FNS Bancshares, Inc.

Alan K. Gay
Chairman of the Board

July 18, 2019

TO THE SHAREHOLDERS:

Attached is the Consolidated Income Statement for the three and six month periods ended June 30, 2019 and 2018, respectively. Also attached is the Consolidated Balance Sheet as of June 30, 2019 and December 31, 2018. Please note information presented on a quarterly basis is unaudited.

We are generally pleased with our results in the second quarter and first half of 2019, as our acquisitions of two banks in 2017 and 2018 are contributing to substantially enhanced earnings. Income for the three months ended June 30, 2019 was $2.152 million, up 38% over the same period in 2018. Income for the first half was $3.773 million, or $3.13/share, up 27% over the $2.47/share recorded in the first half of 2018. It's been a challenging 30 months of work for the bank staff and board of directors, but we are a much stronger bank as a result, and we are happy to be able to deliver greater earnings and continue on our strategy to enhance shareholder value.

We deliberately constrained deposit growth in the second quarter after the 5.7% growth in the first quarter. Deposit costs were up only slightly, to .77%. Loans grew 1.7% in the second quarter, reversing part of the 3.5% decline in the first quarter. Lending is in a very competitive part of the economic cycle, and most banks are reporting tepid loan growth. Our largest challenge is that several of the regional banks have relaxed their lending standards for income-producing investment property loans to a level with which we are not comfortable. In response, we have hired two new seasoned commercial lenders and a treasury services officer in Chattanooga, where we see strong demand in small and mid-sized business lending and deposit services. We have also leased space to open a new banking office in downtown Chattanooga that will focus on commercial business, targeted to open by year-end. This expansion of our Chattanooga presence should accelerate our loan growth in the second half of 2019.

Finally, I call your attention again to our FNS website at www.fnsbancshares.com. Please subscribe to email updates if you have not done so already.

Sincerely,

Alan K. Gay
Chairman

Forward-Looking Statements
Statements in this letter relating to FNS Bancshares, Inc.'s plans, objectives, expectations or future performance are forward-looking statements. The words "believe," "may," "should," "anticipate," "estimate," "expect," "intend," "objective," "possible," "seek," "plan," "strive", "view" or similar words, or negatives of these words, identify forward-looking statements. These forward-looking statements are based on management's current expectations. The Company's actual results in future periods may differ materially from those indicated by forward-looking statements due to various risks and uncertainties, including those related to the acquisition of Catoosa Bancshares.

FNS BANCSHARES
Consolidated Income Statement
(Dollars in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Interest Income				
Interest and fees on loans	$ 6,937	$ 5,265	$ 13,676	$ 10,297
Interest and dividends on investments securities	651	547	1,292	1,077
Interest on fed funds and interest bearing deposits	314	119	538	201
Total Interest Income	7,902	5,931	15,506	11,575
Interest Expense				
Interest on deposits	1,111	656	2,116	1,271
Interest on borrowings	119	79	263	155
Total Interest Expense	1,230	735	2,379	1,426
Net Interest Income Before Provisions	6,672	5,196	13,127	10,149
Provisions for Loan Losses	170	267	596	534
Net interest income After Provision	6,502	4,929	12,531	9,615
Non Interest Income	1,337	1,056	2,538	2,095
Non Interest Expense	5,294	4,234	10,748	8,300
Income Before Income Taxes	2,545	1,751	4,321	3,410
Provision for Income Taxes	393	191	548	435
NET INCOME	$ 2,152	$ 1,560	$ 3,773	$ 2,975
Earnings per Share (period end)	$ 1.79	$ 1.30	$ 3.13	$ 2.47

FNS BANCSHARES
Consolidated Balance Sheet
(Dollars in thousands except per share data)

	For the Period Ending	
	Jun 30, 2019	**Dec 31, 2018**
	Unaudited	*Audited*
ASSETS		
Cash and due from Banks	$ 65,897	32,825
Investments securities available-for-sale	87,675	88,420
Other investments	6,992	7,693
Mortgage Loans held-for-sale	431	611
Loans, net	461,958	470,508
Premises and equipment, net	16,526	16,429
Cash surrender value of life insurance	11,624	11,494
Goodwill	6,822	6,582
Core deposit intangibles	4,120	4,354
Other Real Estate	766	915
Other Assets	7,465	7,635
Total Assets	$ 670,276	$ 647,466
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Deposits	581,819	549,909
Dividends Payable	0	0
Other Liabilities	3,858	15,177
Note Payable	5,717	6,193
Trust Preferred	4,155	4,155
Total Liabilities	595,549	575,434
Shareholder Equity		
Capital Stock, $.01 par value	12	12
Surplus	19,168	19,167
Retained Earinings	55,644	54,557
Treasury stock, at cost	(1,166)	(1,166)
Accumulated other comp income	1,069	(538)
Total Shareholder Equity	74,727	72,032
		0
Total Liabilities and Stockholder's Equity	$ 670,276	$ 647,466
Shareholders Equity/Share	62.05	59.81
Shareholders Equity/Share exc AOCI	61.16	60.26
Tangible Common Equity	$ 63,785	$ 61,096
TCE Ratio	9.52%	9.44%
TCE per Share	52.96	50.73
Share Authorized	2,000,000	2,000,000
Shares Issued	1,227,600	1,227,600
Treasury Stock	23,261	23,261
Shares Outstanding	1,204,339	1,204,339