INSBANK

WHERE GENUINE MATTERS.



InsCorp, Inc. Shareholder Report 2013

Message to Shareholders

Dear Shareholders:

In the 2013 annual report you will observe both positive trajectory of bank operations as well as elements of innovation, the latter of which is part of our vision for the company. While details of the bank's success in 2013 can be found in the enclosed management discussion of operations, we are very pleased to report another year of significant pre-tax earnings increase, superior asset quality, and balance sheet growth at a rate much higher than our peers.

We believe the intrinsic value of InsCorp shares continues to rise due to the above-mentioned financial performance, forward-looking business model, niche markets served, and attractive geographic market. Additionally, the dividend paid at the end of 2013 provided a modest yield to our investors while allowing the bank to retain sufficient capital to support a continued strong rate of growth.

Also augmenting our growth capacity is a $3.5 million holding company credit facility that was procured at the end of the first quarter of 2014. This provided InsCorp the opportunity to leverage its equity capital with a prudent level of debt capital, and did so at a fixed rate well below the bank's current return on equity. With continued growth, this strategy should be accretive to the value of your common stock.

Beyond the quantitative criteria and measurements, other recent events/factors that are providing momentum for the future include the following:

- Formation of TMA Medical Banking, a division of INSBANK
- Growth of mortgage operations including partnerships with several other community banks for Finworth Mortgage to serve as their back office mortgage provider
- Addition of Joel Sullivan, Regional CEO, American Red Cross, as a new local director
- Employee retention rate of 96% in 2013
- Recognition in media and by other third parties for performance and quality, including being named as a finalist for the Nashville Business Journal's "Best in Business" awards, for the second year in a row.

In addition to budgeted plans for continuing growth, increasing earnings per share, and maintenance of portfolio quality, the board of directors remains focused on enhancing the value and liquidity of InsCorp shares. Planning is underway for presentations to potential investors as a means of accomplishing these objectives in 2014 and expanding our shareholder base.

Your support of our company is appreciated, and we hope that you will consider INSBANK and Finworth Mortgage for banking and mortgage services.

Sincerely,



Thomas H. Loventhal, Chairman, InsCorp



James H. Rieniets, Jr.
President/CEO, INSBANK



Michael A. Qualls
Chairman, INSBANK

Building Relationships



Reagan Farr, Silicon Ranch
Jim Rieniets, INSBANK
Andy Hawkins, INSBANK
Matthew Kisber, Silicon Ranch



Philip Fons, INSBANK
Tommy Peters, B.B. King's

Where Genuine Matters



Jim Rieniets, INSBANK
Mike Qualls, INSBANK
Commissioner Greg Gonzales, TN
Department of Financial Institutions



Brian Hadfield, FSI
Gina Lodge, FSI
Philip Fons, INSBANK
Blake Adams, INSBANK



Clients - Patrick & Margaret Boyd
Leslie Smith, INSBANK
Jana Spicer, INSBANK



Front
Jim Rieniets, INSBANK
Russ Miller, TMA
Dr. Rentz Dunn

Back
Michael Hurst, TMA
Dr. Greg Rowbatham
Blake Wilson, INSBANK

Consolidated Financial Statements (audited)

Balance Sheets

	December 31, 2013	December 31, 2012
Assets		
Cash and Cash Equivalents	$ 1,730	$ 2,673
Interest Bearing Deposits	17,994	20,936
Securities	17,887	18,764
Loans Held for Sale	899	564
Loans	174,392	150,213
Allowance for Loan Losses	(2,511)	(2,666)
Net Loans	171,881	147,547
Premises and Equipment, net	5,000	5,104
Bank Owned Life Insurance	4,238	4,100
Restricted Equity Securities	2,362	2,290
Goodwill & Related Intangibles, net	1,241	1,489
Other Assets	2,771	2,333
Total Assets	$ 226,003	$ 205,800
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Non-interest-bearing	$ 13,624	$ 21,751
Interest-bearing	155,897	126,562
Total Deposits	169,521	148,313
Federal Home Loan Bank Advances	33,650	33,642
Other Liabilities	1,166	3,297
Total Liabilities	204,337	185,252
Shareholders' Equity		
Preferred Stock*	3,000	3,000
Common Stock	17,082	17,042
Accumulated Retained Earnings	1,694	275
Accumulated Other Comprehensive Income	(110)	231
Total Stockholders' Equity	21,666	20,548
Total Liabilities & Shareholders' Equity	$ 226,003	$ 205,800
Book Value per share	$10.32	$9.70

Income Statements

	Year ended December 31, 2013	Year ended December 31, 2012
Interest Income	$ 8,964	$ 7,985
Interest Expense	2,117	2,552
Net Interest Income	6,847	5,433
Provision for Loan Losses	(170)	(175)
Non-Interest Income		
Service Charges on Deposit Accounts	73	55
Residential Mortgage Services	192	354
Bank Owned Life Insurance	138	74
Other	28	280
Non-Interest Expense		
Salaries & Benefits	2,854	2,584
Occupancy & Equipment	418	404
Data Processing	248	203
Marketing & Advertising	208	199
Other	1,191	1,032
Net Income from Operations	2,529	1,949
Net Gains on Security Transactions	-	64
Pre-Tax Income	2,529	2,013
Income Tax Expense	900	364
Net Income	$ 1,629	$ 1,649

Statement of Changes in Shareholders' Equity

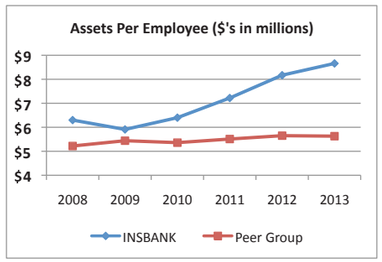
Balance at December 31, 2012	$ 20,548
Dividends	
Preferred Stock	(30)
Common Stock	(181)
Stock Compensation Expense	41
Net Income	1,629
Change in Unrealized Gain on Securities Available for Sale	(341)
Balance at December 31, 2013	$ 21,666

Dollars in Thousands

**Issued to the US Treasury through the Small Business Lending Fund (SBLF)*

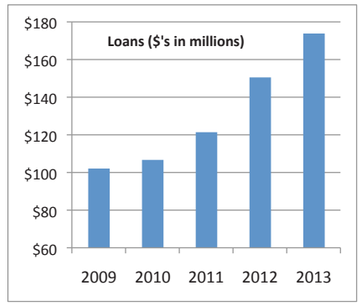
Management Discussion of Financials

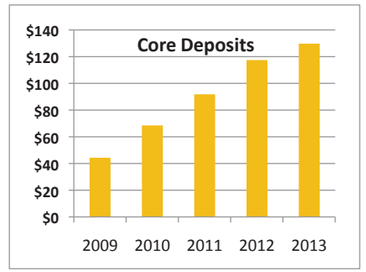
The INSBANK team performed very well in 2013, and our accomplishments included both quantitative targets and non-financial objectives. The latter allowed us to further advance core elements of our business model, including: operational efficiencies; repeatable revenues; minimizing lines of business that represent disproportionate compliance challenges, and serving niche markets that allow us differentiation from our competitors. A notable achievement last year was developing the opportunity to partner with the Tennessee Medical Association on "TMA Medical Banking, a division on INSBANK." A multi-year marketing agreement provides us the opportunity to focus on TMA's membership of more than 8,000 physicians, and we expect this to be an opportunity for growth.



Continued growth finds us optimizing our resources in ways that increase our efficiency, whether that is completing the build-out of available space in our headquarters location, or leveraging our financial standing to enhance our capital structure with a holding company loan. These strategies are pursued to enhance our earnings per share, with a near-term goal of achieving a return on common equity of greater than 10%.

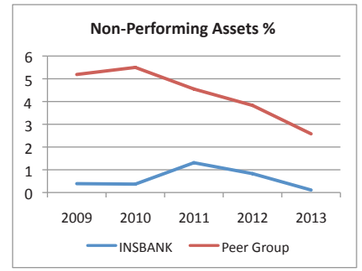
Lending – With a capable and stable lending team focused on building relationships, production was significant in 2013. Gross loan commitments closed exceeded $60 million for the year, which produced net growth of $25 million, or 16%. That rate of growth placed INSBANK in the 90th percentile for its banking peer group (per FDIC data). With the Nashville economy prospering, the market for commercial loans and commercial construction financing saw increasing demand. Lending opportunities have been limited at times, however, due to competitive pricing that does not meet INSBANK's threshold for profitability and/or interest rate risk.

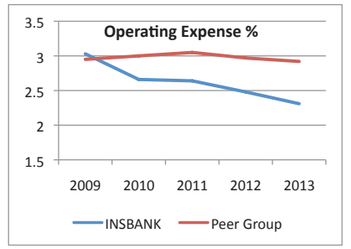




Deposits – To support loan growth, marketing and advertising efforts focused on retail deposits. Both total deposits and core deposits saw proportionate growth during the year, increasing 14% and 10%, respectively. Despite attractive promotional rates utilized to increase deposit households, the percentage cost of deposits decreased from 1.20% down to 0.97%. This helped offset a reduction in asset yields and aided in increasing margins.

Asset Quality / Risk Management – Asset quality remains our first priority and 2013 saw a repeat performance of superior portfolio performance. Non-performing assets further reduced to 0.11%, which is far less than the peer group average, and charge-off activity resulted in a net recovery of $15,000. We are currently investing in new software that will enhance our credit administration function and augment portfolio analytics. Banking industry history has demonstrated that robust markets and loan growth can also serve as incubators for future asset quality woes, so we plan to remain diligent.

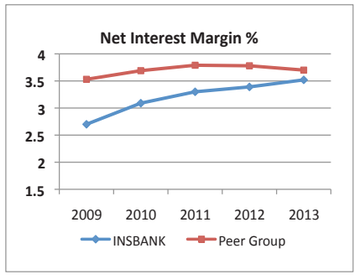


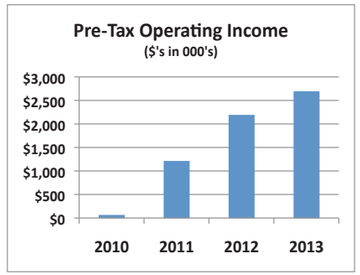


Operating Expenses – Despite increased costs to acquire and serve more customers, overall growth afforded us the opportunity to become more efficient. Operating expenses decreased as a percentage of assets, and INSBANK maintained lower costs for each of the main, industry-measured operating expense categories than its peers. The bank's efficiency ratio, the industry "catch-all" measurement for operating efficiency, improved further to 65%, placing INSBANK in the top third of its peer group.

Non-Interest Income & Mortgage – Service charges and cash management fees increased 19% over the prior year. With interest rates increasing in the 2nd quarter of 2013, residential mortgage refinance activity decreased, negatively affecting mortgage revenues. During 2013, however, Finworth Mortgage developed and began to implement a plan for a wholesale channel, whereby other community banks can originate residential mortgages and Finworth will provide processing, underwriting, and all other "back-office" support. While this nascent program generated a very modest amount of revenue in 2013, we expect to see this line of business progress in 2014.

Income Measurements – The cumulative effect of loan portfolio growth, margin stability, asset quality performance, and efficient operations manifest in a 23% increase in pre-tax income at the bank. Growth in after-tax income was muted due to a full-year of taxable earnings, versus just several months in 2012. At the bank level, return on assets was 0.85%, and return on average equity was 8.7%. Consolidated income after tax was $1.6 million, or $0.90 per share, which represented a return on common equity of 9%.





2014 Outlook – Despite the industry and market headwinds of margin compression, competition, and compliance burdens, the plan for INSBANK is to continue growth and enhance efficiency in 2014. The Nashville market appears healthy and, we see sustainable opportunity with our niche TMA Medical Banking division. During the first quarter loan balances grew $11,000,000 while operating expenses grew at a much slower rate. As a result this period saw a significant year-over-year increase in net income.

	Q1 2014	Q1 2013	% Change
Operating Revenues	$1,962	$1,670	17.5%
Operating Expenses	$1,237	$1,109	11.5%
Income Before Tax	$726	$560	29.6%
Taxes	$260	$186	39.7%
Net Income	$466	$374	24.6%
Ratios			
Net Interest Margin	*3.56%*	*3.24%*	*9.9%*
Efficiency Ratio	*64%*	*66%*	*3.0%*
Return on Assets	*0.83%*	*0.73%*	*13.7%*

Employees & Members of the Board

Administration
James H. Rieniets, Jr.
President / Chief Executive Officer

Mark E. Bruchas
Senior Vice President / Chief Financial Officer

Joan B. Marshall
Senior Vice President / Chief Administrative Officer

Libba Alden, *Executive Support*

Bank Operations
Frances Laney, *First Vice President*
Heather Carr, *Asst. Vice President*
Danielle Lewis, *Operations Specialist*

Credit Administration
Philip Fons, *Senior Vice President / Chief Credit Officer*
Tina Melton, *Vice President*
Aaron Lawyer, *Sr. Credit Analyst*
Katherine Daniels, *Credit Analyst*
Darla Ragsdale, *Operations Specialist*
Carole Yung, *Loan Processor*
Janet Powell, *Loan Processor*

Deposit Services
Leslie Smith, *Asst. Vice President*
Jana Spicer, *Deposit Specialist*
Tonya White, *Deposit Specialist*

Information Technology
Jason Stout, *Asst. Vice President*

Relationship Managers
Chad Hankins, *Senior Vice President / Senior Lending Officer*
Andy Hawkins, *First Vice President*
Patrick Wright, *First Vice President*
Blake Adams, *Vice President*
Ed Theis, *Vice President*

TMA Medical Banking, a division of Insbank
Relationship Managers
Blake Wilson, *Vice President / Division Head*
Joe Sullivan, *First Vice President / East Tennessee Regional Executive*

Finworth Mortgage, LLC
Michael Lee, *First Vice President / Managing Director*
David Coldiron, *Vice President / Loan Originator*
Keith Collison, *Vice President / Loan Originator*
Erin Schmidt, *Community Bank Manager*

Chairman Of The Board
Thomas H. Loventhal, *Owner*
The Loventhal Group

Board of Directors
David P. Crabtree, *Executive Vice President*
Brookside Properties

Richard S. Hollis, Jr., *Owner*
Hollis & Burns

C. Louis Patten, Jr., *Associate Partner*
Cornerstone Insurance Group

Dennis W. Petty
Certified Public Accountant

Michael A. Qualls, *Chairman*
Insbank

James H. Rieniets, Jr., *President / CEO*
Insbank

Joel R. Sullivan, *Regional CEO*
American Red Cross

Charles T. Tagman, Jr., *President / CEO*
Strategic Risk Solutions, Inc.

Phillip R. Zanone, Jr., *President*
Wunderlich Securities

Directors Emeritus
S. Norfleet Anthony, Jr., *Owner*
S.N. Anthony, Inc.

Maurice W. Pinson, *Partner*
Fridrich, Pinson, Rothberg & Assoc.

William E. Wallace
The Insurance Group



INSBANK

615.515.2265 | 866.866.2265

2106 Crestmoor Road, Nashville, Tennessee 37215

www.insbanktn.com