



WHERE GENUINE MATTERS.

2015 InsCorp, Inc. Shareholder Report





Your Dream,
Your Business,
Your Partner.



We're a different kind of local bank.

One that's been proudly helping
Middle Tennessee businesses,
people we consider
friends, for more than 15 years.

INSBANK

Get to know INSBANK. Where genuine matters.

Opening soon in Brentwood.



615.515.2265 866.866.2265 www.insbanktn.com
2106 Crestmoor Road • Nashville, TN 37215

MESSAGE TO SHAREHOLDERS

InsCorp Shareholder,

We are pleased to provide you our company's annual report for the year 2015. It was a year of continued growth in assets and earnings, with notable accomplishments and investments in the bank's future. Our talented team members led INSBANK to superior performance across a broad range of industry metrics that has been recognized by industry analysts for quality and exceeding peer benchmarks.

A more detailed review of consolidated financials is included in the subsequent pages of this report, but key highlights of INSBANK's year-over-year performance include:

- Net interest income grew 17%, driven by loan growth
- Non-interest revenues increased more than 300%, fueled by mortgage origination volume growing from \$21.9mm the prior year to \$82.1mm
- Overhead, net of non-interest income, improved to 1.73% from 2.00% the prior year as a percentage of assets
- Non-performing assets remain very low at 0.13%
- Income after tax increased 22%

One hallmark of INSBANK's culture is a mindset of innovation. In 2015 our team combined community involvement with creative marketing in developing the INSBY Awards event, which served as a fundraiser for the Entrepreneur Centre of Nashville while recognizing INSBANK clients who are successful business innovators. We're also proud to announce that in 2015 we became a sponsor of the Women's Business Center, a division of non-profit Pathway Lending. In each of these cases, the bank's support for non-profit organizations is aligned with, and synergistic to, our own lines of business.

With an expectation of continued growth, steps are being taken at both the bank and holding company to provide necessary resources to execute our forward-looking business plan. We are recruiting more talented bankers to join our group, and are building a second bank location in the Brentwood market to provide office space for new and existing team members. Sustained growth also requires capital support. We are pleased to report that InsCorp has successfully raised \$13 million through a private placement of common

stock, which will support growth objectives over the coming years and will allow InsCorp to retire \$3 million in Small Business Lending Fund (SBLF) preferred stock. SBLF funds have been a valuable component of the bank's capital structure for the last four years, but the program designed to stimulate business lending recently reached its maturity.

As previously communicated, management and the board of directors have been working to enhance options for liquidity of InsCorp shares. We are pleased to report that as of July 1, InsCorp shares will be eligible for trading on the OTC-QX market, with the exception of those shares issued in the recent offering, which have a one year restriction.

INSBANK remains well-positioned to further build its brand in the greater-Nashville market and additional capital, an attractive new office, and key additions to staff in 2016 should enhance the momentum our company is experiencing. We appreciate the support of all of our shareholders and welcome the opportunity to serve your banking and mortgage needs.

Sincerely,



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



Thomas H. Loventhal
Chairman, InsCorp



Michael A. Qualls
Chairman, INSBANK



Jim Rienets
President/CEO

INSBANK continues its primary focus on commercial lending and treasury management services. Each is delivered through a unique “high-tech, high-touch” operating philosophy that emphasizes convenience for the customer. As the bank has grown and matured, it has identified certain niche markets that fit the bank’s strategy and philosophy, including independent insurance agents,

which is a legacy of the bank’s original business model. As the banking landscape continues to adapt and innovate, INSBANK remains a step ahead, having built upon a model that traditional banks now strive to achieve. Without the distraction and expense of multiple retail locations, the bank is able to focus its efforts on unique and efficient solutions, and operate with nimbleness in order to focus on each relationship independently. This provides the ‘high touch’ custom experience that results in excellent customer retention.

INSBANK has established itself as a leader not just in the banking industry but also in the overall business community, having been a finalist for four consecutive years for the Nashville Business Journal “Best in Business Awards”. Through continued service, innovation, and expertise, INSBANK is poised to maintain its position as a banking innovator and leader: INSBANK is truly “Where Genuine Matters”.



Blake Wilson
VP/Division Head

INSBANK partnered with the Tennessee Medical Association to form TMA Medical Banking in mid-2013. This division of INSBANK provides commercial lending and deposit services dedicated to Tennessee’s medical community, which includes physicians’ practices, medical real estate, and health care companies. In addition to working capital, equipment financing, and real estate procurement, TMA Medical Banking provides niche commercial lending services for merger & acquisition and joint venture transactions. In line with INSBANK’s business model, the focus is business-line expertise (healthcare), accessibility, service, and turnaround times. TMA Medical Banking’s Relationship Managers are active in the State’s health care associations including the TMA, specialty and local societies, the Nashville Health Care Council, Leadership Health Care, and MGMA, among others. InCharge Healthcare has recognized them for three years running, and the division has been featured multiple times in the Nashville Medical News and the Nashville Globe.

FINWORTH MORTGAGE

an INSBANK company



Keith Collison
FVP/Managing Director

Acquired by INSBANK in 2008, Finworth Mortgage has continued to grow from a small acquisition to a premier mortgage banker. The past year has been seen tremendous growth in both its retail mortgage division as well as its Community Bank Program.

Finworth Mortgage’s Retail Division is a referral base lender who works closely with realtors and builders in the middle Tennessee markets. We’ve grown by offering big bank resources while still maintaining the highest level of service. The ability to deliver on-time financing for our referral partners has established us as a trusted business partner and allowed us to grow market share and increase brand awareness in middle Tennessee’s booming real estate market.

This same level of service has allowed Finworth Mortgage to grow its Community Bank Program across the Southeast. The Community Bank Program offers a unique secondary mortgage market solution which enables community bank partners to increase non-interest income without the headaches associated with maintaining their own mortgage department. Today’s increased mortgage regulations and compliance restrictions have only made us a more viable solution as more and more community bank’s look to exit the mortgage business.

Finworth continues its growth with a focus on the customer and assisting them to “Borrow Wisely”.

Originally named Insurors Bank of Tennessee (IBOT), opened on November 20, 2000 with a target market of independent insurance agents in Tennessee.

2000

2006

Changed name from Insurors Bank of Tennessee to InsBank.

2008

Acquired Finworth Mortgage LLC, adding residential mortgages to its available products.

2012

Grand Opening at Green Hills Location.

2013

INSBANK & Tennessee Medical Association partnered on a new venture that focuses on physicians around the state. TMA Medical Banking, a division of INSBANK markets financing options for working capital, medical equipment and facilities.

2014

Finworth Mortgage launched a new program called "Community Bank Program". It provides a secondary market mortgage solution to community banks.

Surpassed \$300 Million in total Assets.

2015

2016

Grand Opening at Brentwood Location Coming in the Fall.

CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheets

	12/31/15	12/31/14
Assets		
Cash and Cash Equivalents	\$ 1,782	\$ 1,577
Interest Bearing Deposits	19,706	13,070
Securities	19,964	14,367
Loans Held for Sale	6,691	2,448
Loans	255,664	217,132
Allowance for Loan Losses	<u>(3,240)</u>	<u>(2,740)</u>
Net Loans	252,424	214,392
 Premises and Equipment, net	7,942	5,298
Bank Owned Life Insurance	4,493	4,367
Restricted Equity Securities	2,982	2,712
Goodwill	1,241	1,241
Other Assets	2,474	2,061
 Total Assets	<u>\$ 319,699</u>	<u>\$ 261,533</u>
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Non-interest-bearing	\$ 15,282	\$ 18,272
Interest-bearing	<u>234,153</u>	<u>181,005</u>
Total Deposits	249,435	199,277
 Federal Home Loan Bank Advances	35,150	34,650
Federal Funds Purchased	2,035	-
Other Liabilities	<u>7,477</u>	<u>4,048</u>
Total Liabilities	294,097	237,975
Shareholders' Equity		
Preferred Stock *	3,000	3,000
Common Stock	17,138	17,107
Accumulated Retained Earnings	5,475	3,394
Accumulated Other Comprehensive Income	<u>(11)</u>	<u>57</u>
Total Stockholders' Equity	25,602	23,558
Total Liabilities and Shareholders' Equity	<u>\$ 319,699</u>	<u>\$ 261,533</u>
 Book Value per share	<u>\$ 12.49</u>	<u>\$ 11.36</u>

Income Statements

	Year Ended 12/31/15	Year Ended 12/31/14
Net Interest Income	\$ 9,710	\$ 8,229
Provision for Loan Losses	699	330
Non-Interest Income		
Service Charges on Deposit Accounts	97	85
Residential Mortgage Services	2,365	644
Bank owned Life Insurance	125	129
Other	145	62
Non-Interest Expense		
Salaries and Benefits	4,772	3,486
Occupancy and Equipment	498	450
Data Processing	292	254
Marketing and Advertising	338	274
Other	2,037	1,328
Net Income from Operations	3,806	3,027
Net Gains on Security Transactions	11	-
Pre-Tax Income	3,817	3,027
Income Tax Expense	(1,376)	(1,043)
Net Income	<u>\$ 2,441</u>	<u>\$ 1,984</u>

Statement of Changes in Shareholders' Equity

Balance at December 31, 2014	\$ 23,558
Dividends	
Preferred Stock	(33)
Common Stock	(326)
Stock Compensation Expense	31
Net Income	2,441
Change in Unrealized Gain on Securities Available for Sale	(69)
Balance at December 31, 2015	<u>\$ 25,602</u>

Dollars in Thousands

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

MANAGEMENT DISCUSSION OF FINANCIALS

For the year 2015, overall success was a result of continued growth in commercial banking along with progress made with our non-interest income initiatives in residential mortgage lending. With yields on assets easing net interest margin was down slightly, but still provided for an enhancement to

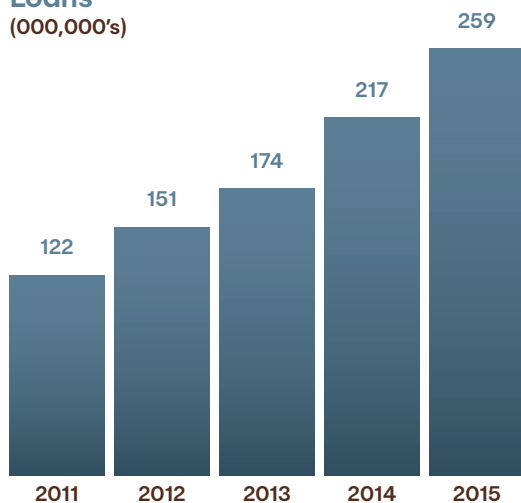
operating leverage due to loan growth. As expected in a healthy market, net charge-offs were limited to a few basis points and portfolio quality continued to compare favorably to peers. The stability and quality of our team of professionals continues to benefit the bank in various facets of its business.

Lending

Lending momentum continued in 2015, with annual growth just under 20%. By comparison, that placed INSBANK in the top 15% of its FDIC peer group. Core commercial lending and TMA Medical Banking both saw portfolio growth. Equally important was the fact that the mix of lending shifted in concert with strategic objectives of increasing the commercial lending share of the loan portfolio. Commercial loans increased from 19% of the loan portfolio to 27%. Total real estate loans grew roughly 8%, primarily in commercial construction projects.

Loans

(000,000's)

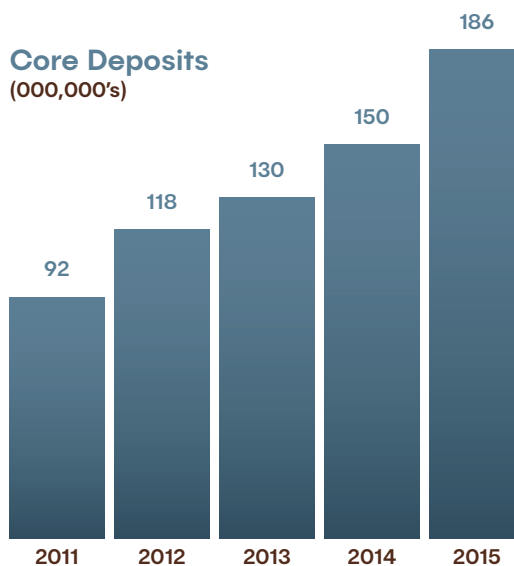


Deposits and Funding

Much like the loan portfolio, deposits also grew significantly, increasing 25.2% during the year. Along with new deposits additional capital funding was provided by a \$2.5 million holding company line of credit. This supported asset leverage as well as loan growth. Marketing efforts focused on time deposits in an effort to attract new household relationships, and to extend the duration of funding for the purpose of managing interest rate risk. Core deposit growth was greater than \$35,300,000, or roughly 24% for the year.

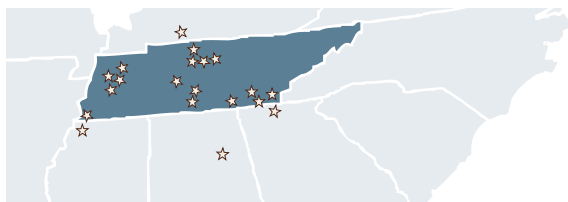
Core Deposits

(000,000's)

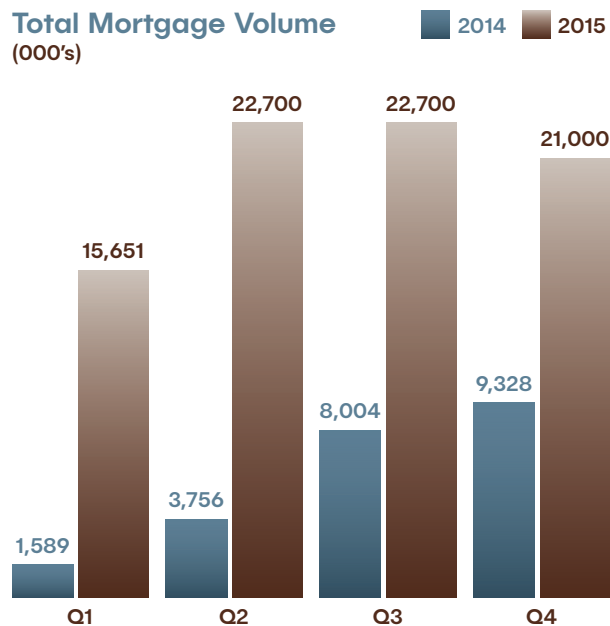


Finworth Mortgage

2015 was a growth year for our mortgage business with total mortgage volume levels exceeding three times that of 2014. The middle Tennessee housing market is steadily growing as a result of population growth, and this has allowed us to expand our traditional retail channel with new mortgage lenders. The previously mentioned Community Bank Program (CBP), which was designed to provide a secondary market mortgage solution for other community banks, increased its year-over-year volume from \$5.2 million to \$17.6 million. As of May 2016, there were 20 banks enrolled in this program, participating at varying levels.



Total Mortgage Volume (000's)

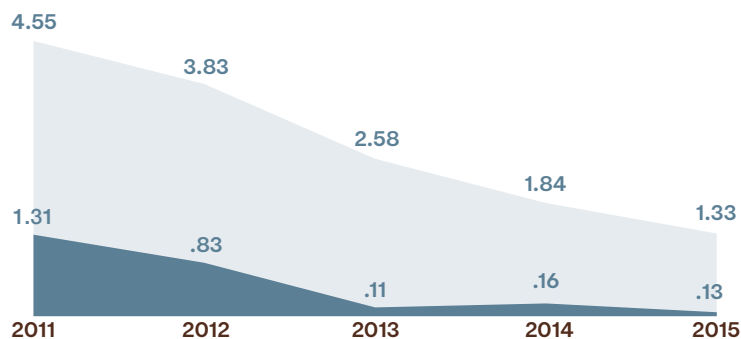
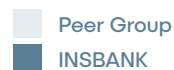


Risk Management

INSBANK's management team remains focused on managing risks. The vibrant market of middle Tennessee has not changed our credit philosophy. Measures of asset quality remain superior by industry standards, with non-performing assets at just 0.13% as of December 31, 2015 and \$0 in foreclosed real estate. For 2015 net charge-offs were a modest 0.09%. With borrowers seeking longer-term fixed rates and depositors staying short in their maturities, managing risks to

rising rates is also a priority. To accomplish this INSBANK utilizes a combination of longer term funding with the Federal Home Loan Bank and brokered deposits; interest rate cap purchases; and strategies to incent CD customers to extend terms. Focus also continues on managing cyber security risks, which requires a multi-faceted strategy of security software, third-party audits, staff training, and process controls.

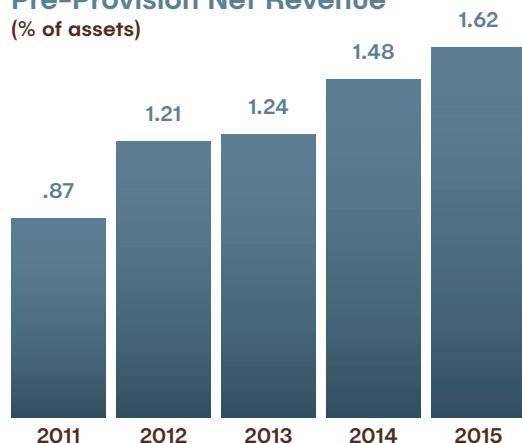
Non-Performing Assets (%)



Operations

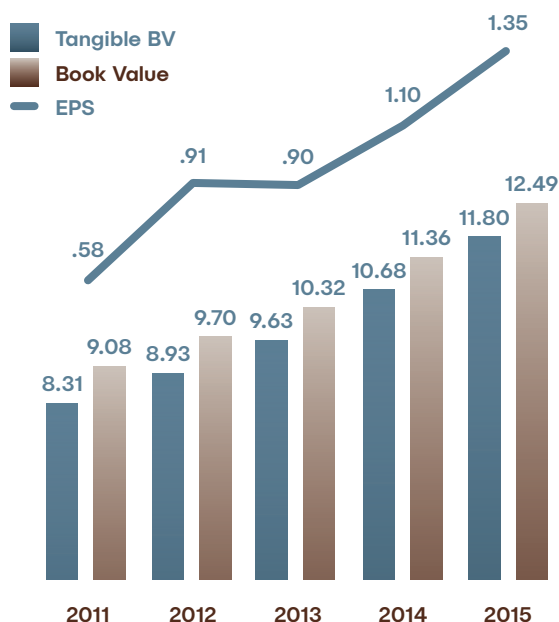
INSBANK was able to accomplish both increased earnings and a relatively high rate of growth in 2015 by leveraging technologies and a capable staff. Industry measurements including efficiency ratio (62.5%) compared favorably to peers, and overhead net of non-interest income (1.73%) improved relative to 2014. Despite hiring additional personnel for our mortgage business and loan production, assets per employee of \$8.9 million remained well above the FDIC peer group average of \$5.0 million. One of the best illustrations of escalating performance is pre-provision net revenue (PPNR), which is an industry ratio highlighting operational performance that provides analysis that is not skewed by variations in taxes and loan loss reserve expenses.

Pre-Provision Net Revenue (% of assets)



Earnings & Dividends

With the aforementioned growth in loans, increased mortgage fee income, stable asset quality, and relative operating efficiencies, InsCorp achieved another year of record performance. Earnings per share grew 23% to \$1.35 per share, which was roughly an 11% return on average common equity as the company neared an optimal leveraging of its capital. Based on the growth in earnings, the board of directors chose to increase the dividend 28% to \$0.18, which was paid in the 4th quarter of 2015.



2016 Outlook

For the same reasons that we are optimistic about the Nashville market's prosperity, we are also cognizant of the competitive challenges that manifest from our city's growth. Pricing remains very competitive and credit terms are occasionally being used by some banks to attract borrowers. We fully expect to continue our steady growth in 2016, but recognize that market forces may impact the level at which we can do so. Later this year our new office will open in Brentwood, providing new visibility in another attractive sub-market of Nashville. This is an exciting opportunity for our company as we bring on a handful of talented new employees in both banking and mortgage to leverage recently acquired capital.

INSBANK-Unaudited (000's)	Q1 2016	Q1 2015	Change
Net Interest Income	2,629	2,185	444
Loan Loss Reserve Expense	110	124	(14)
Non-Int. Income / Inc. from Subs.	663	517	146
Operating Revenues	3,182	2,578	604
Operating Expenses	2,084	1,785	299
Gains-Security Transactions	0	11	(11)
Income Before Tax	1,098	802	296
Taxes	409	294	115
Net Income	689	508	181
Key Ratios			
Efficiency Ratio	63.3%	66.1%	(2.8%)
Pre-Provision Net Rev. (% of assets)	1.51%	1.40%	0.11%

CHAIRMAN OF THE BOARD

Thomas H. Loventhal
The Loventhal Group

Board of Directors

David 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*
Consultant

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

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

Charles T. Tagman, Jr., *Chairman*
Risko Group LLC

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

Director Emeritus

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

Maurice W. Pinson, *Partner*
Fridrich, Pinson & Associates Insurance Agency

William E. Wallace
The Insurance Group

Management

James H. Rieniets, Jr., *President/Chief Executive Officer*
Mark E. Bruchas, *Executive Vice President/Chief Financial Officer*
Philip C. Fons, *Executive Vice President/Chief Credit Officer*
J. Scott Gupton, *Executive Vice President/Chief Operating Officer*
R. Chad Hankins, *Executive Vice President/Senior Lending Officer*

TMA Medical Banking, a Division of INSBANK

Blake Wilson, *Vice President/Division Head*

Finworth Mortgage, LLC, a Subsidiary of INSBANK

Keith Collison, *First Vice President/Managing Director*

Community Bank Program

David Coldiron, *Vice President*

Shareholder Relations

Libba Alden, *Marketing Director*

Transfer Agent: Computershare

Market: OTC-QX

Symbol: IBTN



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