

2017



SmartFinancial, Inc.

2017 ANNUAL REPORT



ABOUT SMARTBANK

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

340+ Associates

\$1.7 BILLION in Assets

22 Branches in three states

LETTER TO THE SHAREHOLDERS

OF SmartFinancial, Inc.

2017 was a transformative year for SmartFinancial, and we are extremely proud of our achievements. We completed a branch acquisition in Cleveland, TN, announced and closed our Tuscaloosa, Alabama-based Capstone Bancshares deal and announced the Tennessee Bancshares acquisition to expand our footprint in Middle Tennessee and Huntsville, AL. We organically grew loans and deposits while also completing multiple acquisitions. Additionally, we completed a successful capital raise using some of the proceeds to pay off our preferred stock through the Small Business Lending Fund. Our team continues to work hard and with great energy. We are well on our way in creating one of the Southeast's next great community banking franchises.

We anticipate 2018 to be another exciting year as we continue to expand and update our footprint. In Tennessee, we recently opened a Lending Production Office located in Hamblen County. Hamblen County, through cooperative efforts by the chamber, the government and the citizens, has been one of the state's most successful recruiters of regional, national and international industry. In fact, Hamblen County employs over 9,000 people in industry. Our Knoxville-Bearden branch is undergoing a state-of-the-art renovation that doubles the size and will include a larger retail space, mortgage expansion and additional corporate offices. We will move our Fairhope, AL office into a brand-new branch building later in the

year. We are also in the planning stages to build a branch in Panama City, FL that will allow our existing branch to relocate to a beautiful new location that will house our retail, lending and mortgage teams. And in the Sevier County market, where we are ranked number two in market share, we are adding a fourth office expected to open in the fourth quarter of the year. The additional Sevier County office is a part of our organic growth strategy and will allow us to better serve this fast-growing market.

We will continue to execute our objectives of growing the company while maintaining a strong margin, minimizing credit exposure, and increasing efficiency. Every day we strive to achieve our goals of being a great place to work, a great place to bank, and a great investment for our shareholders. This is all possible because of the 340 top-notch associates who work tirelessly for our shareholders and clients. Our associates create a banking experience like no other with excellent client service in the friendly, welcoming atmosphere of our branches.

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

\$1.7B Record high total assets of \$1.7 billion, net loans of \$1.3 billion, and deposits of \$1.4 billion

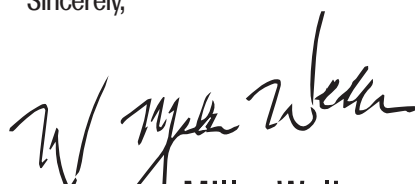
4.30% Net interest margin, taxable equivalent, increased from 4.06% in 2016

25% Increase in pre-tax income year over year

0.38% Asset quality was outstanding with nonperforming assets to total assets of just 0.38%

\$18.46 Book value of common stock, up 17% in 2017

Sincerely,


Miller Welborn

CHAIRMAN OF THE BOARD
SMARTFINANCIAL, INC.


Billy Carroll

PRESIDENT & CEO
SMARTFINANCIAL, INC.



SmartBank®

Our vision is to build
exceptional value for our brand
and for our
SHAREHOLDERS,
ASSOCIATES, CLIENTS, and
COMMUNITIES
by delivering more than they
think possible.

VISION

MISSION

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

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

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

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

We've achieved this through the integrity and
innovation of our associates and directors – it's
THE SMARTBANK WAY.

The SmartBank logo is displayed in large, blue, three-dimensional letters mounted on the side of a brick building. The building has a modern design with large glass windows and a wooden overhang above the entrance.

SmartBank

SMARTFINANCIAL BOARD OF DIRECTORS



FRONT (l-r): Monique Berke; Dr. Doyce Payne

MIDDLE (l-r): Dr. Keith Whaley; Miller Welborn, *SmartFinancial* Chairman; David Ogle; Ted Miller; Bill Carroll, *SmartFinancial* Vice-Chairman

BACK (l-r): Geoff Wolpert; Billy Carroll, *SmartFinancial* President & CEO; Steve Tucker; Vic Barrett; Frank McDonald; Beau Wicks

MARKETS WE SERVE



Sitting at the foothills of the Great Smoky Mountains National Park is a tourism hub of great economic impact for the state of Tennessee. Featuring one of the nation's most sought-after venues for shopping and attractions, Sevier County is not only a picturesque destination, but offers a profitable opportunity for business.



Knoxville's roots run deep and strong. The city has served as the hub of the region since its founding in 1791. The best of its Appalachian heritage remains today - a strong work ethic, a family-centered community, and an intense respect for the natural beauty that envelops the region.

Known as “The Scenic City,” Chattanooga is the 4th largest city in the state of Tennessee and is located near the border of Georgia at the junction of four interstate highways. The city has received national recognition for the renaissance of its beautiful downtown and redevelopment of its riverfront. Major attractions and festivals bring thousands of visitors to the area annually.



In May 2017, SmartBank expanded into the Cleveland market. Cleveland is located just outside of Chattanooga, in Bradley County, and is a city with deep historical roots and a rich heritage. Cleveland and Bradley County boast a diverse workforce environment. Due to the close proximity to both Chattanooga and Knoxville, Cleveland is especially ideal for manufacturing. Additionally, Cleveland offers one of the most sought-after housing markets in the country.



Florida is the perfect climate for business. From its talented workforce to its strategic geographic location, Florida offers the ideal conditions for businesses to thrive. In Florida, new opportunities are being cultivated and a cost-competitive environment allows you to expand your reach to a level that welcomes and celebrates your success.



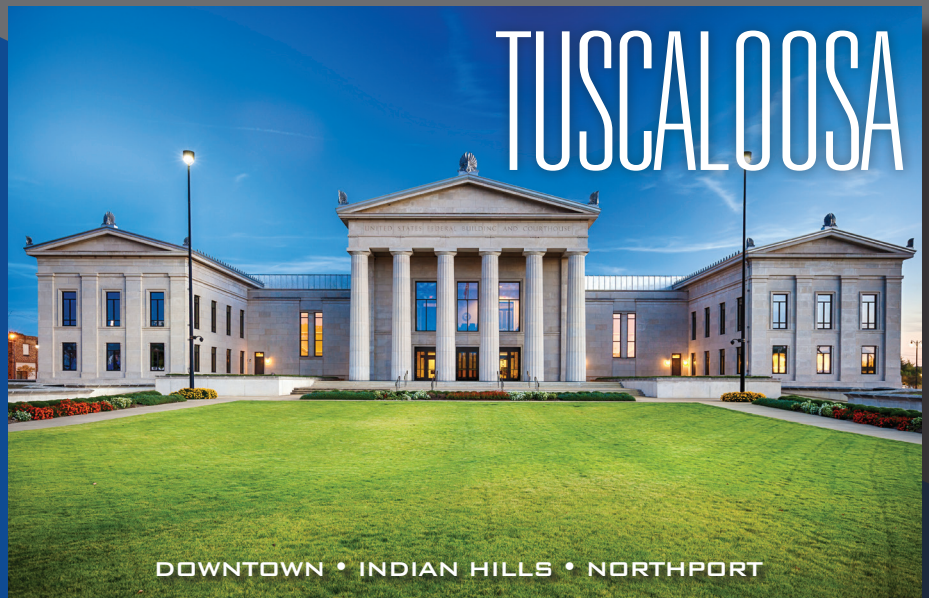


SmartBank®

NOW IN ALABAMA!

In 2017, SmartBank's footprint expanded into the state of Alabama adding eight additional branches and a Loan Production Office through the acquisition of Capstone Bank. SmartBank's innovative approach to banking combined with cutting-edge products, use of technology and superior client service make the brand a great fit for its newest diverse markets spanning Tuscaloosa, Southwest Alabama and Baldwin County.

Incorporated in the year 1819, the city of Tuscaloosa is deeply rooted in history. Located along the riverbanks of the Black Warrior River, the city is home to The University of Alabama, but also so much more. Tuscaloosa has been the regional center of industry, commerce, healthcare and education for West Alabama. With hundreds of restaurants, activities, museums and parks, it has managed to become one of Alabama's most progressive cities.



Southwest Alabama is a region known for its rich and diverse heritage, historic homes and churches, and natural beauty. From locally owned restaurants with award winning menus to an abundance of artisans, Southwest Alabama is full of many deeply rooted tight-knit communities.



Baldwin County is located along the shores of the Gulf of Mexico and Mobile Bay and is one of the fastest growing counties in Alabama. It remains a popular destination for visitors, from all over the nation and world, year-round because of first class golf courses, beautiful beaches and unlimited recreational opportunities.



SMART GROWTH

SmartBank, known for its progressiveness and innovative style of banking, opened its doors to the community in 2007 and has been building a foundation of strong leadership, forward thinking and a sincere desire to provide incomparable client service ever since.



2017

2016

2015

2014

2013

2012

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

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

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

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

SmartBank opened the Panama City, FL Loan Production Office and relocated the Pensacola, FL branch. SmartBank also opened its newly designed and second location in Knoxville, TN

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

\$325
MILLION



2011

2010

2009

2008

2007

2006

Assets grew to
over \$325 million
through organic
growth

SmartBank expanded
into the Knoxville, TN
market with its
fourth branch

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

Formation of
SmartFinancial, Inc.
holding company

SmartBank opened
its third branch
in Gatlinburg, TN

Organization of
SmartBank

SmartBank EXECUTIVE TEAM



BILLY CARROLL
President and
Chief Executive Officer



BEVERLY ATCHLEY
Senior Vice President
Senior Deposit Operations
and Administrative Officer



GREG DAVIS
Executive Vice President
Chief Lending Officer



KELLEY FOWLER
Senior Vice President
Director of Marketing and
Public Relations



FRANK HUGHES
Executive Vice President
SmartFinancial Investment &
Institutional Investor Relations



C. BRYAN JOHNSON
Executive Vice President
Chief Financial Officer



RHETT JORDAN
Executive Vice President
Chief Credit Officer



GARY PETTY
Executive Vice President
Chief Risk Officer



DIANE SHORT
Executive Vice President
Chief Human Resources
Officer

SmartBank MARKET EXECUTIVES



ROBERT KUHN
Alabama and Florida
Regional President



BARRY WATSON
Chattanooga
Regional President



BOBBY CASTLE
Senior Vice President
Sevier County
Market Executive



BRIAN GROESCHELL
Senior Vice President
Tuscaloosa
Market Executive



ED HAMMELE
Senior Vice President
Baldwin County
Market Executive



MIKE HONEYCUTT
Senior Vice President
Knoxville Area
Market Executive



MATT JENNE
Senior Vice President
Cleveland
Market Executive



GAIL MICELI
Senior Vice President
Okaloosa County
Market Executive



TERRY PHILLIPS
Senior Vice President
Southwest Alabama
Market Executive



EMORY SINGLETARY
Senior Vice President
Panama City
Market Executive



JOHNNIE WRIGHT
Senior Vice President
Pensacola
Market Executive

THE SMARTBANK WAY

CORE VALUES

Act with integrity • Be enthusiastic • Create positivity • Demonstrate accountability • Embrace change

CORE PURPOSE

CREATE **WOW** EXPERIENCES

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.

We will achieve our desired position to be the Southeast's next great community bank by:

CREATING
"WOW"
EXPERIENCES

EXHIBITING
OVER-THE-TOP
ENTHUSIASM
AND POSITIVITY

DELIVERING
EXCEPTIONAL,
PROFESSIONAL &
KNOWLEDGEABLE
SERVICE



SmartFinancial, Inc.

FINANCIAL SUMMARY



SmartFinancial, Inc.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF SMARTFINANCIAL

The following selected historical consolidated financial data as of and for the years ended December 31, 2017 and 2016 is derived from the audited consolidated financial statements of the company, which includes two months of post-Capstone Bank acquisition results in 2017.

(Amounts are in thousands, except ratios, per share data, branches and FTEs.)

	Years Ended December 31,	
	2017	2016
SUMMARY OF OPERATIONS		
Total interest income	\$ 52,022	\$ 42,564
Total interest expense	5,693	4,299
Net interest income	46,329	38,265
Provision for loan losses	783	788
Net interest income after provision for loan losses	45,546	37,477
Non-interest income	4,980	4,183
Non-interest expense	39,082	32,499
Income before income taxes	11,444	9,161
Income tax expense	6,429	3,362
Consolidated net income	5,015	5,799
Preferred stock dividend	195	1,022
Net income available to common stockholders	\$ 4,820	\$ 4,777
SHARE AND PER COMMON SHARE DATA:		
Basic earnings per share	\$ 0.56	\$ 0.82
Diluted earnings per share	0.55	0.78
Common equity per common share outstanding	18.46	15.81
Tangible book value per common share ¹	13.90	14.69
Dividends per common share	N/A	N/A
Preferred shares outstanding	—	12
Actual common shares outstanding	11,153	5,896
Weighted average common shares outstanding	8,639	5,839
Diluted weighted average common shares outstanding	8,794	6,119

**Years Ended December 31,
2017 2016**

BALANCE SHEET DATA:

Average total assets	\$1,188,589	\$1,012,232
Average gross loans, net of deferred loan fees	919,603	768,720
Average interest-earning assets	1,083,739	944,640
Average deposits	1,011,385	864,439
Average interest-bearing deposits	838,543	724,787
Average interest-bearing liabilities	863,286	763,567
Average total shareholders' equity	145,804	103,478

SELECTED FINANCIAL RATIOS:

Return on average assets	0.42%	0.57%
Return on average equity	3.44%	5.59%
Average equity to average total assets	12.27%	10.22%
Efficiency ratio ²	76.00%	76.43%
Net interest margin ³	4.30%	4.06%
Net interest spread	4.16%	3.95%

CAPITAL RATIOS:

Total Capital (to Risk-Weighted Assets)	10.98%	11.99%
Tier 1 Capital (to Risk-Weighted Assets)	10.59%	11.42%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	10.59%	10.05%
Tier 1 Capital (to Average Assets)	10.78%	9.81%

ASSET QUALITY RATIOS:

Net charge-offs to average loans	—%	—%
Allowance to period end loans	0.44%	0.63%
Allowance for loan losses to non-performing loans	179.04%	241.49%
Non-performing assets to total assets	0.38%	0.42%

OTHER DATA:

Branches	22	12
Loan production offices	4	3
Full-time equivalent employees	343	222

Non-GAAP Financial Measures

¹ Tangible common book value per common share is calculated by taking shareholders' equity; subtracting total preferred stock, preferred stock paid in capital, goodwill, and other intangible assets; and dividing the total by common shares outstanding.

² Efficiency ratio is calculated as non-interest expense divided by the sum of net interest income on a fully tax equivalent basis plus non-interest income.

³ Net interest margin is the result of net interest income calculated on a tax-equivalent basis divided by average interest earning assets for the period.

LOCATIONS

ALABAMA BRANCHES

Chatom

16780 Jordan Street
Chatom, AL 36518
251.847.2251

Fairhope

103 Ecor Rouge Place
Fairhope, AL 36532
251.990.5766

Jackson

1600 College Avenue
Jackson, AL 36545
251.246.5771

McIntosh

158 Commerce Street
McIntosh, AL 36553
251.944.2211

Northport

2000 Lurleen B Wallace Blvd
Northport, AL 35476
205.469.7990

Tuscaloosa (Indian Hills)

230 McFarland Circle North
Tuscaloosa, AL 35406
205.469.1100

Tuscaloosa (University)

2301 University Blvd
Tuscaloosa, AL 35401
205.469.4000

Thomasville

33219 Hwy 43
Thomasville, AL 36784
334.636.2999

FLORIDA BRANCHES

Destin

4405 Commons Drive East
Destin, FL 32541
850.269.0871

Panama City

2411 Jenks Avenue
Panama City, FL 32405
850.392.0350

Pensacola

201 North Palafox Street
Pensacola, FL 32502
850.857.0320

TENNESSEE BRANCHES

Chattanooga (Downtown)

835 Georgia Avenue
Chattanooga, TN 37402
423.385.3081

Chattanooga (Gunbarrel)

2280 Gunbarrel Road
Chattanooga, TN 37421
423.385.3150

Cleveland

3200 Keith St NW
Cleveland, TN 37311
423.803.6569

East Ridge

4154 Ringgold Road
East Ridge, TN 37412
423.385.3037

Gatlinburg

570 East Parkway
Gatlinburg, TN 37738
865.868.0670

Hixson

5319 Highway 153
Hixson, TN 37343
423.385.3060

***Knoxville, TN (Bearden)**

5401 Kingston Pike #600
Knoxville, TN 37919
865.437.5700

Knoxville (Cedar Bluff)

202 Advantage Place
Knoxville, TN 37922
865.437.5740

Ooltewah

8966 Old Lee Highway
Ooltewah, TN 37363
423.385.3170

****Pigeon Forge**

2430 Teaster Lane #205
Pigeon Forge, TN 37863
865.453.2650

Sevierville

1011 Parkway
Sevierville, TN 37862
865.868.0688

***SmartFinancial, Inc. Corporate Office**

****SmartBank Main Office**

LOAN PRODUCTION OFFICES

Dalton, GA

202 West Crawford Street
Dalton, GA 30720
706.529.8887

Daphne, AL

28810 Highway 98, Suite E
Daphne, AL 36526
251.800.4727

Morristown, TN

525 West Morris Blvd, Ste A
Morristown, TN 37813
866.290.2554

Panama City, FL

(Mortgage LPO)
243 Southwood Drive
Panama City, FL 32405
850.392.0355

INVESTOR RELATIONS

Investor Relations Contact

Frank Hughes, Executive Vice President
6413 Lee Hwy #107
Chattanooga, TN 37421
423.385.3009
frank.hughes@smartbank.com

SmartFinancial, Inc.

5401 Kingston Pike #600
Knoxville, TN 37919
866.290.2554

Market Makers

Raymond James & Associates
UBS AG
Knight Capital Americas, L.P.
Credit Suisse 1st Boston
Keefe, Bruyette & Woods
Hovde Group

Stock Transfer Agent Info

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

Stock Symbol

Nasdaq Capital Market:
SMBK

Analyst Coverage

Raymond James & Associates
Hovde Group
Keefe, Bruyette & Woods

SmartFinancial, Inc.

Annual Shareholders' Meeting

Thursday, May 24th at 3:00 pm
SmartBank - Pigeon Forge Branch
2430 Teaster Lane Pigeon Forge, TN 37863
Meeting contact: Frank Hughes at frank.hughes@smartbank.com

Electronic Voting

To vote electronically, please go to www.smartfinancialinc.com
You may also download a copy of the 2017 SmartFinancial, Inc. Annual Report.

Forward-Looking Statements

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



SmartFinancial, Inc.