

FOR IMMEDIATE RELEASE

May 22, 2017

Capstone Bank set to merge with SmartBank *Local bank merging with Tennessee-based community bank*

KNOXVILLE, Tenn. – May 22, 2017 – SmartFinancial, Inc., parent company of SmartBank (“SmartFinancial”; NASDAQ: SMBK), and Capstone Bancshares, Inc., parent company of Capstone Bank (“Capstone”), jointly announced today the signing of a definitive merger agreement pursuant to which SmartFinancial will acquire Capstone. Upon the completion of the transaction, the combined company is expected to have assets in excess of \$1.5 billion.

“I am thrilled we have the opportunity to merge Capstone with SmartBank,” said Capstone President and CEO, Robert Kuhn. “Philosophically, our core values are perfectly aligned, from servicing our customers to taking care of our team members and being active in the communities we serve. We could not have picked a better fit or partner with the same community banking perspective.”

Kuhn is quite familiar with the SmartFinancial executive team, including Tuscaloosa native, Miller Welborn, a childhood friend of Kuhn’s who is the SmartFinancial Chairman. “I grew up with Miller and look forward to working alongside him and his entire team as we introduce the SmartBank brand to Alabama.”

“This is an exciting partnership for our entire team and especially for me, personally,” added Welborn. “Alabama is a great banking market and Capstone is a great community bank, one that I’m very familiar with. To have the opportunity to work with Robert and build on what they have created from a community banking standpoint is an honor.”

Steve Tucker, Capstone’s Chairman believes the merger will be extremely beneficial to both customers and shareholders. “This merger will provide our customers with an enhanced lending platform, the best banking options available, as well as convenience and exceptional service from the people they know and trust.”

Tucker added, “Our shareholders have always been deeply committed to the principles of community banks and this new partnership simply ensures the longevity of our hometown banks that are deeply rooted in their respective communities.”

Capstone Bank was formed in 2008 and is headquartered in Tuscaloosa, AL. The bank has eight locations in Tuscaloosa, Washington, Clarke and Baldwin counties.

Established in 2007, SmartBank has more than \$1 billion in assets and operates 14 branches and two loan production offices spanning East Tennessee and the Florida Panhandle.

The acquisition, which is subject to customary closing conditions, including the approval of each party’s shareholders and the receipt of all necessary regulatory approvals, is expected to be completed in the fourth quarter of 2017.

The merger agreement provides for the merger of Capstone Bancshares, Inc. with and into SmartFinancial, Inc., with SmartFinancial, Inc. as the surviving corporation, and the subsequent merger of Capstone Bank with and into SmartBank, with SmartBank as the surviving bank.

Under the terms of the merger agreement, each Capstone shareholder will be allowed to elect to receive all cash consideration, all stock consideration, or 20 percent cash consideration and 80 percent stock consideration for the shareholder's Capstone shares, subject to proration to ensure that 80 percent of the aggregate consideration paid to Capstone shareholders is in the form of SmartFinancial common stock and 20 percent of the aggregate consideration paid to Capstone shareholders is cash. Capstone shareholders receiving cash consideration will receive \$18.50 per share of Capstone stock, and those receiving stock consideration will receive 0.85 shares of SmartFinancial common stock for each share of Capstone stock.

The transaction is valued at approximately \$84.8 million based on the closing price of SmartFinancial common stock on May 22, 2017.

Raymond James & Associates, Inc. served as financial advisor to SmartFinancial, and SmartFinancial was represented by the law firm Butler Snow LLP. Stephens Inc. served as financial advisor to Capstone, and Capstone was represented by the law firm Burr & Forman LLP.

About SmartFinancial, Inc.

SmartFinancial, Inc., with assets in excess of \$1.0 billion, is a publicly-traded bank holding company for SmartBank based in Knoxville, Tennessee. SmartBank is a full-service commercial bank founded in 2007, with 14 branches and two loan production offices spanning East Tennessee 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.

About Capstone Bancshares, Inc.

Capstone Bancshares, Inc. is the bank holding company for Capstone Bank, an Alabama chartered bank headquartered in Tuscaloosa, Alabama. Capstone Bank has offices in Tuscaloosa, Washington, Clarke and Baldwin counties. As of March 31, 2017, Capstone Bank had total assets of approximately \$510 million, deposits of approximately \$446 million, and loans of approximately \$412 million.

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Important Information for Investors and Shareholders

In connection with the proposed merger, SmartFinancial, Inc. ("**SmartFinancial**") will file with the Securities and Exchange Commission ("**SEC**") a registration statement on Form S-4 containing a joint proxy statement/prospectus of Capstone Bancshares, Inc. ("**Capstone**") and SmartFinancial. A definitive joint proxy statement/prospectus will be mailed to shareholders of both SmartFinancial and Capstone. **Shareholders of SmartFinancial and Capstone are urged to read the joint proxy statement/prospectus and other documents that will be filed with the SEC carefully and in their entirety when they become available because they will contain important information.**

Shareholders will be able to obtain free copies of the registration statement and the joint proxy statement/prospectus (when available) and other documents filed with the SEC by SmartFinancial through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by SmartFinancial will also be available free of charge on SmartFinancial's website at www.smartfinancialinc.com or by contacting SmartFinancial's Investor Relations Department at (423) 385-3009.

SmartFinancial, Capstone, their directors and executive officers, and other members of management and employees may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information about the directors and executive officers of SmartFinancial is set forth in SmartFinancial's proxy statement for its 2017 annual shareholders meeting. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

Forward Looking Statement Disclosure

This release contains forward-looking statements. SmartFinancial cautions you that a number of important factors could cause actual results to differ materially from those currently anticipated in any forward-looking statement. Such factors include, but are not limited to: the businesses of Capstone and SmartFinancial may not be integrated successfully or such integration may take longer to accomplish than expected; the expected cost savings and revenue synergies from the merger may not be fully realized within the expected timeframes or at all; disruption from the merger may make it difficult to maintain relationships with clients or employees; the required governmental approvals for the merger may not be obtained on the proposed terms and schedules or at all; Capstone's shareholders and/or SmartFinancial's shareholders may not approve the merger; changes in prevailing economic and political conditions, particularly in our market areas, including the areas served by Capstone; credit risk associated with our lending activities; changes in interest rates, loan demand, real estate values, and competition; changes in accounting principles, policies, and guidelines; changes in any applicable law, rule, regulation, or practice with respect to tax or legal issues; and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products, and services and other factors that may be described in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q as filed with the SEC from time to time. The forward-looking statements are made as of the date of this release, and, except as may be required by applicable law or regulation, SmartFinancial assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.