



SmartFinancial, Inc.

Second Quarter 2019 Earnings Release

July 24, 2019

Legal Disclaimer

Forward-Looking Statements

This news release may contain statements that are based on management's current estimates or expectations of future events or future results, and that may be deemed to constitute forward-looking statements as defined under U.S. federal securities laws. These statements are not historical in nature and can generally be identified by such words as "expect," "anticipate," "intend," "plan," "believe," "seek," "may," "estimate," and similar expressions. All forward-looking statements are subject to risks, uncertainties, and other factors that may cause the actual results of SmartFinancial to differ materially from future results expressed or implied by such forward-looking statements. Such risks, uncertainties, and other factors include, among others, (1) the risk of litigation related to the termination of our agreement and plan of merger with Entegra Financial Corp. (the "Entegra Merger Agreement") or the abandonment of the transactions that were contemplated by the Entegra Merger Agreement; (2) reputational risk resulting from the termination of the Entegra Merger Agreement; (3) potential changes to, or the risk that we may not be able to execute on, our business strategy as a result of the termination of the Entegra Merger Agreement; (4) the risk that cost savings and revenue synergies from recently completed acquisitions may not be realized or may take longer than anticipated to realize, (5) disruption from recently completed acquisitions with customer, supplier, employee, or other business relationships, (6) our ability to successfully integrate the businesses acquired as part of previous acquisitions with the business of SmartBank, (7) changes in management's plans for the future, (8) prevailing, or changes in, economic or political conditions, particularly in our market areas, (9) credit risk associated with our lending activities, (10) changes in interest rates, loan demand, real estate values, or competition, (11) changes in accounting principles, policies, or guidelines, (12) changes in applicable laws, rules, or regulations, and (13) other general competitive, economic, political, and market factors, including those affecting our business, operations, pricing, products, or services. These and other factors that could cause results to differ materially from those described in the forward-looking statements can be found in SmartFinancial's most recent annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, in each case filed with or furnished to the Securities and Exchange Commission (the "SEC") and available on the SEC's website (www.sec.gov). Undue reliance should not be placed on forward-looking statements. SmartFinancial disclaims any obligation to update or revise any forward-looking statements contained in this release, which speak only as of the date hereof, whether as a result of new information, future events, or otherwise.

Non-GAAP Financial Measures

Statements included in this presentation include Non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of Non-GAAP financial measures to GAAP financial measures. The Non-GAAP financial measures used in this presentation include: (i) tangible common equity, (ii) net operating earnings, (iii) net operating return on average assets, (iv) net operating return on average tangible common equity, (v) operating efficiency ratio, (vi) net operating earnings, less accretion, (vii) tangible book value per share, (viii) net operating earnings per share, and (ix) net interest income excluding purchase accounting adjustments. Tangible common equity excludes total preferred stock, preferred stock paid in capital, goodwill, and other intangible assets, and tangible book value per share reflects the per share value of tangible common equity. Net interest income excluding purchase accounting adjustments adjusts net interest income to exclude the impact of purchase accounting. The operating efficiency ratio excludes securities gains and losses, merger termination fee, and merger related and restructuring expenses from the efficiency ratio. Net operating earnings excludes securities gains and losses, merger termination fee, and merger related and restructuring expenses, and the effect of the December, 2017 tax law change on deferred tax assets, and the income tax effect of adjustments, and operating return on average assets is net operating income divided by GAAP total average assets. Net operating earnings per share is net operating income divided by GAAP total average assets. Net operating return on tangible common equity is net operating income divided by tangible common equity. Management believes that Non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider SmartFinancial's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP.

Overview of SmartFinancial

- SmartFinancial, Inc. (Nasdaq: SMBK) is a \$2.4 billion asset bank holding company headquartered in Knoxville, Tennessee

- Operates one subsidiary bank, SmartBank, which was founded in January 2007
- Located primarily in attractive, high-growth markets throughout East Tennessee, Alabama and Florida
- 384 full-time employees
- ~\$306 million market capitalization⁽¹⁾

- Balance Sheet (06/30/19)**

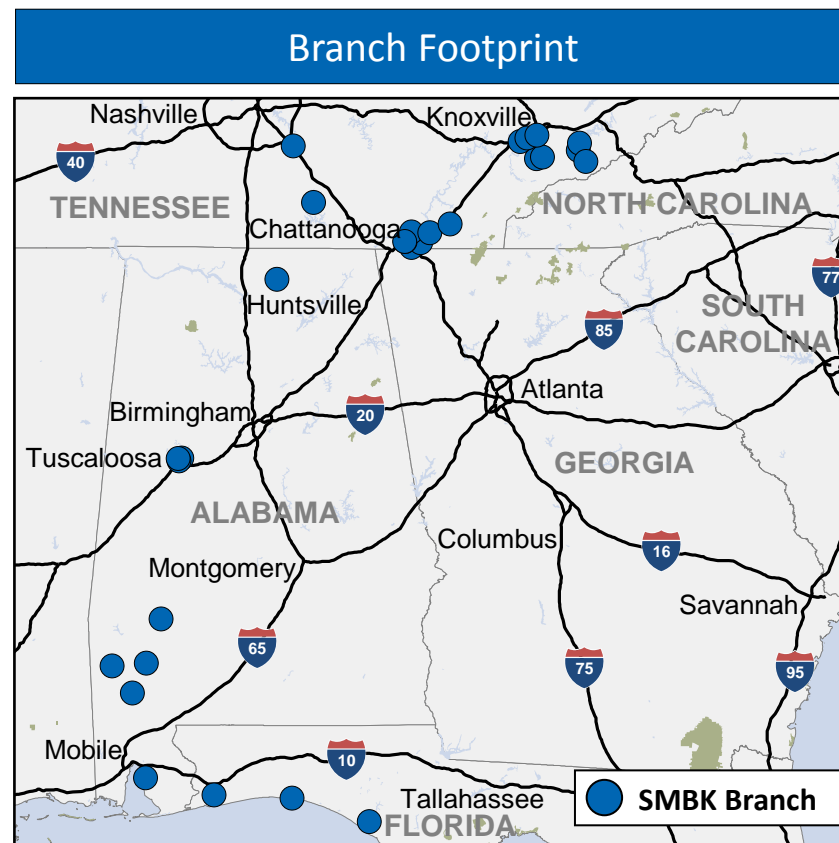
- Assets: \$2.4 billion
- Gross Loans: \$1.8 billion
- Deposits: \$2.0 billion
- Shareholders' Equity / Tangible Common Equity (Non-GAAP): \$299.6 million / \$221.3 million

- Profitability (Q2 '19)**

- Net Income / Net Operating Earnings (Non-GAAP): \$9.1 million / \$5.6 million
- ROAA / Net Operating ROAA (Non-GAAP): 1.56% / 0.96%
- ROATCE / Net Operating ROATCE (Non-GAAP): 16.78% / 10.31%
- Efficiency Ratio / Operating Efficiency Ratio (Non-GAAP): 57.53% / 65.56%

- Asset Quality**

- Superior asset quality and proven credit culture
- NPAs / Assets of 0.17%



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

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

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

Culture

We are **building a culture** where **Associates thrive** and are **empowered** to be **leaders**. The **core values** that we have established as a company help us operate in unison and have become a **critical part of our culture**. Our Associates are key to SmartBank’s success.

Core Values

Act with Integrity

Be Enthusiastic

Create Positivity

Demonstrate Accountability

Embrace Change

Creating
“WOW”
Experiences

Exhibiting
Over-The-Top
Enthusiasm
and Positivity

Delivering
Exceptional,
Professional &
Knowledgeable
Service

Positioning Statement

At SmartBank, delivering **unparalleled value** to our Shareholders, Associates, Clients and the Communities we serve drives **every** decision and action we take. **Exceptional value** means being there with **smart solutions, fast responses** and **deep commitment** every single time. By doing this, we will create the Southeast’s next, great community banking franchise.

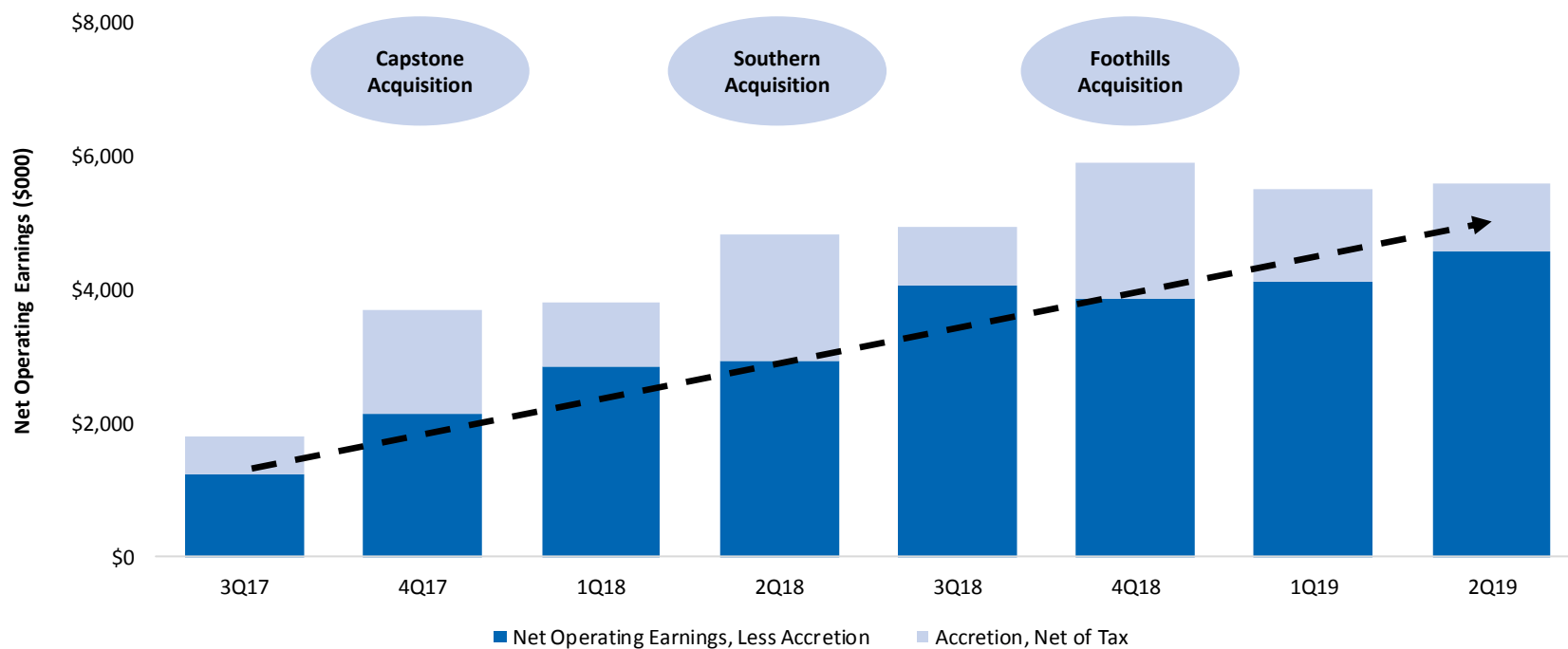




SmartFinancial, Inc.

Second Quarter Financial Highlights

Solid Earnings Track Record

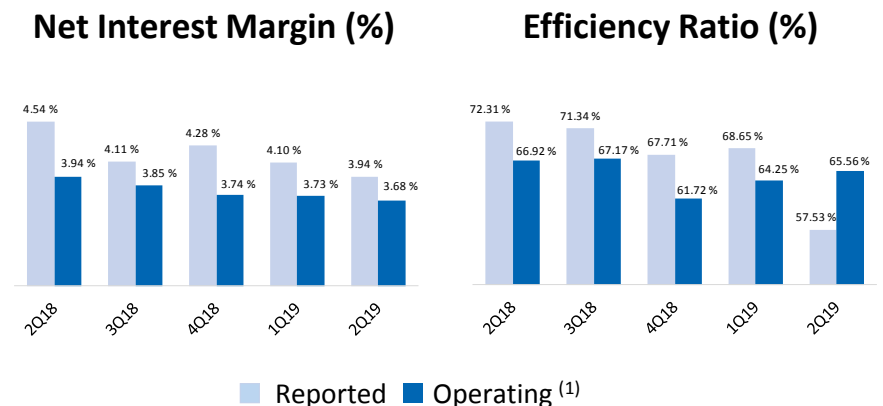
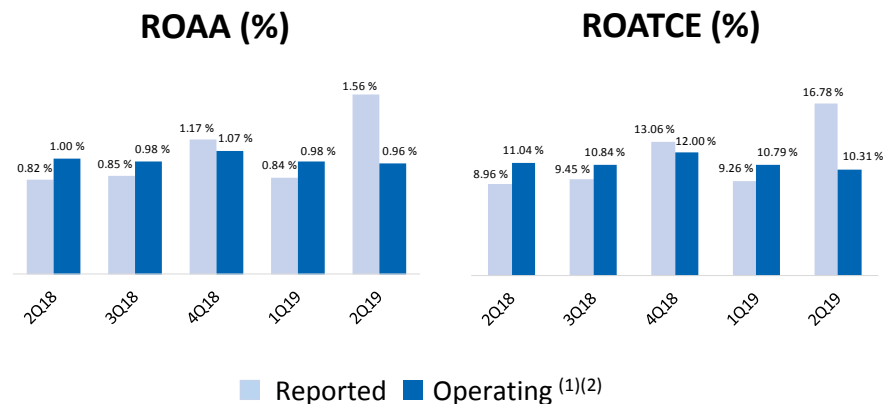


(\$ in thousands)	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Net Operating Earnings	\$1,819	\$3,707	\$3,810	\$4,844	\$4,966	\$5,908	\$5,509	\$5,603
Less:								
Accretion, Net of Tax	(\$577)	(\$1,567)	(\$943)	(\$1,911)	(\$894)	(\$2,039)	(\$1,392)	(\$1,017)
Net Operating Earnings, Less Accretion	\$1,242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

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

Performance Trends

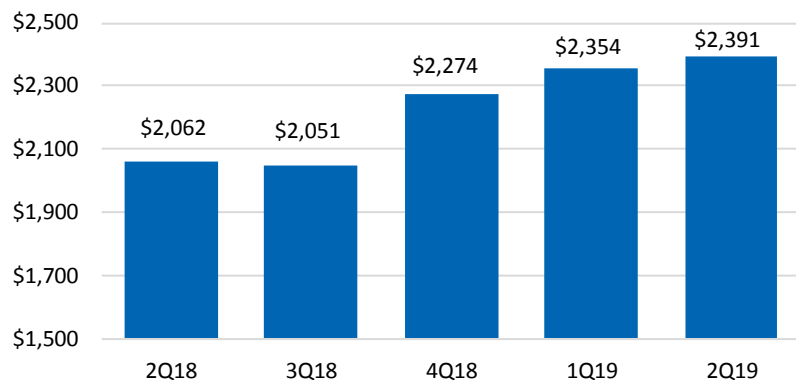
- Net Operating Earnings (Non-GAAP) of \$5.6 million for the quarter, up 16% from a year earlier
- ROAA of 1.56% for the quarter and Net Operating ROAA (Non-GAAP) of 0.96%
- ROATCE (Non-GAAP) of 16.78% for the quarter and Operating ROATCE (Non-GAAP) of 10.31%
- Efficiency Ratio of 57.53% for the quarter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



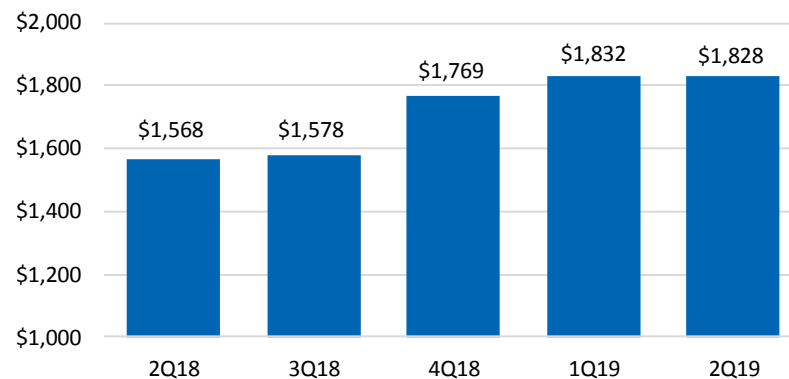
(1) Operating profitability (Non-GAAP) figures exclude gain on sale of securities, merger termination fee, merger-related and restructuring expenses and nonrecurring items
 Note: For a reconciliation of these Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

Balance Sheet Trends

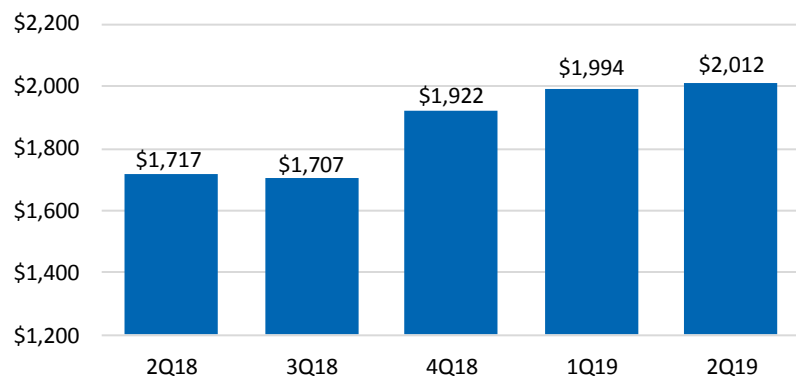
Total Assets (\$mm)



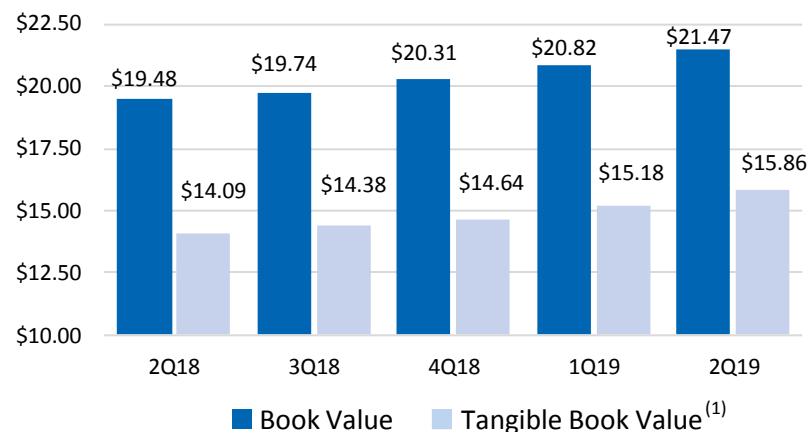
Net Loans (\$mm)



Total Deposits (\$mm)



Book Value Per Share



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

Earnings Profile – Second Quarter 2019

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

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

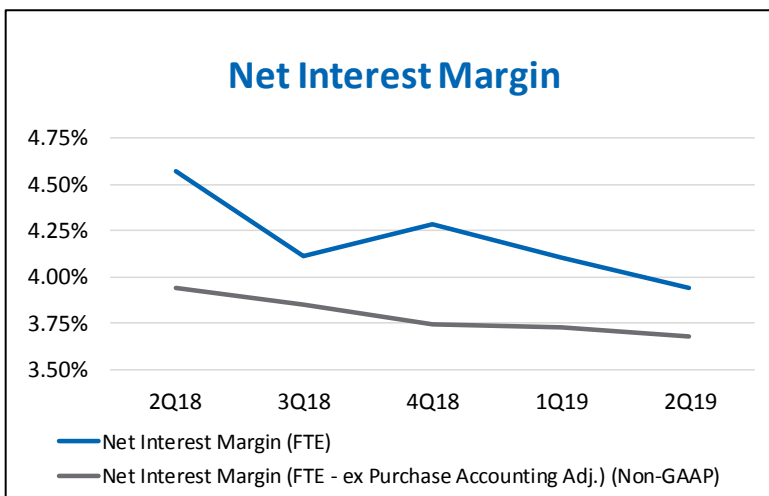
Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

Net Interest Income

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

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

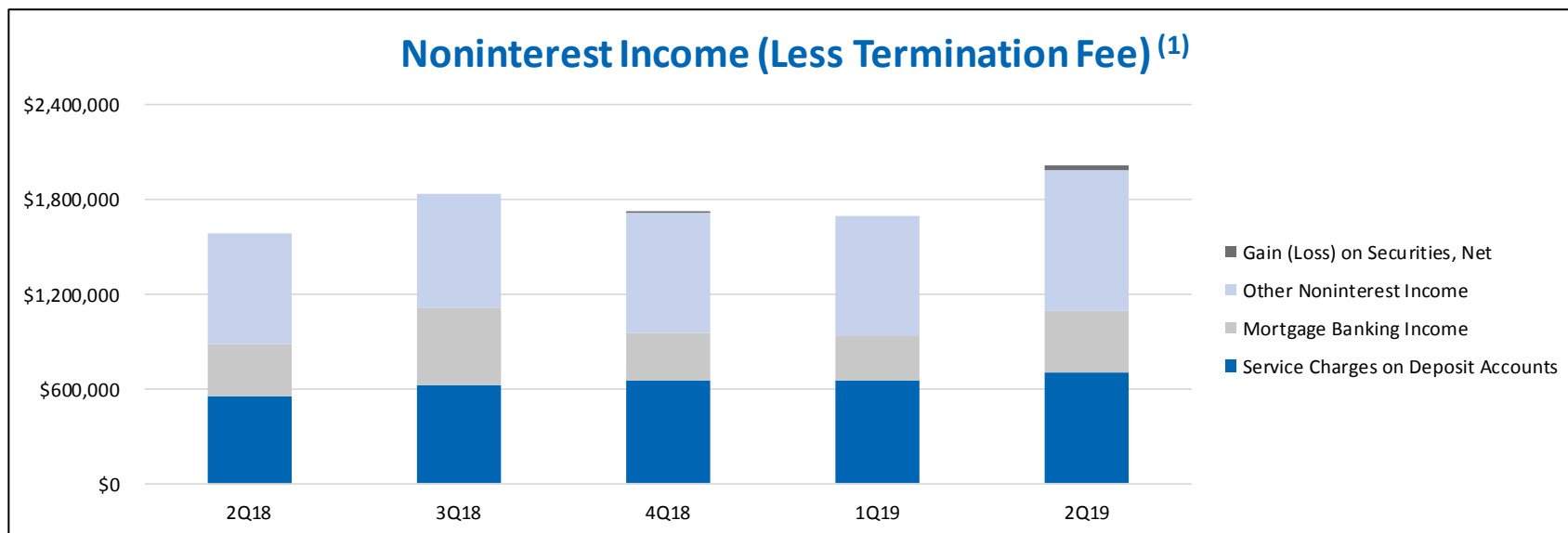
Average Yields and Rates			
	2Q19	1Q19	2Q18
Loans, less accretion	5.23%	5.20%	5.11%
Accretion	0.30%	0.42%	0.68%
Loans	5.53%	5.62%	5.79%
Taxable securities	2.55%	2.67%	2.41%
Tax-exempt securities (FTE)	3.75%	4.07%	3.29%
Federal funds and other investments	2.92%	2.68%	2.62%
Earning Asset Yields	5.17%	5.25%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



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

Noninterest Income

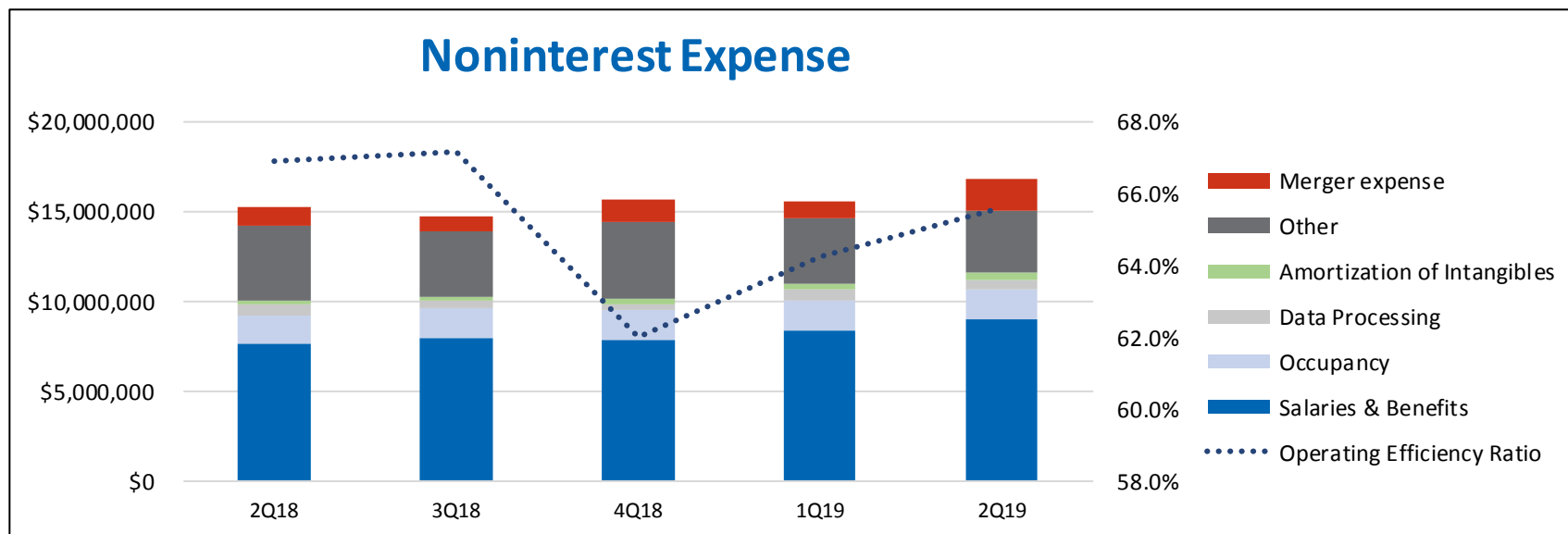
- Consistent increases in service charges on deposit accounts, and other noninterest income components
- Noninterest Income trending upward, with 2Q19 reporting increased mortgage banking income after decreases in 4Q18 and 1Q19
- Increases in other noninterest income mainly resulting from termination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



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

Noninterest Expense

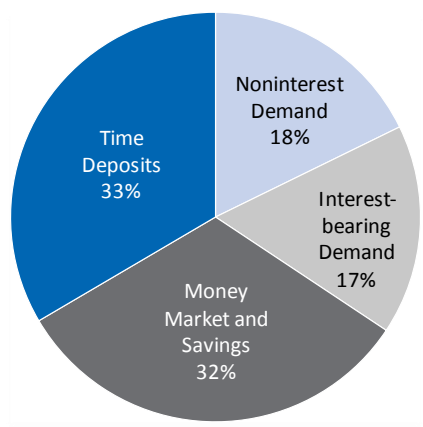
- Efficiency Ratio remained under 70% for the third consecutive quarter while Operating Efficiency Ratio (Non-GAAP) was 65.56%
- Salary increases are primarily due to the addition of associates from two completed acquisitions for periods presented, as well as infrastructure builds
- Merger expense of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



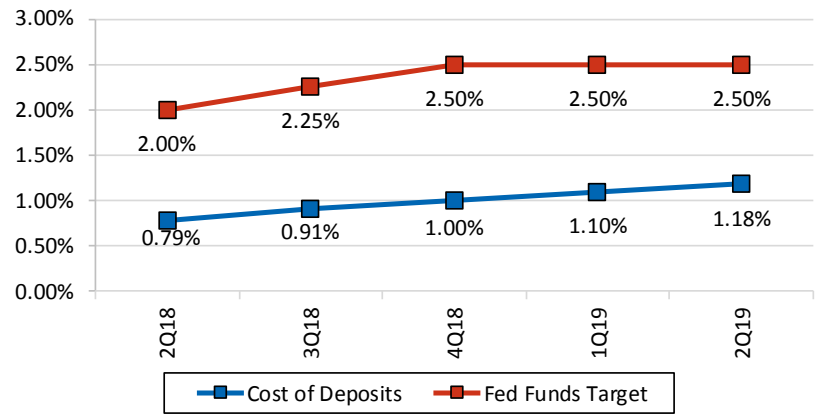
Note: For a reconciliation of Non-GAAP financial measures to their most directly comparable GAAP measures, see the Appendix

Attractive Deposit Mix

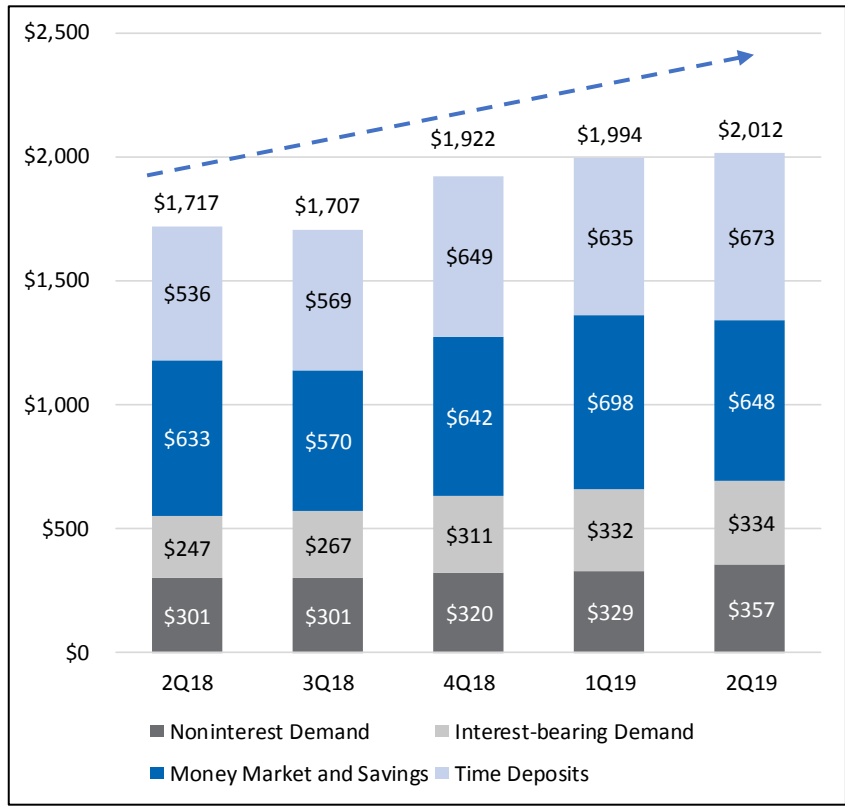
Deposit Composition (06/30/19)



Historical Cost of Deposits

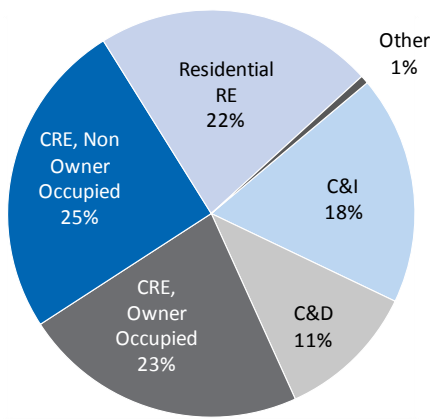


Historical Deposit Composition (\$mm)

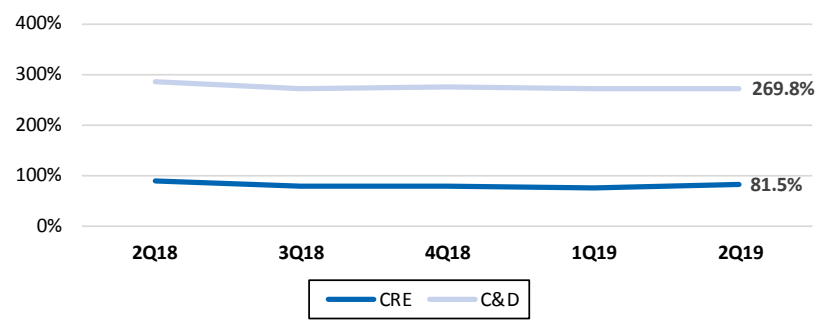


Overview of Loan Portfolio

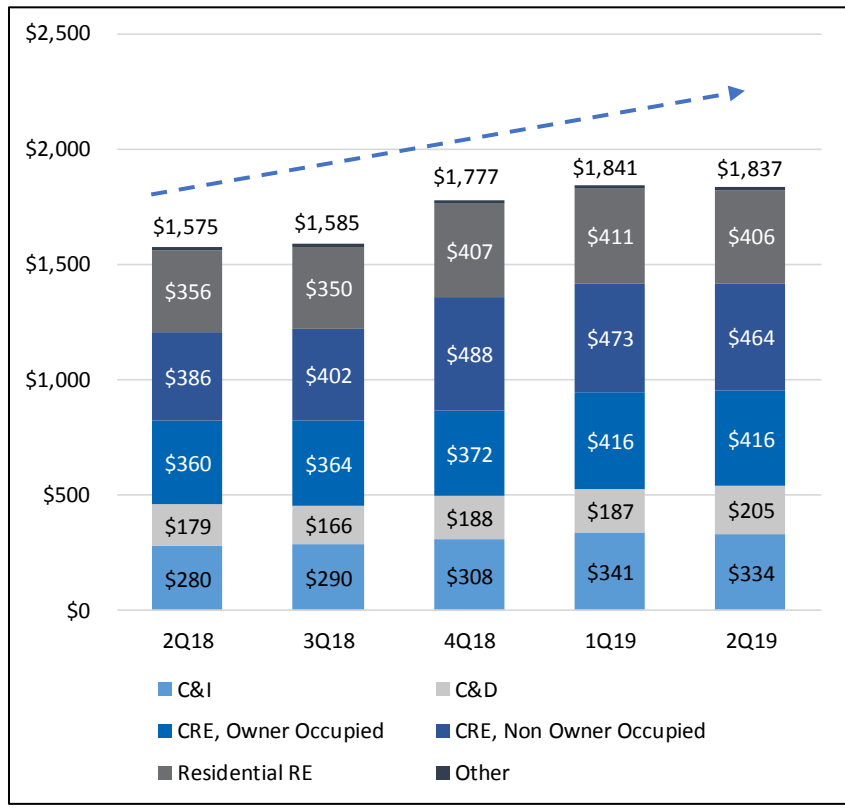
Loan Composition (06/30/19)



Historical CRE Ratios



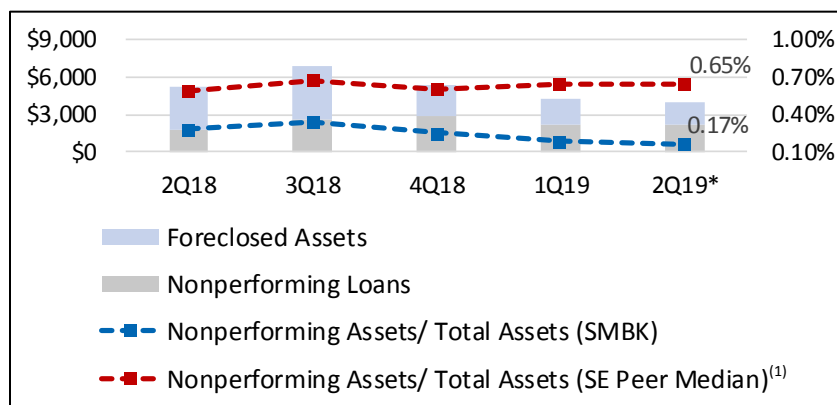
Historical Loan Composition (\$mm)



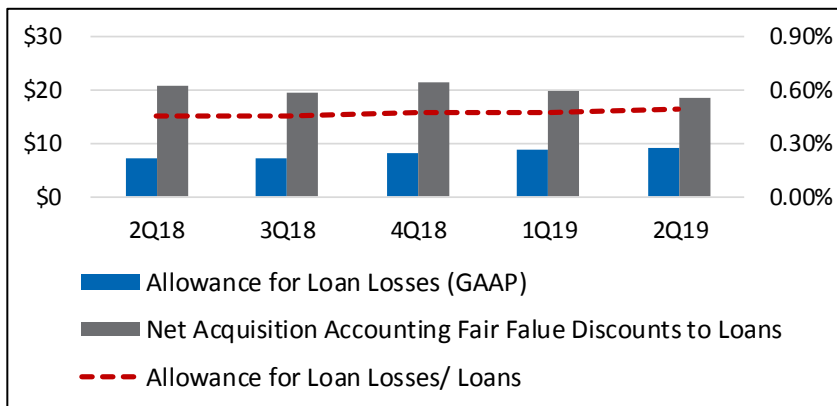
Asset Quality

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

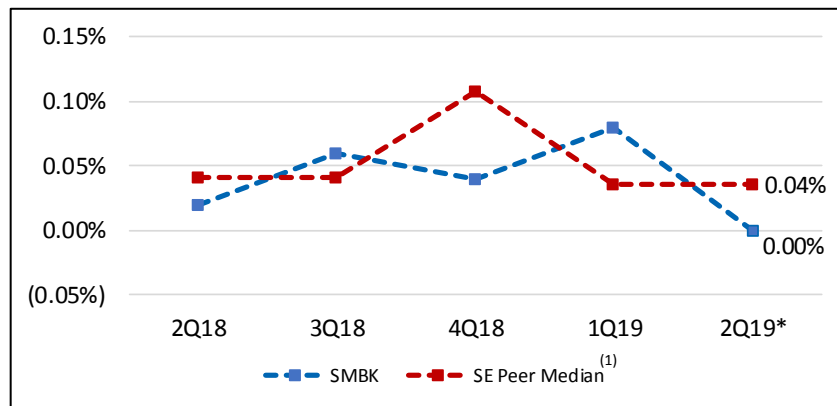
Nonperforming Assets



Loan Discounts



Net Charge-Offs/ Average Loans



Source: S&P Global Market Intelligence

⁽¹⁾ Publicly traded banks between \$1.5B and \$3B in assets headquartered in the Southeast (AL, AR, FL, GA, LA, MS, NC, SC, TN and WV) as of 03/31/19

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

Summary of Moving Forward Initiatives

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

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



SmartFinancial, Inc.

Appendix

Non-GAAP Reconciliations

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

(1) Net operating return on average assets (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average assets.

(2) Return on average tangible common equity (Non-GAAP) is the annualized net income divided by average tangible common equity (Non-GAAP).

(3) Net operating return on average shareholder equity (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average shareholder equity.

(4) Net operating return on average tangible common equity (Non-GAAP) is the annualized net operating earnings (Non-GAAP) divided by average tangible common equity (Non-GAAP).

Non-GAAP Reconciliations

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

Investor Contacts



SmartFinancial, Inc.

Billy Carroll

President & CEO

(865) 868-0613

Billy.Carroll@SmartBank.com

Miller Welborn

Chairman

(423) 385-3067

Miller.Welborn@SmartBank.com

SmartFinancial, Inc.
5401 Kingston Pike, Suite 600
Knoxville, TN 37919



SmartFinancial, Inc.