



INSBANK

2019

ANNUAL REPORT

INS **CORP**

PARENT COMPANY OF INSBANK

Work with Bankers Who Get Your Business

INSBANK

LETTER TO SHAREHOLDERS

Our 2019 annual report to shareholders has taken on greater significance than in recent years. For reference this communication has been prepared in April 2020, at a time when the COVID 19 pandemic is accelerating in the United States resulting in a stock market correction, Federal Reserve intervention, and a historic congressional relief bill. None of these circumstances were contemplated as we closed the page on the year 2019, but our company is in the business of managing risks while providing our customers an important resource, and that is what we will continue to do. Below are three areas we wish to highlight for our shareholders.

Accomplishments of 2019

While it seems a distant memory, 2019 resulted in record profits for our company, eclipsing \$4.5 million. The year saw loan growth in excess of our peers and our team executed our plan to grow commercial deposits and related treasury services. Fee income from the latter grew more than 40% over the prior year, driven by delivering innovative technology solutions. In a changing landscape of financial services, INSBANK remained focused on serving niches and creating value. One such example was the creation of our new Philanthropy Account, which allowed us to merge an objective to increase money market account balances with our desire to support more local charities. Another new product developed was a mortgage loan for professionals such as doctors and dentists to enhance product offerings for our TMA Medical Banking Division. During the year we also neared completion of the buildout of our fintech venture for refinancing medical student loans. These achievements, however, never took priority over maintaining our culture, whether that was careful attention to approving credits; hiring like-minded people to join our team; or partnering with a non-profit to develop a financial literacy program for families of modest means.

Pandemic Preparedness & Response

INSBANK has maintained a pandemic plan for many years, periodically testing and revising it to enhance its effectiveness and maintain its relevance. By being

prepared to operate remotely and employ alternative delivery of services we have continued operations while protecting our employees and customers. Beyond daily banking functions our team has proactively assessed our loan portfolio to identify and prioritize clients most likely to be affected, and is working with them to determine the best means of assisting them in this time of need, whether it is modifying terms of their bank loan or providing a Payroll Protection Program loan through the SBA program. We plan to honor our corporate slogan "Where Genuine Matters", in supporting our community through this crisis.

Planning for the Future

With a rapidly changing financial services industry we continue the discipline of preparing for the future. That includes developing niche lines of business where we can create value for customers, deploying technologies to meet customer channel preferences and increase operating efficiencies, and investing in a workforce that is relevant for times in which we live. We're very near the launch of our web-driven medical student loan program and are working with a software partner to have a digital deposit platform sometime this year. As we look ahead our plans include evaluating core system alternatives which can provide open API in order to better serve clients and interact with other software systems for our customers' benefit.

Whether it's building on the success of 2019, protecting our asset quality during the current crisis, or further developing a business model for future relevance, our focus remains on shareholder value. On behalf of our team, we appreciate your support.

Sincerely,



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

ABOUT US

Frankly, we're different. We're a bank where advice isn't prepackaged. Where clients talk directly to our decision-makers—not a chain of middlemen trapped in branches and bureaucracy. We're a place where the client's best interests — not the bank's — come first. Where experts go below the surface because they live and breathe your industry and don't just sell to it.

We're a true local bank—built by and for Nashville business leaders. A place where our people and partners are having as much fun as they are having success. Never heard of a bank like this? It's probably because you haven't been to one where genuine matters.

Welcome to INSBANK



MISSION

To generate risk-appropriate returns for shareholders through the delivery of financial services that provide value and help fulfill the goals of businesses and individuals in the communities we serve.



VISION

Within a competitive industry, INSBANK seeks to differentiate and create competitive advantage through a unique combination of strategies, tactics, and attributes.

The bank strategically targets small businesses and consumers for whom large banks have difficulty delivering quality service.

Tactically, INSBANK utilizes a complimentary mix of convenient technologies with accessible and capable employees to add value to competitively priced services.

Elements of INSBANK's cultural foundation include respect for clients, employees, and shareholders, as well as adaptability as it pertains to an evolving industry.

WHAT WE DO

The diversity of these business units work together to build sustainable shareholder value. Each one benefits from its relationship and affiliation with the other. The result is a cohesive group, focused on a common goal. Each unit builds off the success of the others, maintaining a culture of growth and success.



Commercial Banking

INSBANK continues to maintain a focus on the existing small business owner that prefers to deal with a small-to-mid size bank that provides access to local decision makers.

INSBANK is in a good position to capitalize on the existing core of Nashvillians that desire to have a community bank that can continue to deliver quality service and quality solutions.



Private Banking

At INSBANK, we offer a customized line of banking products and client-centric solutions to our highly valued clients. As a member of the Private Client Group, clients receive a dedicated, experienced private banker to personally help them navigate through the various lifestyle stages and who is also readily accessible to supply the personalized attention and expert advice necessary.



TMA Medical Banking

TMA Medical Banking, a division of INSBANK, provides commercial loans and deposits for Tennessee's physicians, medical practices, healthcare companies and medical real estate investments, as well as, services for mergers, acquisitions and joint venture transactions. The focus is business-line expertise in healthcare, accessibility to relationship managers and decision makers, excellent customer service and quick turnaround times.



Treasury Management

Treasury Management services streamline companies' deposit relationships by accelerating the collection process, improving cash flow, quickly determining daily cash requirements, tracking banking activity and allowing customers to make financial decisions with confidence. INSBANK offers a sophisticated platform of solutions, through technology and partnerships, necessary to manage a business' cash flow with confidence and security.

HOW WE DO IT

INSBANK uses a delicate and strategic balance between, **1)** collaboration amongst its experienced bankers and clients and **2)** leveraging technology and fintech initiatives, to produce a balance between high touch and high technology that eliminates gaps in service, systems and processes.

1

People:

The team assembled at INSBANK consists of a diverse group of experienced bankers that each bring unique skills and vision to the organization. Through careful recruiting and excellent retention, this team collaborates cohesively to deliver banking in a unique and refreshing way. Reflected in the company's assets per employee, this team is both quality and results driven, working together to achieve the banks strategic goals and vision.

2

Processes:

Processes centered around efficiency while focusing on risk management are driven through workflow automation to ensure consistency and accuracy. While the expertise of our team is a key component to successfully operating the business, their ability to do so is enhanced through detailed processes assisted with automation. To ensure processes constantly remain efficient and effective, the bank has an open culture of change embraced by all associates.

3

Systems:

INSBANK strives to operate with the most viable systems available to execute on its strategic initiatives. Systems are evaluated in an ongoing format to ensure they are continually leveraged. The growth of the bank, changes in the industry, and updates to systems require that each system is considered an ever expanding tool for the efficient operation of the organization. The bank strives to push upward the usage percentage of each system in order to maximize the return on investment.

4

Technology:

INSBANK approaches 'fintech' with an open and curious mind, continually evaluating opportunities to enhance its services and operations. Artificial Intelligence, cloud based operating systems, mobile technology, automation and custom development are all viable in the banking industry and are strategically folded into the banks operations, products and services. INSBANK operates with a technology forward culture while ensuring it invests only in technology that drives the banks strategic plan forward and meets earnings goals.

COMMUNITY INVOLVEMENT

THE PHILANTHROPY ACCOUNT

INSBANK and its employees, management, and directors all find value in community involvement. These stakeholders devote time and resources to support what inspires them, both personally and professionally. The bank also contributes to these initiatives through allocation of time, organization of group efforts, and monetary contributions. As a component of its Wellness Program, INSBANK organizes and facilitates regular volunteer activities for its employees. With the belief that wellness includes body, mind, and spirit the company encourages volunteerism as a way to enhance wellness.

Employees' participation in charitable organizations, whether as board members, committee members, or volunteers, is supplemented by the company's financial support of a wide variety of non-profit organizations.

In late 2019, INSBANK was presented with an opportunity to partner with the Horizons Program, a 501 (c) 3 non-profit

organization, through University School of Nashville. The program is a transformational, community-centered program proven to close the opportunity and achievement gaps within underserved communities. Horizons offers a high-quality learning experience outside of the traditional school year that supports academic achievement and healthy youth development.

Students attend a 6-week summer program and receive additional support throughout the year. Horizons' proven hands-on approach instills a love of learning by engaging students in academics, computer literacy, cultural enrichment, athletics, special events, and field trips. Focused Literacy and STEM (Science, Technology, Engineering, and Math) programming inspires students to learn, achieve, and experience academic success.



Photo captured at Oz School Days – designated STEAM Mondays while Metro schools are closed.

INSBANK believes in supporting a variety of needs in our local community, and maintains a desire to contribute when it's needed and where it's needed. In this same spirit, and to enhance the bank's existing corporate giving, the company established The INSBANK Philanthropic Fund in 2019. This fund facilitates giving back through all the bank's stakeholders, including its customers, who can participate through The Philanthropy Account. The Philanthropy Account offers the same convenience of a typical money market account, but with the added benefit of supporting local organizations. This innovative account allows customers to support the community and earn interest with the bank making a contribution to the fund on their behalf.

End Slavery TN and Oz Arts were selected as the first two beneficiaries of this philanthropic program. Below is information regarding these organizations and the impact they have on the Nashville community.



End Slavery Tennessee is a local nonprofit fighting human trafficking and turning off the T.A.A.P. of human trafficking in Middle Tennessee through Training (education the community), Aftercare (survivors support and services), Advocacy (changing laws & systems) and Prevention (breaking the cycle). End Slavery's mission is to promote healing of human trafficking survivors and strategically confront slavery in our state and to create a slave-free Tennessee.

2019 Survivor Celebrations

- » 2 GED/HSE diplomas received
- » 22 New jobs started
- » 15 Moves into new apartments
- » 3 Reunifications with children



Tennessee is rated #1 in the United States by **Shared Hope International** for its response to human trafficking.



Founded in 2012, OZ Arts Nashville is a nonprofit dedicated to the development and presentation of contemporary performing and visual arts. The world-class arts center has experienced momentous growth over the past year, thanks in part to more accessible ticket pricing for its expanded local, national, and international performances under the artistic leadership of Mark Murphy. OZ Arts' educational programming has also grown to include a bigger-than-ever annual family festival, more FREE community workshops with visiting artists, and increased accessibility to OZ School Days.

“The Ozgener family established the non-profit cultural institution, OZ, as a gift back to the city and country that have been so hospitable to them as first-generation Turkish-Armenian immigrants”

Business Banking at
Your Fingertips!

INSBANK

WHERE GENUINE MATTERS.



HIGHLIGHTS

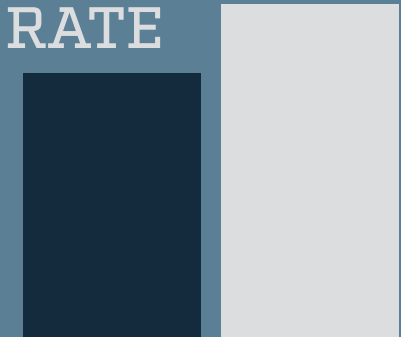
2019 LOAN GROWTH RATE



INSBANK

7.4%

UBPR PEERS 6.1%



PHILANTHROPY ACCOUNT



9

AS OF 12/31/19



MILLION

PERSONNEL EXPENSE % OF ASSETS

INSBANK

UBPR PEERS 1.64%

1.13%



RETURN ON
TANGIBLE
COMMON EQUITY **9.82%**

CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheets		
	12/31/19	12/31/18
Assets		
Cash and Cash Equivalents	\$ 5,342	\$ 5,080
Interest Bearing Deposits	27,418	25,740
Securities	20,996	22,874
Loans Held for Sale	-	531
Loans	469,172	436,354
Allowance for Loan Losses	(5,380)	(4,831)
Net Loans	463,792	431,523
Premises and Equipment, net	13,982	14,245
Bank Owned Life Insurance	9,865	9,612
Restricted Equity Securities	5,866	4,454
Goodwill and Related Intangibles, net	1,091	1,091
Other Assets	5,022	3,693
Total Assets	\$ 553,374	\$ 518,843
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Non-interest-bearing	\$ 34,854	\$ 35,364
Interest-bearing	402,118	376,817
Total Deposits	436,972	412,181
Federal Home Loan Bank Advances	49,000	45,000
Subordinated Debentures	15,000	15,000
Other Liabilities	3,404	2,355
Total Liabilities	504,376	474,536
Shareholders' Equity		
Common Stock	30,993	30,654
Accumulated Retained Earnings	17,944	14,005
Accumulated Other Comprehensive Income	61	(352)
Total Stockholders' Equity	48,998	44,307
Total Liabilities and Shareholders' Equity	\$ 553,374	\$ 518,843
Tangible Book Value per share	\$ 16.32	\$ 14.85

CONSOLIDATED FINANCIAL STATEMENTS

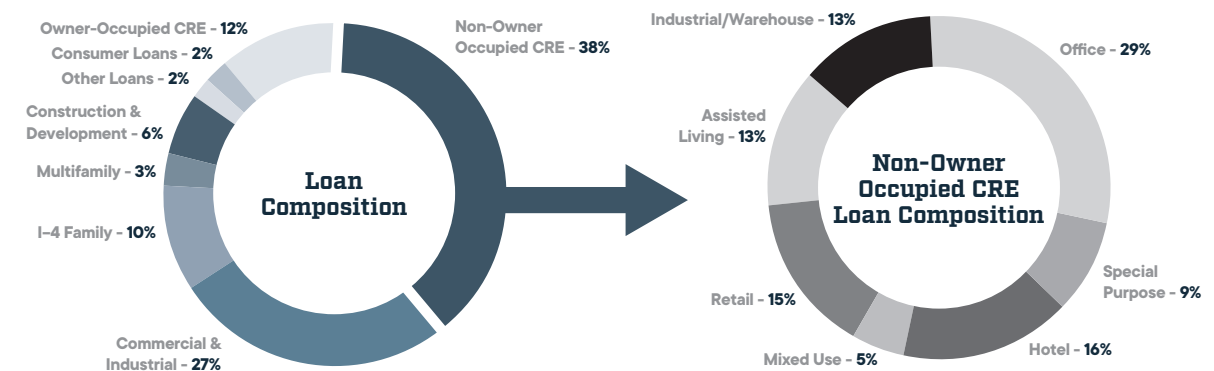
Income Statements		Year Ended	Year Ended
		12/31/19	12/31/18
Net Interest Income		\$ 16,069	\$ 15,657
Provision for Loan Losses		725	905
Non-Interest Income			
Service Charges on Deposit Accounts		154	110
Residential Mortgage Services		4	1,251
Bank Owned Life Insurance		253	251
Gain on Sale of Government Guaranteed Loans		384	-
Gain on Sale of Securities		16	-
Other		584	451
Non Interest Expense			
Salaries and Benefits		6,023	6,366
Occupancy and Equipment		1,160	1,108
Data Processing		499	504
Marketing and Advertising		379	449
Other		1,988	2,463
Net Income from Operations		6,690	5,925
Interest Expense-Subordinated/Leveraged Debt		956	348
Pre-Tax Income		5,734	5,577
Income Tax Expense		(1,207)	(1,244)
Net Income		4,527	4,333
Earnings Per Share		\$1.55	\$ 1.49
Statement of Changes in Shareholders' Equity			
Beginning Balance		\$ 44,307	\$ 40,559
Stock Compensation Expense		137	98
Exercise of Stock Options		202	51
Dividends			
Common Stock		(588)	(584)
Net Income		4,527	4,333
Change in Unrealized Gain (Loss) on Securities Available for Sale		413	(150)
Ending Balance		\$ 48,998	\$ 44,307

*Dollars in Thousands

MANAGEMENT DISCUSSION OF FINANCIALS

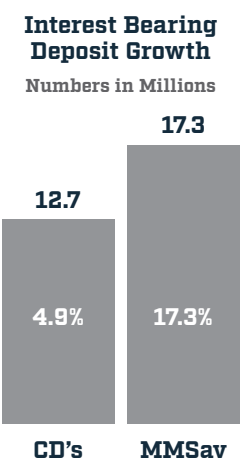
Lending

Our objectives for the loan portfolio were not as simple as growth alone in 2019, as we aspired to greater diversification and on-boarding loans with more relationship deposit potential. While net loan growth of \$32 million was at a lesser pace than the prior year, new loan production of \$105 million was consistent with expectations. Ultimately net growth of 7.3% was better than the UBPR peer group average of 6.1% and was accomplished despite a significant volume of real estate loans migrating to the permanent market for long-term fixed rates and non-recourse structures. A desirable shift in the composition of the loan portfolio was achieved as C&I loans grew while construction loans decreased in their respective portfolio allocations. During the third quarter the bank developed an on-balance sheet professional mortgage product, which provides portfolio diversification and is also synergistic to the TMA Medical Banking Division.



Deposits and Funding

Supporting the growth of the bank takes on several different forms and is achieved primarily by a robust suite of products and services provided to our deposit customers. We provide services through our commercial relationship managers, private client group, and treasury management services, the latter of which focuses on the cash management needs of business customers through the deployment of relevant hardware and software. Through value added features we can aid in accelerating the payment collection process, improve cash flows, track banking activity and allow for financial decisions to be made with confidence. Treasury activity increased significantly in 2019, as fees from these services increased more than 40% over the prior year. While the market was very competitive for interest-bearing deposits, INSBANK has seen steady growth in these deposits with \$12.7 million and \$17.3 million increases in CDs and money market accounts, respectively. Funding cost of deposits, while a primary focus, requires attention to the mix of deposits and their relevance to the surrounding market in the form of terms for CDs and money market rates. The bank began the Philanthropy money market account to attract deposits while helping benefit a variety of non-profit organizations in Nashville. At year-end 2019, \$9 million of deposits were generated for this product.





Risk Management

While earnings and growth topics often garner more attention, managing relevant risks is the foundational discipline upon which other objectives follow. With more than 80% of the bank’s assets deployed in loans, credit risk takes center stage. In 2019 credit quality remained strong as evidenced by modest charge-offs of 0.04% of average loans. While non-performing assets increased over the prior year, they were consistent with peer group levels and were primarily driven by two credits in unrelated industries and circumstances. Recognizing that the economy was in a late stage of expansion, our team proactively sought to identify any borrowers underperforming their peers and developed strategies with those clients to mitigate potential risks should the economy weaken.

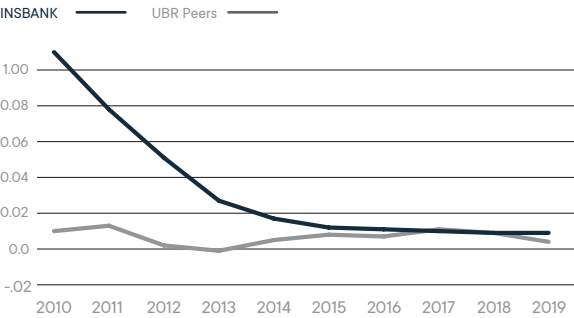
Interest rate risk elevated during the year with a change in direction of short-term rates accompanied by a relatively flat yield curve. Fortunately, INSBANK has a healthy balance of fixed and variable rate assets, as well as laddered maturities of funding sources that minimizes margin volatility with moderate changes in interest rates. The bank exceeded its on-balance sheet liquidity targets, which were proscribed by a multi-variate risk matrix, while

stress-testing scenarios were conducted to assess secondary sources of liquidity.

The bank’s compliance risk profile is moderate, with very few lines of business or products that have inherently high compliance risks. The compliance risk function was enhanced with greater utilization of third-party software solutions.

Cyber risks remain an omnipresent foe and require our team’s consistent application of risk management practices, which have been enhanced with more frequent client interaction on the subject of cybersecurity.

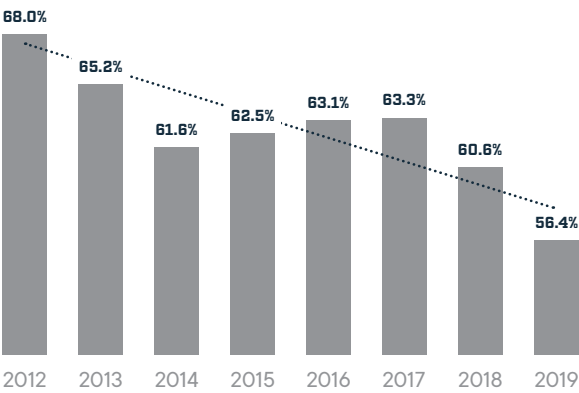
Net Loan Charge-offs



Operations

With a business model that emphasizes efficiency, efforts continued in 2019 to further leverage existing resources. Investments in technology, whether in the form of hardware, software, human capital, or R&D, were made in both internal operations as well as customer facing channels. Maintaining assets per employee in excess of \$12 million continues to accrue benefits to operating leverage and doing so allows the bank to minimize investments in facilities. The collective focus on operational prowess improved both the efficiency ratio to 56.4%, as well as overhead expense as a percentage of assets to 1.89%. Both metrics place INSBANK in the top quartile of performance amongst its UBR peer group. A web-based loan origination system neared completion for a medical student loan refinance program, and our team began working with a technology partner to develop a digital deposit platform. These fintech initiatives are expected to be operational in 2020, and complemented by the hiring of a Business Process Analyst to further enhance data management and automation.

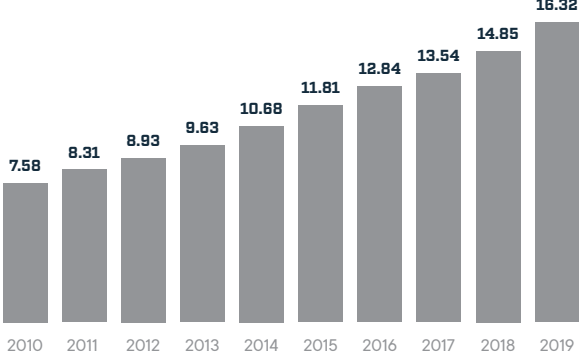
Efficiency Ratio



Earnings and Dividends

2019 was a year of consistency for InsCorp. Consistency in the form of earnings, asset quality, funding cost and expense management. The year also represented a full year without operating Finworth Mortgage, as INSBANK exited the full-service mortgage market in 2018. Pre-tax and pre-leverage interest expense saw earnings from operations grow 12.9% over 2018 from \$5.9 million to \$6.7 million. Leverage interest expense relates to \$15 million in subordinated debt acquired in late 2018 by InsCorp for growth capital at the bank level and the retirement of existing debt at the holding company. Earnings per share were \$1.55 for 2019 verses \$1.49 for 2018, a 4% increase. Tangible book value has grown steadily over the last decade from \$7.58 to \$16.32 including a 10% increase from 2018 to 2019. Dividends remained stable at \$0.10 per share, paid semiannually, for a total of \$0.20 annually for 2018 and 2019.

Tangible Book Value



CORPORATE GOVERNANCE

Good corporate governance is fundamental to INSBANK’s business. It is essential that we practice responsible business principles and continue to demonstrate our commitment to excellence to sustain value for our investors and stakeholders. INSBANK has long been proactive in establishing policies and practices that support strong corporate governance and transparency in financial reporting. These practices provide an important framework within which our Board of Directors and management can pursue the strategic objectives of INSBANK and ensure its long-term vitality for the benefit of shareholders.

Board of Directors

Our annually elected board of directors is comprised mostly of independent directors (with the only exception being the CEO, James H. Rieniets, Jr.). Each Director provides a unique business perspective, experience and skills, all valuable to the Bank. The board plays a vital oversight role, which fosters shareholder value and affects stakeholder confidence, through discussions with senior management and external advisors covering a wide range of matters including strategy, financial performance, compliance and policy.

Board Committees

Committee and committee chair assignments are reviewed annually by the Board of Directors after considering factors such as the directors’ business and corporate governance experience, the Governance Committee’s recommendations, criteria for specific committee service, the directors’ other responsibilities and scheduling flexibility. Assignments are periodically reviewed to ensure that each committee has an appropriate mix of tenure and experience in order to introduce fresh perspectives while preserving continuity.

- » Governance Committee *
- » Audit Committee *
- » Compensation Committee *
- » Asset / Liability Committee
- » Management Committee
- » Executive Loan Committee

*outside director membership only in order to ensure independence

Bank Committees

Certain day to day processes and procedures conducted by the bank are better managed and monitored through a committee structure allowing the various departments and management input into enterprise wide issues. Executive Management recommends assignments to committees based on subject matter experience and departmental representation. Executive management is represented on each committee.

- » IT Steering Committee
- » Compliance Committee
- » Officer Loan Committee

SHAREHOLDER INFORMATION

Transfer Agent

Computershare, the transfer agent for InsCorp, is the institution that maintains detailed records of the stock transactions of investors. Shareholders can access their account at <https://www-us.computershare.com/Investor> to see a balance of shares held, dividend payment history, transactions and more. Shareholders interested in listing their shares of InsCorp stock that do not currently have a brokerage account can contact Computershare for assistance with listing the shares for sale and setting an asking price. You may contact **Computershare** at **877-373-6374**.

OTCQX Management

InsCorp shares are listed on the OTCQX Market under the symbol IBTN. With InsCorp being listed on the OTCQX Market (www.otcmarkets.com), shareholders are able to view real-time quote and trading information and can work with their broker to purchase or sell shares of IBTN. Certain corporate information and financial reporting is posted to the OTCQX on a quarterly basis.

Restricted Shares

Restricted InsCorp shares that have been held for over 1 year are able to have the restrictive legend removed. This allows for shares to be reissued as book entry (electronic shares) or certificated shares. To remove restrictions, shareholders will need to contact InsCorp’s Shareholder Relations representative, **Amanda Richardson** at arichardson@insbanktn.com or **615.515.2265**, sign a Shareholder’s Rule 144 Letter and turn in the original stock certificates to Computershare’s Processing Office.

MANAGEMENT AND BOARD MEMBERS

Chairman of the Board & INSCorp
Michael A. Qualls, Retired CEO of INSBANK
Consultant

Board of Directors
W. Page Barnes, Executive Vice President/COO
Community Healthcare Trust

David Crabtree, Executive Vice President
Brookside Properties

Richard S. Hollis, Jr., President
Hollis & Burns, Inc.

Stacey Koju, Attorney
Bone McAllester Norton PLLC

Thomas H. Loventhal, Chairman
The Loventhal Group

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

Dennis W. Petty
Certified Public Accountant

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

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

Philip R. Zanone, Jr., Chief Executive Officer
B. Riley Wealth Management

Director Emeritus
William E. Wallace
The Insurance Group

In Memoriam
Maurice W. Pinson, Partner
Fridrich, Pinson & Associates

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/Chief Lending Officer

Public Relations
Mallory Smith

Shareholder Relations
Amanda Richardson

Transfer Agent: Computershare
Market: OTC-QX
Symbol: IBTN

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