninterest expense / average assets <sup>1</sup>     | 2.25 %                                  | 2.23 %      | 2.63 %      | 2.56 %      | 2.47 %      | 2.35 %                                 | 2.55 %      |
| <b>Selected Interest Rates and Yields:</b>                      |   |             |             |             |             |  |             |
| Yield on loans  | 4.71 %                                  | 4.87 %      | 5.35 %      | 5.36 %      | 5.49 %      | 4.95 %                                 | 5.55 %      |
| Yield on earning assets, FTE                                    | 3.88 %                                  | 4.22 %      | 4.83 %      | 4.92 %      | 5.05 %      | 4.27 %                                 | 5.17 %      |
| Cost of interest-bearing deposits                               | 0.59 %                                  | 0.71 %      | 1.10 %      | 1.29 %      | 1.37 %      | 0.79 %                                 | 1.37 %      |
| Cost of total deposits  | 0.44 %                                  | 0.54 %      | 0.91 %      | 1.06 %      | 1.13 %      | 0.61 %                                 | 1.14 %      |
| Cost of interest-bearing liabilities                            | 0.65 %                                  | 0.77 %      | 1.20 %      | 1.39 %      | 1.47 %      | 0.85 %                                 | 1.49 %      |
| Net interest margin, FTE  | 3.39 %                                  | 3.63 %      | 3.90 %      | 3.84 %      | 3.91 %      | 3.62 %                                 | 3.99 %      |
| <b>Per Common Share:</b>  |   |             |             |             |             |  |             |
| Net income, basic   | \$ 0.42                                 | \$ 0.41     | \$ 0.19     | \$ 0.48     | \$ 0.43     | \$ 1.03                                | \$ 1.42     |
| Net income, diluted   | 0.42                                    | 0.41        | 0.19        | 0.48        | 0.42        | 1.02                                   | 1.41        |
| Operating earnings, basic <sup>1</sup>                          | 0.44                                    | 0.48        | 0.30        | 0.46        | 0.43        | 1.22                                   | 1.23        |
| Operating earnings, diluted <sup>1</sup>                        | 0.44                                    | 0.48        | 0.30        | 0.46        | 0.43        | 1.21                                   | 1.22        |
| Book value  | 22.96                                   | 22.57       | 22.09       | 22.33       | 21.93       | 22.96                                  | 21.93       |
| Tangible book value <sup>1</sup>                                | 17.27                                   | 16.90       | 16.40       | 16.82       | 16.37       | 17.27                                  | 16.37       |
| Common shares outstanding                                       | 15,233,227                              | 15,216,932  | 15,221,990  | 14,008,233  | 13,957,973  | 15,233,227                             | 13,957,973  |

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

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

(dollars in thousands)

**NON-GAAP RECONCILIATIONS**

|  | Three Months Ended |             |             |             | Nine Months Ended |             |             |
|--|--------------------|-------------|-------------|-------------|-------------------|-------------|-------------|
|  | Sep<br>2020        | Jun<br>2020 | Mar<br>2020 | Dec<br>2019 | Sep<br>2019       | Sep<br>2020 | Sep<br>2019 |
| <b>Operating Earnings:</b>   |                    |             |             |             |                   |             |             |
| Net income (GAAP)  | \$ 6,395           | \$ 6,174    | \$ 2,732    | \$ 6,733    | \$ 5,963          | \$ 15,302   | \$ 19,815   |
| Noninterest income:  |                    |             |             |             |                   |             |             |
| Securities gains (losses), net   | 9                  | (16)        | —           | —           | (1)               | (6)         | (34)        |
| ADECA termination proceeds   | —                  | —           | —           | (720)       | —                 | —           | —           |
| Merger termination fee   | —                  | —           | —           | —           | —                 | —           | (6,400)     |
| Noninterest expenses:  |                    |             |             |             |                   |             |             |
| Salaries - prior year adjustment   | —                  | —           | —           | 603         | —                 | —           | —           |
| Merger related and restructuring expenses                                  | 290                | 1,477       | 2,096       | 427         | 73                | 3,863       | 2,792       |
| Other - prior year franchise tax true-up                                   | —                  | —           | —           | (312)       | —                 | —           | —           |
| Income taxes:  |                    |             |             |             |                   |             |             |
| Tax benefit - prior year amended return                                    | —                  | —           | —           | (304)       | —                 | —           | —           |
| Income tax effect of adjustments   | (77)               | (382)       | (548)       | 60          | (19)              | (1,009)     | 955         |
| Operating earnings (Non-GAAP)  | \$ 6,617           | \$ 7,253    | \$ 4,280    | \$ 6,487    | \$ 6,016          | \$ 18,150   | \$ 17,128   |
| <b>Operating earnings per common share (Non-GAAP):</b>                     |                    |             |             |             |                   |             |             |
| Basic  | \$ 0.44            | \$ 0.48     | \$ 0.30     | \$ 0.46     | \$ 0.43           | \$ 1.22     | \$ 1.23     |
| Diluted  | 0.44               | 0.48        | 0.30        | 0.46        | 0.43              | 1.21        | 1.22        |
| <b>Operating Noninterest Income:</b>                                       |                    |             |             |             |                   |             |             |
| Noninterest income (GAAP)  | \$ 4,121           | \$ 3,511    | \$ 2,818    | \$ 2,840    | \$ 2,196          | \$ 10,450   | \$ 12,311   |
| Securities gains (losses), net   | 9                  | (16)        | —           | —           | (1)               | (6)         | (34)        |
| ADECA termination proceeds   | —                  | —           | —           | (720)       | —                 | —           | —           |
| Merger termination fee   | —                  | —           | —           | —           | —                 | —           | (6,400)     |
| Operating noninterest income (Non-GAAP)                                    | \$ 4,130           | \$ 3,495    | \$ 2,818    | \$ 2,120    | \$ 2,195          | \$ 10,444   | \$ 5,877    |
| Operating noninterest income (Non-GAAP)/average assets <sup>1</sup>        | 0.49 %             | 0.45 %      | 0.44 %      | 0.35 %      | 0.37 %            | 0.46 %      | 0.34 %      |
| <b>Operating Noninterest Expense:</b>                                      |                    |             |             |             |                   |             |             |
| Noninterest expense (GAAP)   | \$ 19,167          | \$ 18,806   | \$ 18,793   | \$ 16,052   | \$ 14,708         | \$ 56,766   | \$ 47,097   |
| Salaries - prior year adjustment   | —                  | —           | —           | (603)       | —                 | —           | —           |
| Merger related and restructuring expenses                                  | (290)              | (1,477)     | (2,096)     | (427)       | (73)              | (3,863)     | (2,792)     |
| Other - prior year franchise tax true-up                                   | —                  | —           | —           | 312         | —                 | —           | —           |
| Operating noninterest expense (Non-GAAP)                                   | \$ 18,877          | \$ 17,329   | \$ 16,697   | \$ 15,334   | \$ 14,635         | \$ 52,903   | \$ 44,305   |
| Operating noninterest expense (Non-GAAP)/average assets <sup>2</sup>       | 2.25 %             | 2.23 %      | 2.63 %      | 2.56 %      | 2.47 %            | 2.35 %      | 2.55 %      |
| <b>Operating Pre-tax Pre-provision ("PTPP") Earnings:</b>                  |                    |             |             |             |                   |             |             |
| Net interest income (GAAP)   | \$ 26,043          | \$ 25,746   | \$ 22,571   | \$ 21,104   | \$ 21,140         | \$ 74,360   | \$ 62,940   |
| Operating noninterest income   | 4,130              | 3,495       | 2,818       | 2,120       | 2,195             | 10,444      | 5,877       |
| Operating noninterest expense  | (18,877)           | (17,329)    | (16,697)    | (15,334)    | (14,635)          | (52,903)    | (44,305)    |
| Operating PTPP earnings (Non-GAAP)   | \$ 11,296          | \$ 11,912   | \$ 8,692    | \$ 7,890    | \$ 8,700          | \$ 31,901   | \$ 24,512   |
| <b>Non-GAAP Return Ratios:</b>   |                    |             |             |             |                   |             |             |
| Operating return on average assets (Non-GAAP) <sup>3</sup>                 | 0.79 %             | 0.93 %      | 0.67 %      | 1.08 %      | 1.02 %            | 0.81 %      | 0.98 %      |
| Operating PTPP return on average assets (Non-GAAP) <sup>4</sup>            | 1.35 %             | 1.53 %      | 1.37 %      | 1.31 %      | 1.47 %            | 1.42 %      | 1.41 %      |
| Return on average tangible common equity (Non-GAAP) <sup>5</sup>           | 9.72 %             | 9.80 %      | 4.41 %      | 11.55 %     | 10.52 %           | 8.10 %      | 12.22 %     |
| Operating return on average shareholder equity (Non-GAAP) <sup>6</sup>     | 7.57 %             | 8.58 %      | 5.22 %      | 8.34 %      | 7.87 %            | 7.20 %      | 7.75 %      |
| Operating return on average tangible common equity (Non-GAAP) <sup>7</sup> | 10.06 %            | 11.51 %     | 6.90 %      | 11.12 %     | 10.61 %           | 9.60 %      | 10.56 %     |
| <b>Operating Efficiency Ratio:</b>   |                    |             |             |             |                   |             |             |
| Efficiency ratio (GAAP)  | 63.54 %            | 64.28 %     | 74.02 %     | 67.04 %     | 63.03 %           | 66.93 %     | 62.59 %     |
| Adjustment for taxable equivalent yields                                   | (0.32)%            | (0.34)%     | (0.34)%     | (0.33)%     | (0.30)%           | (0.33)%     | (0.28)%     |
| Adjustment for securities gains (losses)                                   | 0.02 %             | (0.04)%     | — %         | — %         | — %               | (0.01)%     | (0.03)%     |
| Adjustment for merger related income and costs                             | (0.99)%            | (4.95)%     | (8.21)%     | (1.76)%     | (0.31)%           | (4.52)%     | 1.79 %      |
| Operating efficiency ratio (Non-GAAP)                                      | 62.25 %            | 58.95 %     | 65.46 %     | 64.95 %     | 62.42 %           | 62.07 %     | 64.07 %     |

<sup>1</sup>Operating noninterest income (Non-GAAP) is annualized and divided by average assets.

<sup>2</sup>Operating noninterest expense (Non-GAAP) is annualized and divided by average assets.

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

<sup>4</sup>Operating PTPP return on average assets (Non-GAAP) is the annualized operating PTPP earnings (Non-GAAP) divided by average assets.

<sup>5</sup>Return on average tangible common equity (Non-GAAP) is the annualized net income divided by average tangible common equity (Non-GAAP).

<sup>6</sup>Operating return on average equity (Non-GAAP) is the annualized operating earnings (Non-GAAP) divided by average equity.

<sup>7</sup>Operating return on average tangible common equity (Non-GAAP) is the annualized operating earnings (Non-GAAP) divided by average tangible common equity (Non-GAAP).

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

|  | Three Months Ended  |                     |                     |                     | Nine Months Ended   |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | Sep<br>2020         | Jun<br>2020         | Mar<br>2020         | Dec<br>2019         | Sep<br>2019         | Sep<br>2020         | Sep<br>2019         |
| <b>Tangible Common Equity:</b>                               |                     |                     |                     |                     |                     |                     |                     |
| Shareholders' equity (GAAP)                                  | \$ 349,789          | \$ 343,488          | \$ 336,200          | \$ 312,747          | \$ 306,040          | \$ 349,789          | \$ 306,040          |
| Less goodwill and other intangible assets                    | 86,710              | 86,327              | 86,503              | 77,193              | 77,534              | 86,710              | 77,534              |
| Tangible common equity (Non-GAAP)                            | <u>\$ 263,079</u>   | <u>\$ 257,161</u>   | <u>\$ 249,697</u>   | <u>\$ 235,554</u>   | <u>\$ 228,506</u>   | <u>\$ 263,079</u>   | <u>\$ 228,506</u>   |
| <b>Average Tangible Common Equity:</b>                       |                     |                     |                     |                     |                     |                     |                     |
| Average shareholders' equity (GAAP)                          | \$ 347,907          | \$ 339,861          | \$ 329,692          | \$ 308,772          | \$ 303,200          | \$ 336,854          | \$ 295,345          |
| Less average goodwill and other intangible assets            | 86,206              | 86,484              | 80,370              | 77,400              | 78,222              | 84,361              | 78,563              |
| Average tangible common equity (Non-GAAP)                    | <u>\$ 261,701</u>   | <u>\$ 253,377</u>   | <u>\$ 249,322</u>   | <u>\$ 231,372</u>   | <u>\$ 224,978</u>   | <u>\$ 252,493</u>   | <u>\$ 216,782</u>   |
| <b>Tangible Book Value per Common Share:</b>                 |                     |                     |                     |                     |                     |                     |                     |
| Book value per common share (GAAP)                           | \$ 22.96            | \$ 22.57            | \$ 22.09            | \$ 22.33            | \$ 21.93            | \$ 22.96            | \$ 21.93            |
| Adjustment due to goodwill and other intangible assets       | (5.69)              | (5.67)              | (5.69)              | (5.51)              | (5.56)              | (5.69)              | (5.56)              |
| Tangible book value per common share (Non-GAAP) <sup>1</sup> | <u>\$ 17.27</u>     | <u>\$ 16.90</u>     | <u>\$ 16.40</u>     | <u>\$ 16.82</u>     | <u>\$ 16.37</u>     | <u>\$ 17.27</u>     | <u>\$ 16.37</u>     |
| <b>Tangible Common Equity to Tangible Assets:</b>            |                     |                     |                     |                     |                     |                     |                     |
| Total Assets   | \$ 3,387,588        | \$ 3,265,985        | \$ 2,873,715        | \$ 2,449,123        | \$ 2,390,485        | \$ 3,387,588        | \$ 2,390,485        |
| Less goodwill and other intangibles                          | 86,710              | 86,327              | 86,503              | 77,193              | 77,534              | 86,710              | 77,534              |
| Tangible Assets (Non-GAAP):                                  | <u>\$ 3,300,878</u> | <u>\$ 3,179,658</u> | <u>\$ 2,787,212</u> | <u>\$ 2,371,930</u> | <u>\$ 2,312,951</u> | <u>\$ 3,300,878</u> | <u>\$ 2,312,951</u> |
| Tangible common equity to tangible assets (Non-GAAP)         | <u>7.97%</u>        | <u>8.09%</u>        | <u>8.96%</u>        | <u>9.93%</u>        | <u>9.88%</u>        | <u>7.97%</u>        | <u>9.88%</u>        |

<sup>1</sup>Tangible book value per share is computed by dividing total stockholder's equity, less goodwill and other intangible assets by common shares outstanding.