SmartFinancial, Inc.

Second Quarter 2018 Earnings Call

July 25, 2018

Legal Disclaimer

Forward-Looking Statements

Certain of the statements made in this presentation may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements, including statements regarding the intent, belief, or current expectations of SmartFinancial's management regarding the company's strategic direction, prospects, or future results or the benefits of the proposed merger with Foothills Bancorp (the "Foothills merger"), are subject to numerous risks and uncertainties. Such risks and uncertainties include, among others, (1) the risk that the cost savings and revenue synergies anticipated in connection with the Foothills merger may not be realized or may take longer than anticipated to be realized, (2) disruption from the Foothills merger with customers, suppliers, or employee or other business relationships, (3) the occurrence of any event, change, or other circumstances that could give rise to the termination of the merger agreement with Foothills Bancorp, (4) the risk of successful integration of our business with that of Foothills Bancorp, (5) the failure of Foothills Bancorp's shareholders to approve the merger agreement, (6) the amount of costs, fees, expenses, and charges related to the Foothills merger, (7) our ability to successfully integrate the businesses acquired as part of previous mergers with that of SmartBank, (8) reputational risk and the reaction of our customers and Foothills Bancorp's customers to the Foothills merger, (9) the failure of the conditions to closing of the Foothills merger to be satisfied, (10) the risk that the integration of our merger partners' businesses into our operations will be materially delayed or will be more costly or difficult than expected, (11) the possibility that the Foothills merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events, (12) the dilution caused by SmartFinancial's issuance of additional shares of its common stock in the Foothills merger, (13) changes in management's plans for the future, (14) prevailing economic and political conditions, particularly in our market areas, (15) credit risk associated with our lending activities, (16) changes in interest rates, loan demand, real estate values, and competition, (17) changes in accounting principles, policies, or guidelines, (18) changes in applicable laws, rules, or regulations, and (19) other competitive, economic, political, and market factors affecting our business, operations, pricing, products, and services. Certain additional factors which could affect the forward-looking statements can be found in SmartFinancial's annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, in each case filed with or furnished to the SEC and available on the SEC's website (www.sec.gov). SmartFinancial disclaims any obligation to update or revise any forward-looking statements contained in this presentation, which speak only as of the date hereof, whether as a result of new information, future events, or otherwise.

Non-GAAP Financial Measures

Statements included in this presentation include non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of non-GAAP financial measures to GAAP financial measures. SmartFinancial management uses several non-GAAP financial measures, including: (i) net operating earnings available to common shareholders; (ii) operating efficiency ratio; (iii) tangible common equity, and (iv) net interest income ex- purchase accounting adjustments in its analysis of the company's performance. Net operating earnings available to common shareholders excludes the following from net income available to common shareholders: securities gains and losses, merger conversion expenses, and the effect of the December, 2017 tax law change on deferred tax assets, and the income tax effect of adjustments. The operating efficiency ratio excludes securities gains and losses and merger expenses from the efficiency ratio. Tangible common equity excludes total preferred stock, preferred stock paid in capital, goodwill, and other intangible assets. Net interest income ex- purchase accounting adjustments excludes the additional accretion income from acquired loans which are a result of purchase accounting treatment. 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.

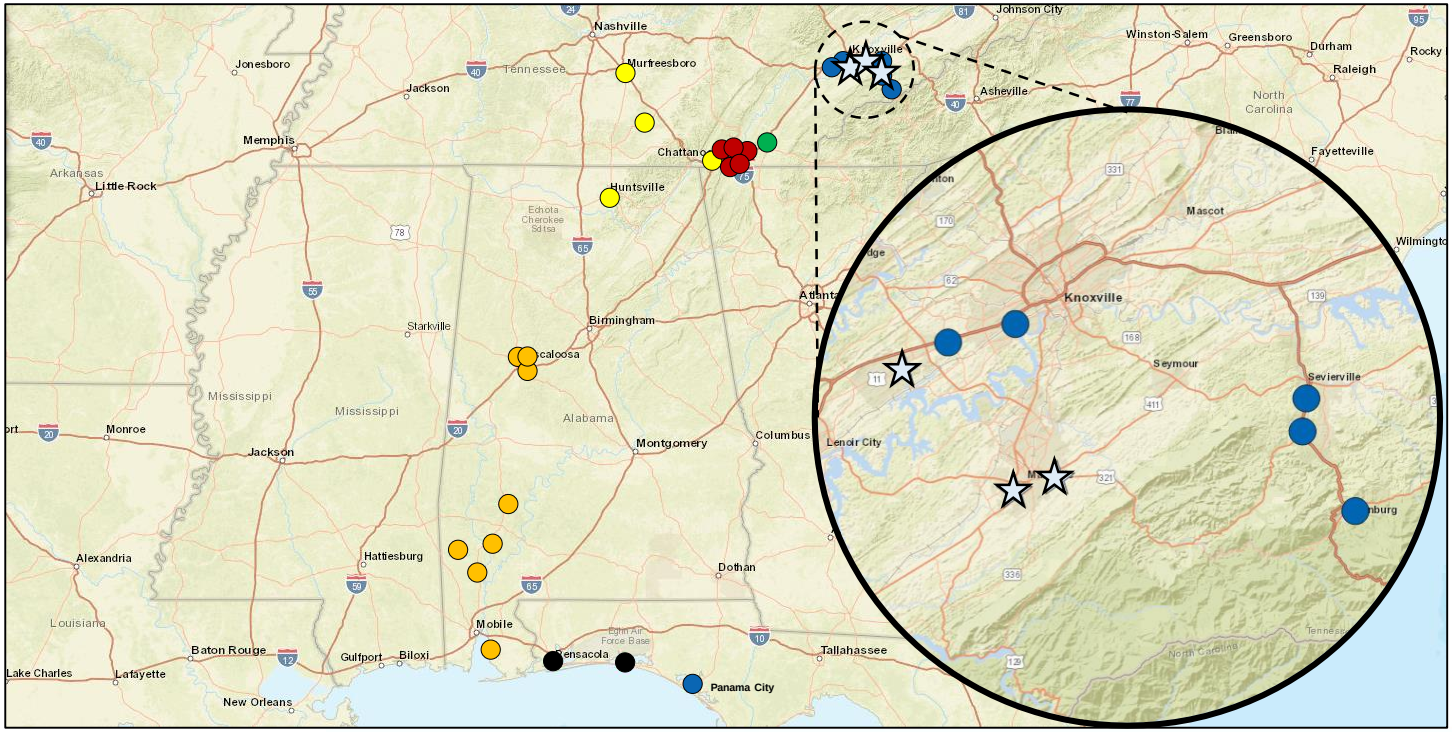
Important Information

Important Information for Shareholders

This presentation shall not constitute an offer to sell, the solicitation of an offer to sell, or the solicitation of an offer to buy any securities or the solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed merger with Foothills Bancorp, Inc. ("Foothills Bancorp"), SmartFinancial will file a registration statement on Form S-4 with the Securities and Exchange Commission (the "SEC"), which will contain the proxy statement of Foothills Bancorp and a prospectus of SmartFinancial. Shareholders of Foothills Bancorp are encouraged to read the registration statement, including the proxy statement/prospectus that will be part of the registration statement, because it will contain important information about the proposed merger, Foothills Bancorp, and SmartFinancial. After the registration statement is filed with the SEC, the proxy statement/prospectus and other relevant documents will be mailed to Foothills Bancorp shareholders and will be available for free on the SEC's website (www.sec.gov). The proxy statement/prospectus will also be made available for free by contacting Ron Gorczynski, SmartFinancial's Chief Administrative Officer, at 865.437.5724 or Mark Loudermilk, the President and Chief Executive Officer of Foothills Bancorp, at 865.738.2230. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

The SmartFinancial Story

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



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

Map Sources: S&P Global Market Intelligence, ESRI

SmartFinancial, Inc.

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.

Our Business Strategy

- Create a valuable southeastern banking franchise through organic growth in strong markets, coupled with an acquisition model positioning our company as a partner of choice for banks in our region
- Continually improve earnings and efficiency metrics as we build out our model with scale
- Execute a disciplined growth strategy that never loses focus on a strong asset quality culture
- Create the premier banking franchise in our markets by driving quality core deposit growth
- Insist on a consistent culture and environment where top performers want to work

An Emerging Southeast Acquirer

- SmartFinancial is transforming into an experienced and preferred Southeast acquirer, having completed five transactions that added low-cost core deposits in attractive markets across three states
- Nearly three-fourths of the total franchise's assets and core deposits, including the pro forma impact of the Foothills transaction, have been assembled through a careful series of acquisitions since 2012
- SmartFinancial continues to have ongoing discussions with potential targets in existing and contiguous markets

Merger Target	Merger Type	Merger Completion Date	Target Markets	Current SmartBank Branches	Core Deposits Acquired[1] ($000)
GulfSouth Private Bank	FDIC - Assisted Transaction	10/19/12	Panhandle Florida	2	111,900
Cornerstone Community Bank	Reverse Merger of Equals	08/31/15	Chattanooga MSA	5	287,609
Cleveland, TN Branch	Branch	05/19/17	Cleveland, TN	1	21,900
Capstone Bank	Whole Bank	11/01/17	Alabama	8	379,911
Southern Community Bank	Whole Bank	05/01/18	Middle TN/Huntsville, AL	4	203,029
Foothills Bank & Trust	Whole Bank	-	Knoxville, TN	3	191,787
			Acquired Franchise	**23**	**1,004,349**
			Pro Forma SMBK Franchise[2]	**29**	**1,656,165**

[1] *Core deposits are defined as Total Deposits less Brokered Deposits and Listing Service Deposits, as reported just prior to completion*

[2] *Pro Forma SMBK Franchise reflects reported 1Q2018 Core Deposits, adjusted to include Southern Community Bank and Foothills Bank & Trust*

Source: S&P Global Market Intelligence

Disciplined Acquisition Strategy

- SmartFinancial has adhered to a disciplined set of merger criteria including:
  - No more than 3 years of initial TBV-per-share dilution
  - Meaningful EPS accretion in the first full year of operations
  - Conservative loan marks
  - Franchise additive
- SmartFinancial is committed to balancing organic growth with thoughtful acquisitions and will not make acquisitions simply for the sake of growth
- The table below shows the initial projected impacts of the three whole bank acquisitions announced within the last 5 quarters

Target	Announcement	TBV Earnback[1]	First Full Year EPS Accretion (Projected)	P/TBV (Announce)	Credit Mark Approach
Capstone Bank	May 2017	~ 3.0 years	25%	159%	>ALLL
Southern Community Bank	December 2017	< 2.5 years	10%	149%	>ALLL
Foothills Bank & Trust[2]	June 2018	~ 2.7 years	8%	168%	>ALLL

[1] *Earnback periods and EPS accretion for mergers announced before federal tax reform should be more favorable to shareholders under the lower corporate tax rate*

[2] *Pricing based on 20-day closing average in SMBK stock prior to announcement*

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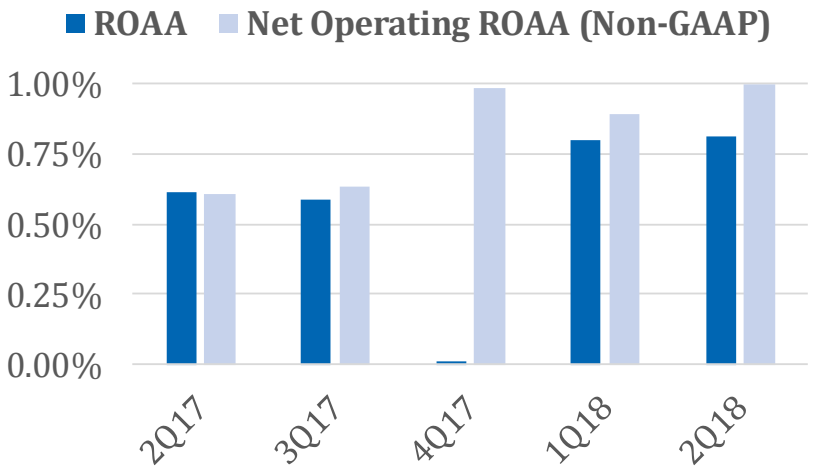
Second Quarter 2018 Earnings Call

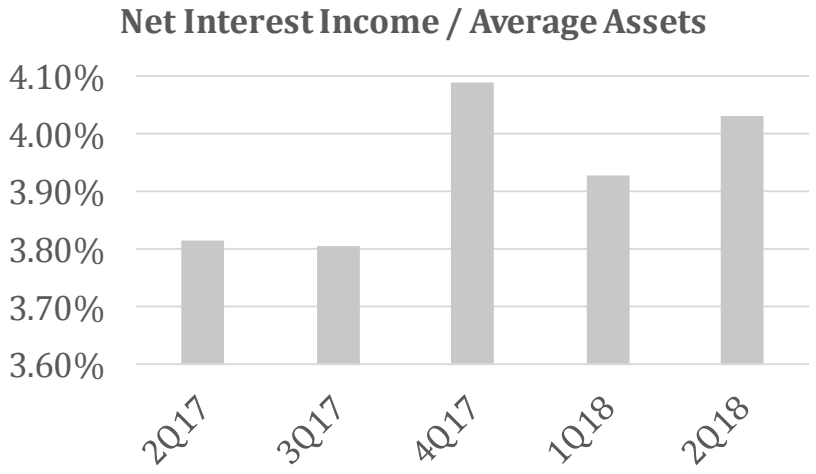
FINANCIAL HIGHLIGHTS

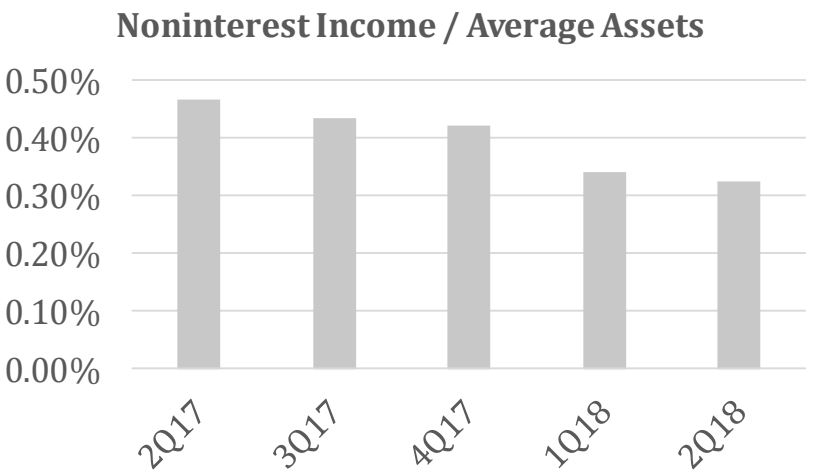
Second Quarter 2018 Highlights

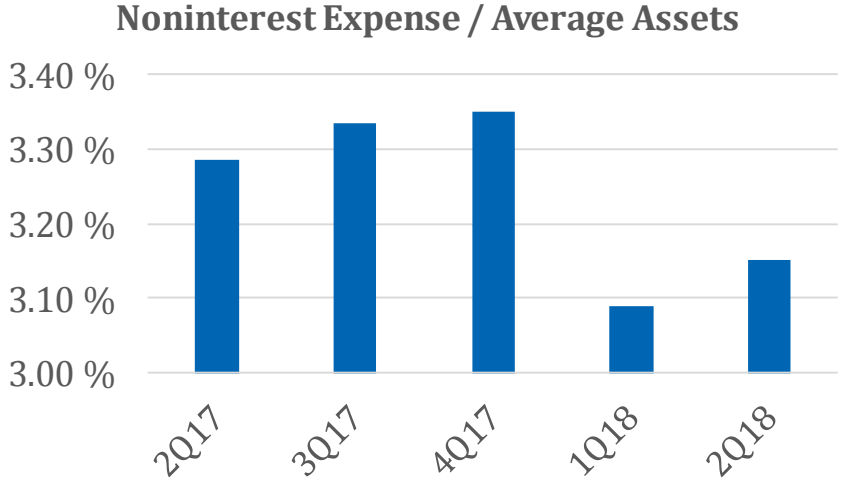
- Net Income of $3.9 million for the quarter, up 139% from a year earlier
- ROAA of 0.81% for the quarter and Net Operating ROAA (Non-GAAP) of 1.00%
- Net Interest Margin (*fully taxable equivalent "FTE"*) of 4.57%, up 42 basis points from a year earlier
- Nonperforming Assets were 0.25% of Total Assets
- Completed second acquisition in seven months, increasing assets to $2.0 billion

Summary Results









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Earnings Profile – Second Quarter 2018

- EPS increased 60% year over year ("YoY")
- Earnings Before Income Taxes increased 120% YoY
- Net Interest Income increased over 90% YoY primarily due to higher average earning asset balances and higher earning asset yields
- Increases in Noninterest Expense primarily driven by the Capstone and Tennessee Bancshares acquisitions, as well as merger expenses

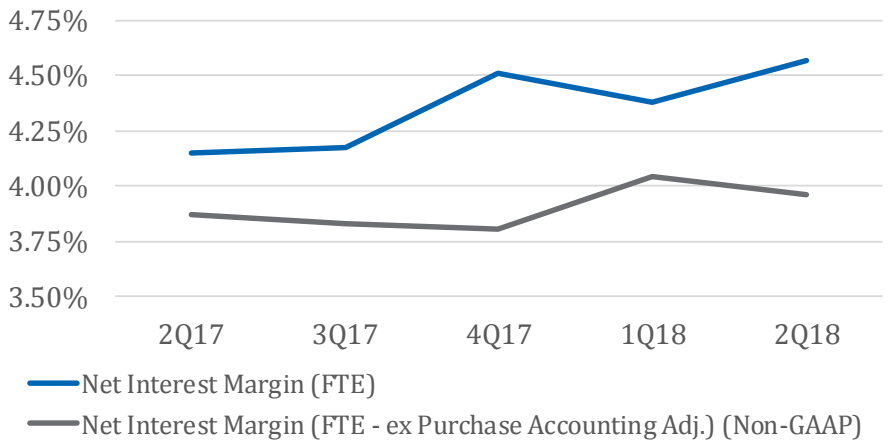
	2Q18	1Q18	2Q17
Total Interest Income	$22,993	$19,378	$11,517
Total Interest Expense	3,455	2,567	1,268
Net Interest Income	19,538	16,811	10,249
Provision for Loan Losses	617	689	298
Net Interest Income After Provision for Loan Losses	18,921	16,122	9,951
Total Noninterest Income	1,577	1,455	1,252
Total Noninterest Expense	15,272	13,222	8,829
Earnings Before Income Taxes	5,226	4,355	2,374
Income Tax Expense	1,295	940	726
Net Income Available to Common Shareholders	$3,932	$3,415	$1,648
Net Income Per Common Share			
Basic	$0.32	$0.30	$0.20
Diluted	$0.32	$0.30	$0.20
Net Operating Earnings Per Common Share (Non-GAAP):			
Basic	$0.40	$0.34	$0.25
Diluted	$0.39	$0.34	$0.25

Net Interest Income

- Net Interest Margin (FTE) increased quarter to quarter primarily due to increases on the yields of both core loans and securities, and higher purchase accounting adjustments on acquired loans
- Compared to a year ago, Earning Asset Yields are up 72 basis points; the Average Cost of Interest-bearing Liabilities are up 35 basis points
- Excluding the effect of purchase accounting adjustments, the Net Interest Margin (FTE) decreased 9 basis points quarter to quarter

	2Q18	1Q18	2Q17
Net Interest Income	$19,538	$16,811	$10,249
Average Earning Assets	$1,717,524	$1,558,516	$992,133

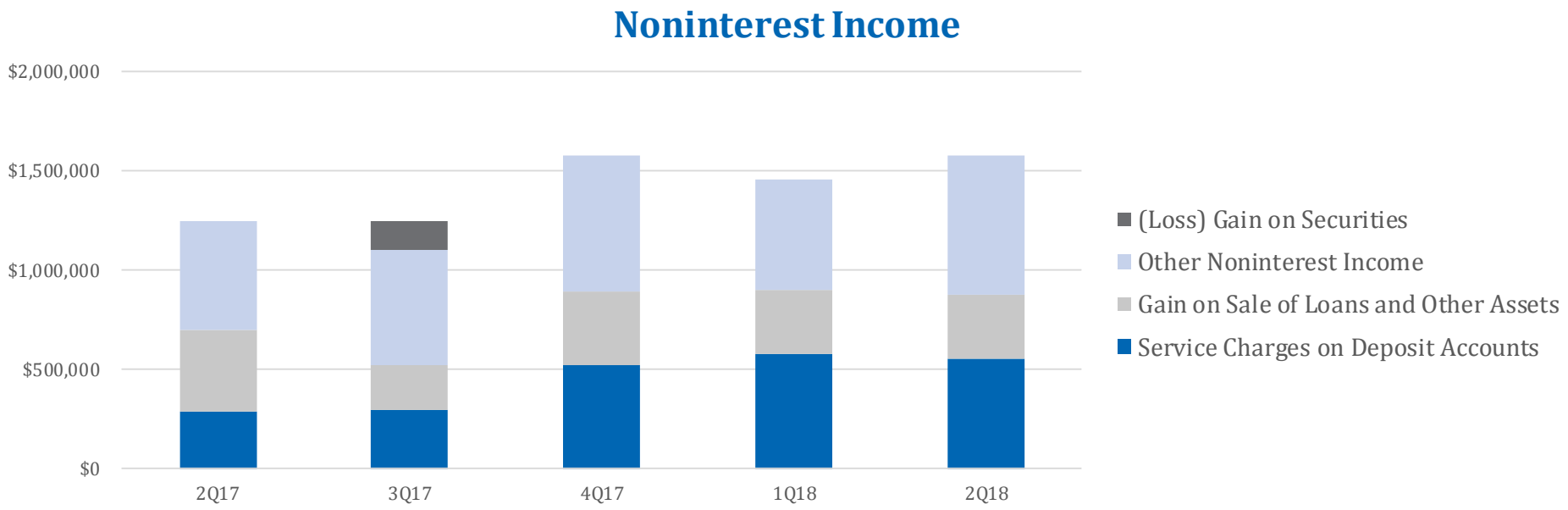
Net Interest Margin



Average Yields and Rates	2Q18	1Q18	2Q17
Loans	5.79%	5.49%	5.17%
Investment Securities and Interest-bearing Due from Banks	2.35%	2.11%	1.87%
Federal Funds and Other Investments	6.42%	4.87%	5.56%
Earning Asset Yields	5.38%	5.05%	4.66%
Total Interest-bearing Deposits	0.96%	0.79%	0.65%
Securities Sold Under Agreement to Repurchase	0.28%	0.33%	0.32%
Federal Home Loan Bank Advances and Other Borrowings	3.64%	2.33%	1.27%
Total Interest-bearing Liabilities	1.00%	0.82%	0.65%
Net Interest Margin (FTE)	4.57%	4.38%	4.15%
Cost of Funds	0.81%	0.69%	0.54%

Noninterest Income

- 2Q18 Noninterest Income increased primarily due to higher other noninterest income
- Quarterly Noninterest Income has trended higher over the last five quarters from approximately $1.2 million in 2Q17 to $1.6 million in 2Q18



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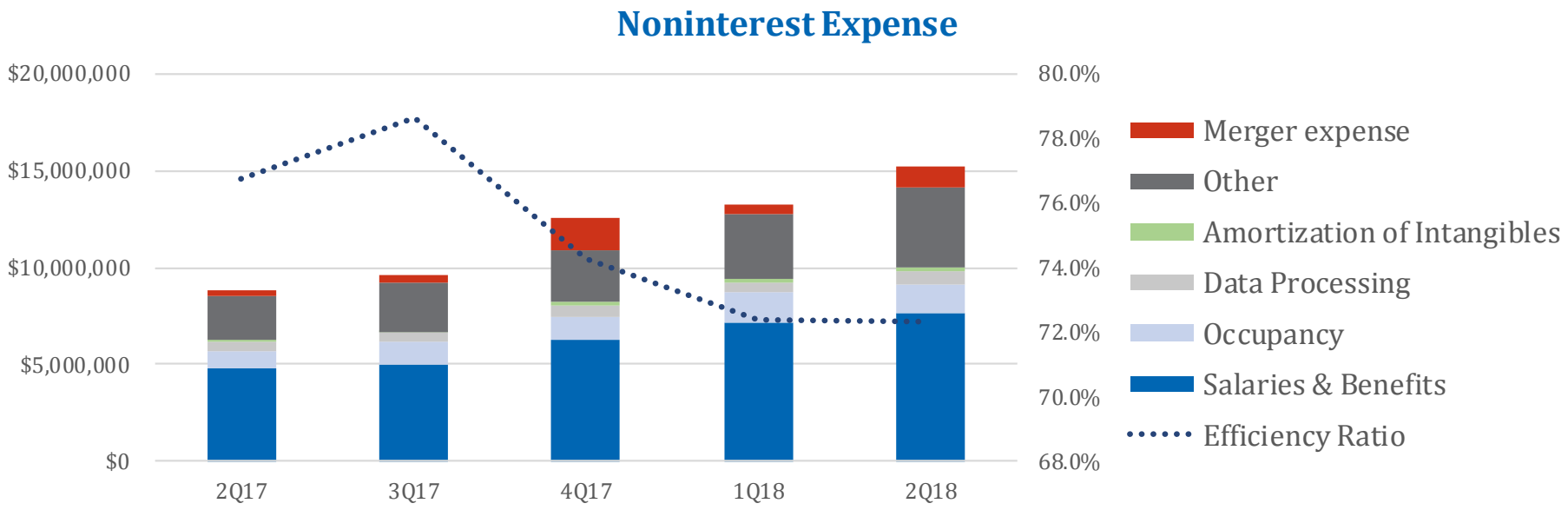
Noninterest Expense

- Efficiency Ratio decreased to 72.3%, the lowest of any quarter since the Cornerstone merger in 2015. Operating Efficiency Ratio (Non-GAAP) was 64.8%;
- Salary increases are primarily due to the addition of associates from the Tennessee Bancshares acquisition during the quarter
- Data processing slightly elevated due to operating two core systems for half of the quarter
- Merger expense of $1.1 million in the quarter



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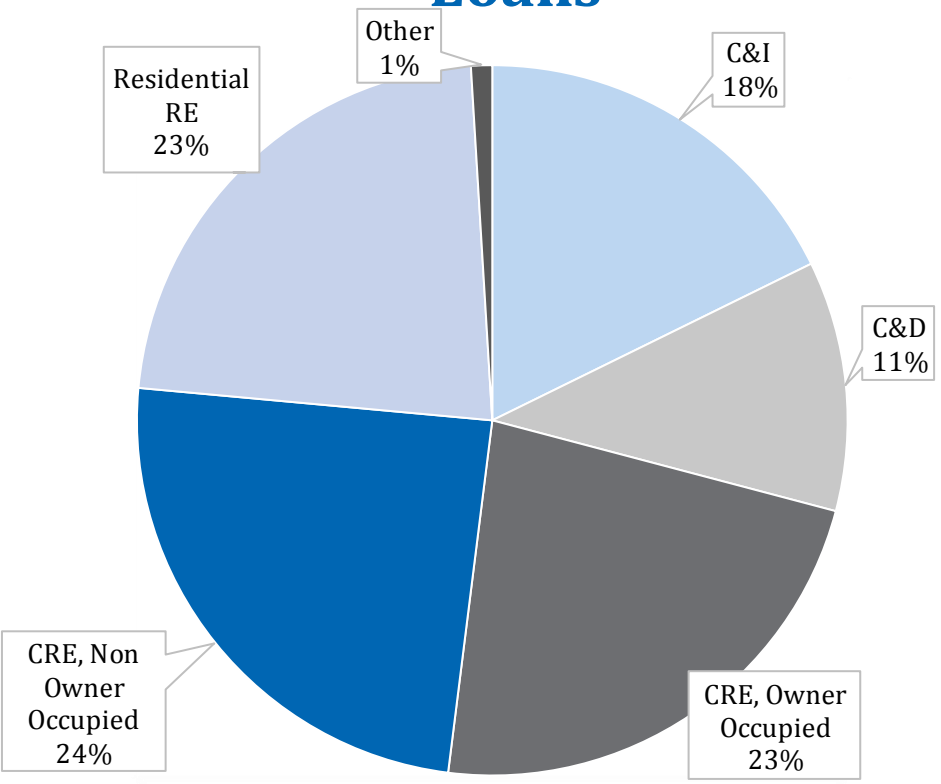
Balance Sheet

- Assets increased primarily due to the Tennessee Bancshares acquisition
- Cash & Cash Equivalents elevated due to liquidation of acquired securities portfolio
- Shift from Interest-bearing Demand to Money Market and Savings due to product change on one municipal deposit
- FHLB & Other Borrowings includes $15 million in holding company line of credit, with the remaining balance in short term FHLB borrowings

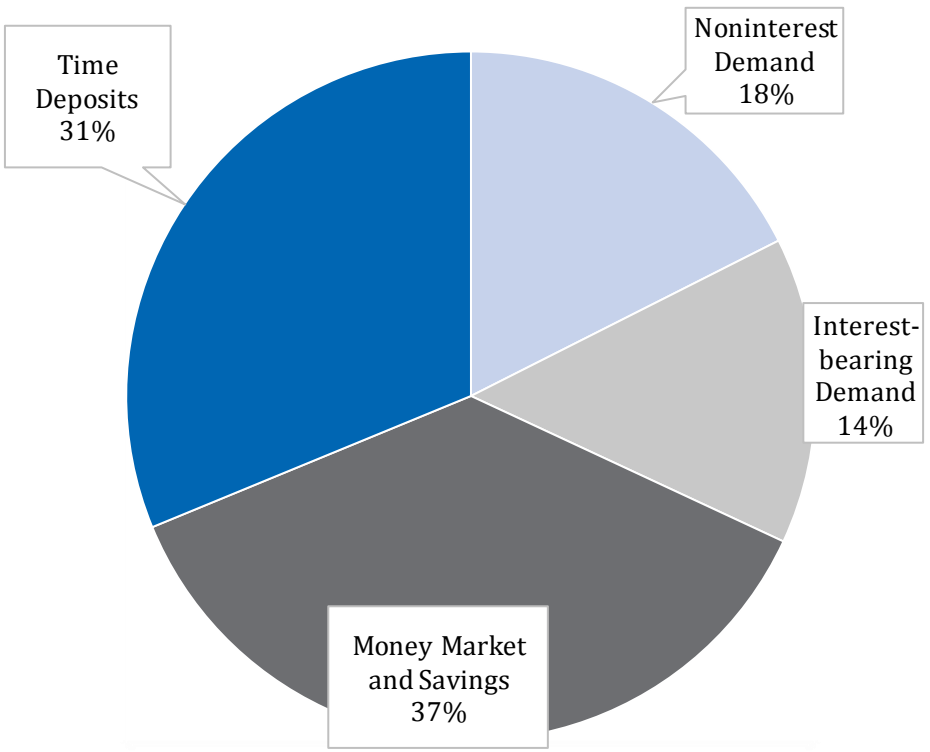
	2Q18	1Q18	2Q17
Cash & Cash Equivalents	$ 170,235	$ 96,710	$ 82,835
Securities Available for Sale	156,577	156,210	132,762
Other Investments	8,273	7,808	6,080
Total Loans	1,575,434	1,374,256	865,421
Allowance for Loan Losses	(7,074)	(6,477)	(5,498)
Premises and Equipment	52,203	44,202	33,765
Foreclosed Assets	3,524	2,665	2,369
Goodwill and Other Intangibles	68,449	50,660	7,492
Cash Surrender Value of Life Insurance	21,944	21,797	11,392
Other Assets	12,666	12,593	8,861
Total Assets	$ 2,062,232	$ 1,760,425	$ 1,145,479
Non-interest Demand	$ 301,318	$ 276,249	$ 183,324
Interest-bearing Demand	246,942	278,965	156,150
Money Market and Savings	632,518	491,243	324,014
Time Deposits	535,879	453,276	318,147
Total Deposits	1,716,658	1,499,733	981,635
Repurchase Agreements	18,635	15,968	22,946
FHLB & Other Borrowings	72,040	30,000	-
Other Liabilities	7,413	5,775	6,164
Total Liabilities	$ 1,814,745	$ 1,551,476	$ 1,010,745
Total Shareholders' Equity	$ 247,487	$ 208,949	$ 134,734
Total Liabilities & Shareholders' Equity	$ 2,062,232	$ 1,760,425	$ 1,145,479

Loan & Deposit Composition 2Q18

Loans



Deposits



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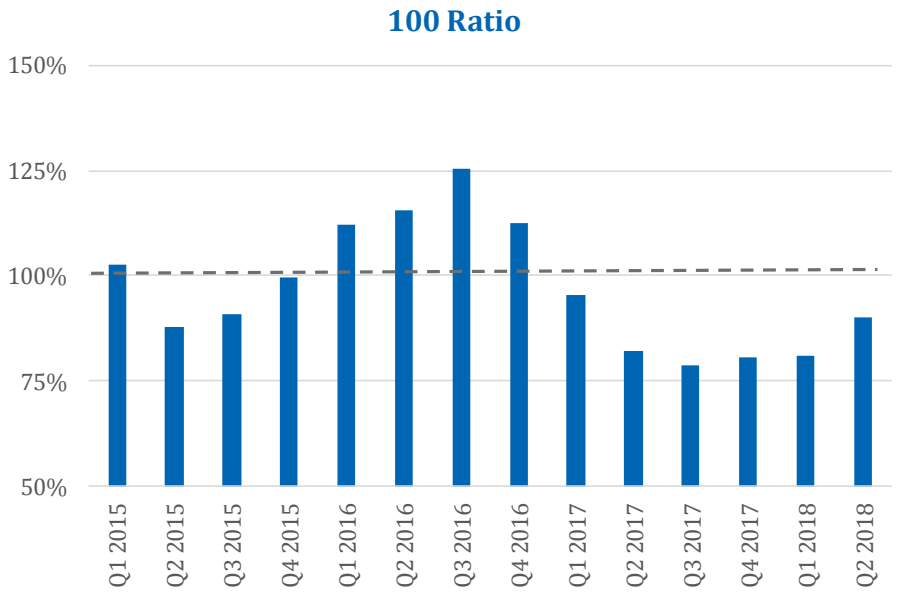
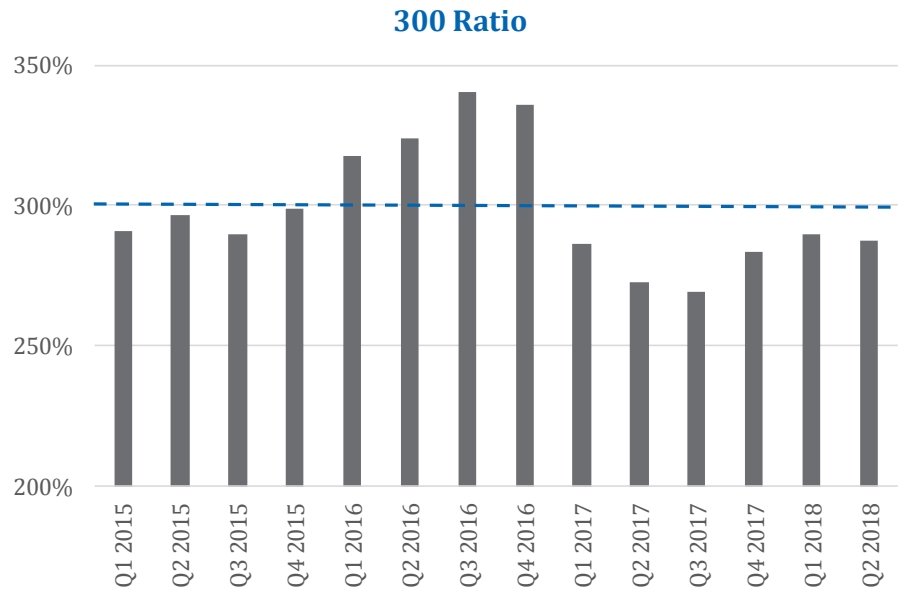
CRE Ratios

- C&D levels (100 Ratio) are still well below regulatory guidance levels
- Total CRE levels (300 Ratio) remained relatively stable quarter to quarter
- Managing these ratios are part of our overall organic growth, merger opportunity and capital management strategies





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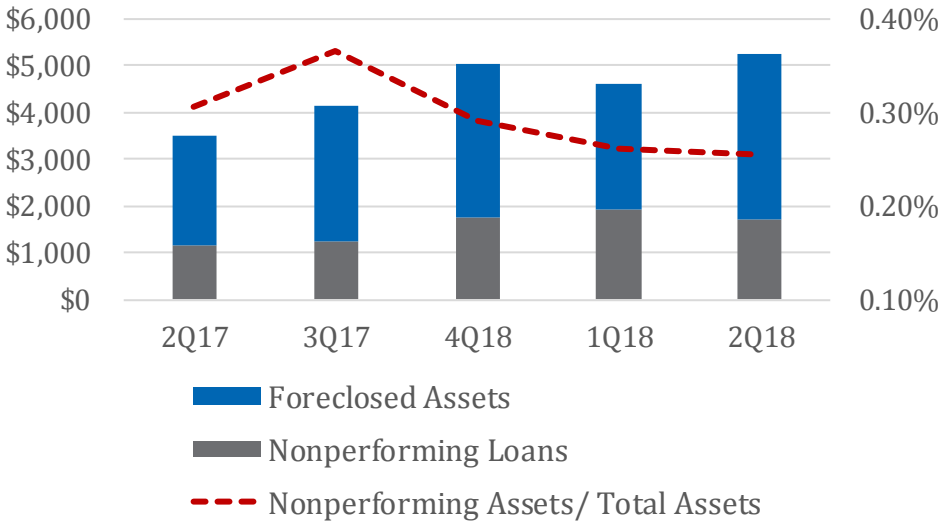
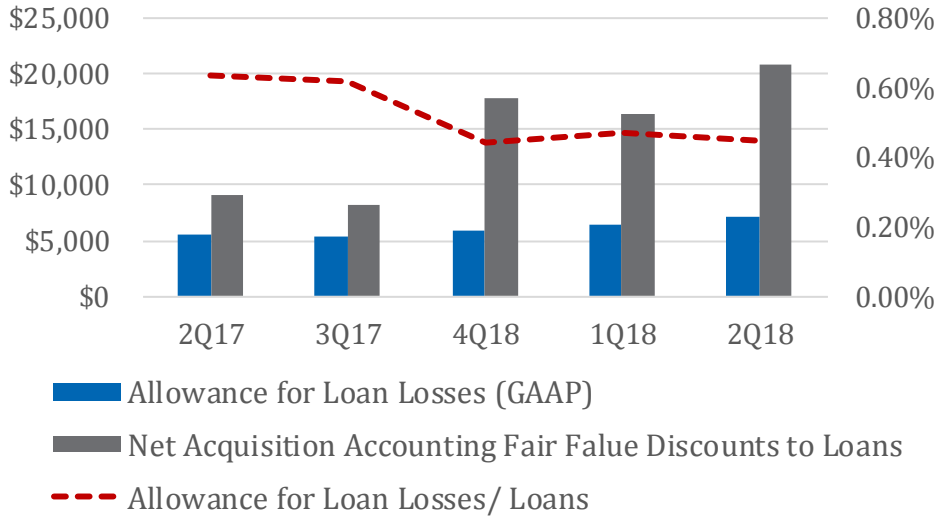
Asset Quality

- Excellent asset quality, with Nonperforming Assets at 0.25% of Total Assets
- Remaining fair value discounts on acquired loans are more than 2.9x the current Allowance For Loan Losses
- Acquisitions are marked conservatively for potential losses

Nonperforming Assets



Loan Discounts



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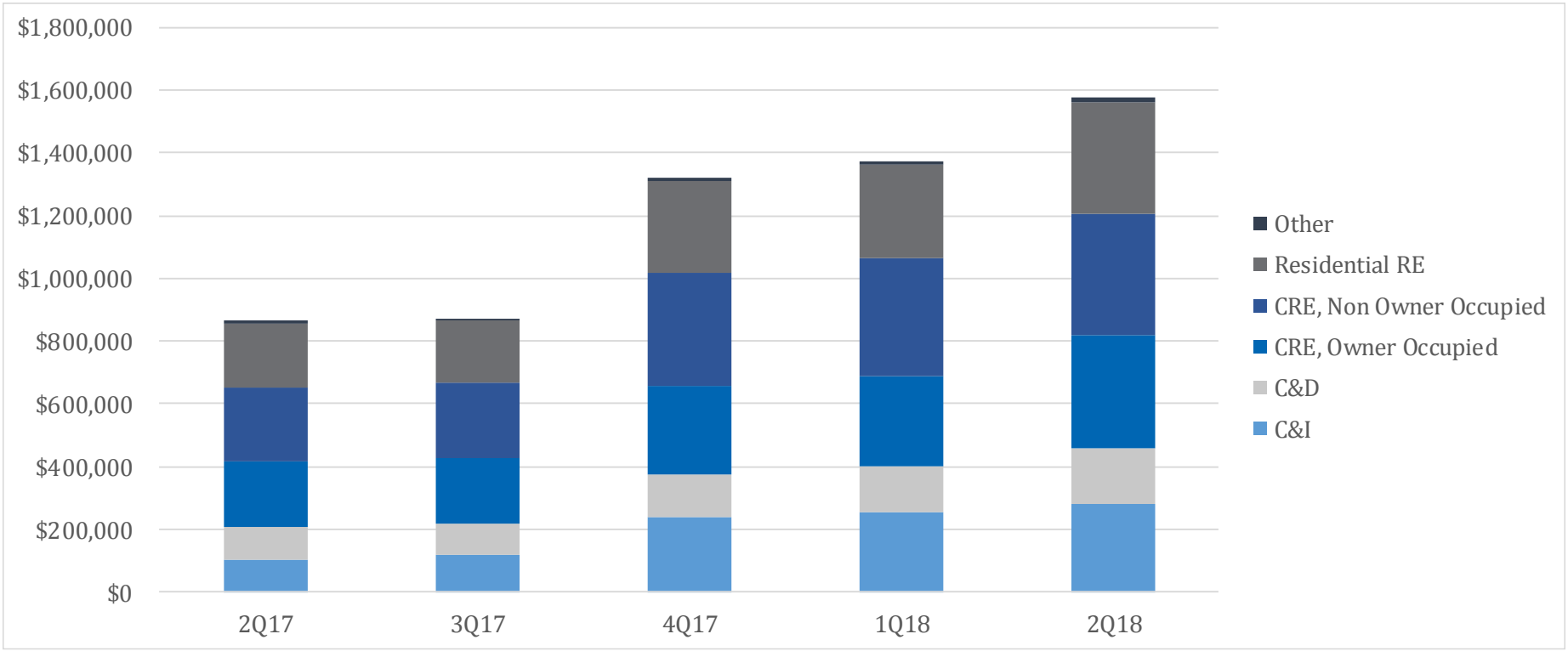
Supplemental Information

Loan Composition Over Time

- Loan balance increases due to acquired loans and organic growth
- Loan composition shifted slightly, with Owner Occupied CRE and Residential RE contributing to a larger percent of the portfolio



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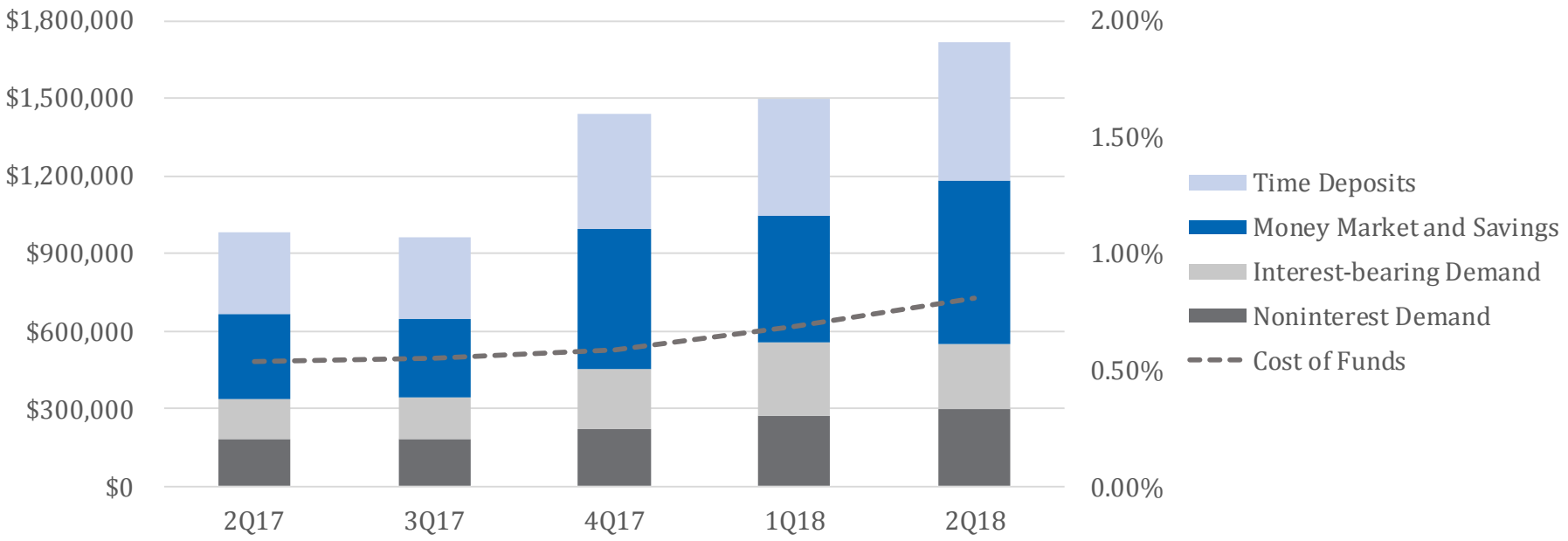
Deposit Composition Over Time

- Well diversified deposit mix growth of money market, savings, and noninterest demand replacing mostly wholesale time deposits
- Cost of funds increased just 27 bps while Fed Funds has increased 75 bps over the last year



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Non-GAAP Reconciliations

	2Q18	1Q18	4Q17	3Q17	2Q17
Net interest income - ex purchase acct. adj.					
Net interest income (GAAP)	$ 19,538	$ 16,811	$ 15,342	$ 10,924	$ 10,249
Taxable equivalent adjustment	23	16	22	21	21
Net interest income TEY	19,561	16,827	15,364	10,945	10,270
Purchase accounting adjustments	2,583	1,273	2,411	888	696
Net interest income -ex purchase acct. adj. (Non-GAAP)	$ 16,978	$ 15,554	$ 12,953	$ 10,057	$ 9,574
Loan Discount Data					
Allowance for loan losses (GAAP)	$ 7,074	$ 6,477	$ 5,860	$ 5,393	$ 5,498
Net acquisition accounting fair value discounts to loans	20,748	16,323	17,862	8,167	9,086
Tangible Common Equity					
Shareholders' equity (GAAP)	$ 247,487	$ 208,949	$ 205,852	$ 136,588	$ 134,734
Less goodwill and other intangible assets	68,449	50,660	50,837	7,414	7,492
Tangible Common Equity (Non-GAAP)	$ 179,037	$ 158,289	$ 155,015	$ 129,174	$ 127,242

Non-GAAP Reconciliations

	2Q18	1Q18	4Q17	3Q17	2Q17
Operating Earnings					
Net income (GAAP)	$ 3,932	$ 3,415	$ 38	$ 1,685	$ 1,648
Securities (gains) losses	1	-	-	(144)	-
Merger costs	1,123	498	1,694	303	420
Revaluation of deferred tax assets due to change in tax law	-	-	2,482	-	-
Income tax effect of adjustments	(211)	(103)	(506)	(25)	(3)
Net operating earnings available to common shareholders (Non-GAAP)	$ 4,845	$ 3,810	$ 3,707	$ 1,819	$ 2,065
Net operating earnings per common share:					
Basic	$0.40	$0.34	$0.35	$0.22	$0.25
Diluted	$0.39	$0.34	$0.35	$0.22	$0.25
Operating Efficiency Ratio					
Efficiency ratio (GAAP)	72.33%	72.97%	74.25%	78.62%	76.77%
Adjustment for taxable equivalent yields	(0.15%)	(0.09%)	(0.13%)	(0.22%)	(0.22%)
Adjustment for securities gains (losses)	(0.01%)	-	-	1.50%	-
Adjustment for merger expenses	(7.35%)	(3.76%)	(13.48%)	(3.18%)	(4.76%)
Operating efficiency ratio (Non-GAAP)	64.82%	69.12%	60.64%	76.72%	71.79%

SmartFinancial, Inc. Management

- Over 26 years in banking
- Led company from start-up in 2007 to over $2.0 billion today
- Former EVP and Chief Financial Officer of Citizen's National Bank

Billy Carroll
President & CEO



- Over 15 years in banking
- Responsible for driving key strategic initiatives and oversees the Board of Directors
- Former President of Welborn and Associates; and President and CEO of Boyd Brothers, Inc. and a Founding Partner of the Lamp Post Group

Miller Welborn
Chairman of the Board



- Over 23 years in banking and financial services
- Responsible for driving M&A, investor relations, financial analysis and development management
- Former EVP and Chief Accounting Officer of BNC; and CFO of Square 1 Bank

Ron Gorczynski
Chief Administration Officer



- Over 16 years in financial services
- Responsible for finance and accounting
- Former investment advisor at Moon Capital Management

C. Bryan Johnson
Chief Financial Officer



- Over 20 years in banking
- Responsible for credit risk including credit underwriting, policy and special assets
- Former SVP and East Tennessee Area Credit Officer of Regions Bank

Rhett Jordan
Chief Credit Officer



- Over 30 years in financial industry
- Oversees the commercial and consumer lending divisions
- Former bank examiner for TN Dep. of Financial Institutions ; SVP and City Executive for BB&T

Greg Davis
Chief Lending Officer



- Over 30 years in financial industry
- Oversees the commercial and retail deposit divisions
- Former President & CEO of Southern Community Bank; District Manager for US Bank

Bill Yoder
Chief Banking and Deposit Officer



Investor Contacts

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