ANNUAL REPORT 2023

INS CORP

PARENT COMPANY OF INSBANK


FROM Sketch TO
MASTERPIECE
FUEL YOUR PASSION, BANK LOCAL.
INSBANK
WHERE GENUINE MATTERS.
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EQUAL HOUSING LENDER
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LETTER TO SHAREHOLDERS

As I reflect on the year 2023, I'm reminded of a line from the classic Grateful Dead song, Truckin': "What a long, strange trip it's been." We commenced the year with plans for continued growth of core deposits and loans, and within 75 days found ourselves mired in the turmoil of an unprecedented banking crisis which found the industry pivoting objectives as matters of enhanced liquidity, insured deposits, and feared credit concerns took center stage. Bank regulators and investors alike sought cover to ensure their respective stakeholder positions were fortified. While these panic-driven external forces presented unexpected challenges to meeting our ambitious goals, the INSBANK team responded with professionalism and determination such that we both navigated an adverse environment and accomplished a variety of key objectives, including financial performance that compared favorably to our peers.

The Year 2023

Reflecting on the year, below is a summary of the unique time we experienced highlighting accomplishments and progress toward longer-term goals.

- Loans – With interest rates continuing their rise in historic fashion, aggregate loan demand eased during the year. Medquity, serving a sector of the economy with a low correlation to recessionary environments, experienced incrementally greater demand than our core commercial bank as it expanded its markets served nationwide and began originating joint venture financing loans from its web-based platform. The convergence of higher rates and uncertain economic conditions also found some borrowers "cashing in" and divesting of assets, which manifested in a much higher level of loan payoffs than we have historically experienced. While these circumstances affected the trajectory of our net loan growth, the pricing discipline exercised by our team resulted in healthy loan yields.

- Deposits – The growing inertia of higher rates combined with an industry-wide desire for greater on-balance sheet liquidity to increase deposit costs. At the same time depositors were seeking information on deposit insurance and balance sheet health in the post-Silicon Valley world, they also endeavoring to put more of their money to work for them. Despite some migration from non-interest bearing deposit balances to interest bearing accounts, our team generated double-digit growth in both new accounts and treasury service fee income. While our treasury team was working to properly position our commercial depositors, our private client services team was heavily engaged in growing deposits both locally and nationally, via Finworth Online. Launching in January after a re-branding project, Finworth proved to be a critical component of the bank's success in growing deposits, growing more than $100 million during the year and further diversifying the bank's funding sources.

- Asset Quality – A foundational element of our bank's culture, asset quality remained strong during the year as demonstrated by virtually no loan charge-offs and very few past due credits as of year-end. While non-performing assets increased, that was attributable to a single relationship in an industry that was significantly affected by the recent pandemic. Fortunately, that credit is real estate-secured and with relatively significant equity the loan requires no specific reserve despite adverse classification. Despite the lack of any noticeable trends which would portend portfolio stress, our team remains diligent in monitoring portfolio quality. Credit administration remains a dynamic and thoughtful process, as evidenced by our recent enhancement to CRE policy addressing speculative lending exposures, which is both beyond the scope of and more granular than regulatory requirements.

- Strategic Initiatives – During the year the bank was able to significantly elevate its long-standing culture of innovation through the creation of an Innovation Officer position, the utilization of an Innovation Committee, and a core software provider that allows for accessible data and API integration. Each of these elements worked together in 2023 to allow the bank to evaluate over 30 new fintech and system partners, implement nearly 20 new systems or system enhancements, with each bringing automation to end users, both internal and external. For a company that has a long history of innovation and efficiency through technology, 2023 ramped that effort to a new high, further solidifying the bank's relevancy in an evolving industry.

- Community Engagement – The bank and its team members remained engaged in the community. This took place in a variety of ways, including: the growth of the Philanthropy Account-driven funds disbursed to local charities; support of a financial literacy project through the Horizon's program; an affordable mortgage program with Habitat for Humanity; and volunteer activities. These efforts ultimately benefit the bank by enhancing our culture, as well as the communities we serve.

- Financial Performance – As the effects of rate shock created margin compression across the industry, INSBANK's relative margin performance improved during the year, driven by loan and securities portfolio yields comparing favorably to its peers. Despite having higher funding costs than industry averages, the volume and mix of loans contributed to rising yields which helped minimize erosion of margin. Continuing the historical focus on leveraging technologies to minimize operating costs, the bank's efficiency ratio of 51% was in the top 20% for its peer group. Excluding gains and losses from hedging activities, operating income increased over the prior year and resulted in a return on assets in excess of 1% and a return on equity in excess of 12%. After the payment of dividends to shareholders, tangible book value increased more than 10%.

Passing the Torch

Because of their many contributions to the success of our company over the years, the 2023 shareholder letter would be incomplete without commemorating the retirements of two stalwarts of the INSBANK team. Our CFO since 2007, Mark Bruchas, announced his retirement in the fall and left behind a legacy of quality and diligence. A CPA by trade, Mark's tenure was defined by clean audits and consistency in financial reporting. To address the succession of CFO leadership, we were pleased to announce that Peyton Green joined us in December and was able to work alongside Mark for several weeks. Peyton was familiar to the bank in his most recent role as an investment banker and has been a member of the Nashville community for many years.

More recently, INSBANK's original CEO and longtime InsCorp chairman, Mike Qualls, fulfilled his last term as a director as proscribed by our company's by-laws. For almost 25 years, Mike's leadership and integrity were foundational to the bank's culture. He was an early advocate for remote delivery of services and aligning the company's resources to focus on clients for whom we could create value. Mike was a selfless leader, always looking to improve our company and investing in team members who could fulfill that mission. He was instrumental in ensuring the company's guiding principles aligned with shareholder values, and that matters of governance were a priority. As Mike prepared for retirement over the past year, succession planning was a priority and he worked with the governance committee and the full board to ensure a thorough process. That process culminated with decisions to both appoint a lead independent director as well as a new chairman. Philip Zanone is now serving as InsCorp's lead independent director, while the board asked me to serve as chairman. I am honored to serve in that capacity and will do my best to uphold the high standards of governance that Mike embodied.

Investing in our Future

Against the backdrop of notable industry challenges as referenced above, we are proud to be positioned for continued execution of our strategic plan. With many banks sidelined by capital constraints, operating leverage challenges, and/or unfavorable market conditions, now is a time to be opportunistic. 2024 will be a busy year for INSBANK as we pursue new hires to drive additional business, foster innovation to enhance client experience and operations, and uphold a culture of genuine care for all our stakeholders. Thank you for your support of our company!

With my sincerest gratitude,

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

ABOUT US

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

Welcome to INSBANK

Our 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.

Our 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.

INNOVATIVE BUSINESS MODEL

INSBANK's culture of innovation was born out of its original vision and mission and has continued to be a critical component in its success formula.

Through a technology-forward posture and a culture of efficiency, the bank wraps its operating model with strategies to maintain its position as an innovator. By utilizing unique staffing models, positions, and committees, its ability to be nimble and proactive in a rapidly changing banking environment is enhanced and allows the bank to focus its resources on technology modernization and fintech initiatives that support the changing needs of its customer base.

With a modern open API core operating system, INSBANK leverages enhanced access, integration and data availability that enhances the bank's position to innovate. System utilization and integration with strategic partners are critical components in continuing to offer a modern banking environment for both internal and external stakeholders. This continued culture of innovation is driven by the bank's Innovation Officer and Innovation Committee, supported by the bank's Senior Management team and Board of Directors, allowing the bank to continue its history as a highly efficient organization that leverages innovation for the benefit of all its stakeholders.

This focus on innovation, technology and efficiency is designed to support key banking niches, while adding value and expertise to specific segments in the market. Identifying and focusing on these niches has allowed INSBANK to develop products and services that support the unique needs of businesses, benefiting the customers and developing lasting relationships based on providing advisors and advocates in addition to solutions.

With a modern open API core operating system, INSBANK leverages enhanced access, integration and data availability that enhances the bank's position to innovate.

INSBANK's ability to adapt to developing needs, coupled with its innovative and unique business model, supports sustainable growth for all its stakeholders.

INSBANK

With a history built upon a unique business model that encourages thoughtful approaches to solving customers' needs, INSBANK's ability to be nimble and pivot towards solutions continues to keep pace with a rapidly changing industry. The banking industry is realizing change not just isolated to technology and innovation but also in customer expectations, balance sheet structure and needs, and adaptable personnel poised to navigate this evolution.

Continued adaptability within the bank's business model further allows INSBANK to focus on key strategies without the noise of traditional banking models. Executing innovative and creative strategies is key to the bank's growth in areas not serviced by others with the level of expertise it can achieve through its focused mission.

INSBANK continues to service a growing and diverse client base from two office buildings in the metropolitan Nashville market. Through expertise in commercial banking and treasury management, paired with excellence in private client services, the bank continues to grow its reputation as a subject matter expert in areas that support its client base and strategic growth. Carefully augmenting these services as needs in the client base grow further embodies the strategy of demanding expertise in order to exceed expectations. In this spirit, the bank also provides a strategic approach to trust services, not to the masses, but instead to niches within the commercial and private client spaces, where it can provide a high level of quality and serve as a trusted advisor, ensuring trusts are governed as intended and remain beneficial to the client. INSBANK's ability to adapt to developing needs, coupled with its innovative and unique business model, supports sustainable growth for all its stakeholders.

With both Medquity and Finworth, the bank's client base continues to expand across the nation. While traditional relationships in its primary market continue to be a core strategy, these other silos provide diversification critical for a sustainable growth trajectory. A focus on automation and efficiency provides the bank's staff the ability to focus on unique business opportunities and innovate the process and interaction with its borrowers and depositors. With its infrastructure and resources, client relationships that fit the bank's strategy can occur anywhere.

MEDQUITY
HEALTHCARE BANKING

Medquity, a division of INSBANK, specializes in providing banking services to the healthcare industry. With Nashville being home to over 900 healthcare companies, it was a natural strategy for the bank to develop expertise in this area. The Division leverages its 16-member physician Advisory Board and active engagement in healthcare conferences to offer relevant banking solutions that are in line with the industry's trends, challenges, and opportunities.

Initially established in partnership with the Tennessee Medical Association (TMA Medical Banking), Medquity has since expanded its presence nationwide, currently serving customers in 27 states and continuing to grow. The US healthcare industry is vast, with healthcare spending accounting for nearly 20% of the US GDP. Three million healthcare businesses generate over $3 trillion in revenue, a figure that continues to grow. Healthcare is known for its consistent performance during recessions, as healthcare services are relatively inelastic to price and income. These attributes support the bank's strategy to continue its growth in this segment.

Medquity offers comprehensive banking solutions focused on the healthcare services sector, specifically healthcare operators and management companies, as well as physicians' banking needs from residency to retirement. Current solutions are diversified among consumer, C&I, CRE, and owner-occupied categories and include loans for working capital, equipment and build-out, residential and commercial real estate, business/practice acquisitions (often by private equity-backed medical or dental management services organizations), and independent or joint venture centers for physicians, operators, and/or health systems.

Medquity is dedicated to developing niche solutions for the healthcare industry, as evidenced by its fintech platform launched in 2020 to refinance medical and dental student loans. The platform has since expanded to provide loans for doctors investing in joint venture ambulatory centers, such as surgery centers. Medquity's third online application, a personal loan application for doctors, was launched in 2023.

Medquity's in-depth understanding of the healthcare landscape enables the bank to proactively offer financial resources to meet the evolving needs of providers, practices, and healthcare companies.

FINWORTH
A DIVISION OF INSBANK

'Fintech' ventures often uniquely solve a customer's need. In some cases, solving a need through technology may not be unique unto itself, but rather may provide the bank a conduit to customers and customers a conduit to a distinctive experience. INSBANK's national online presence, Finworth, does both by virtue of creating a simple access point for deposit customers to source interest bearing deposit solutions, without the need for proximity, while providing access to bankers in tandem with this technology.

Through a virtual environment, clients nationwide can access competitive interest-bearing accounts, with the added benefit of direct access to Private Client Advocates. This approach allows depositors to access 'local' style bank service while benefiting from national rates. Finworth strives to automate the deposit opening experience, in tandem with access to experienced bankers when one size may not fit all.

LEGACY BENEFICIARIES

AncoraTN

OZ ARTS · NASHVILLE

CASA Court Appointed Special Advocates FOR CHILDREN

NATIONAL MUSEUM OF AFRICAN AMERICAN MUSIC

Grow Cook Share The Nashville Food Project

Alzheimer's® Tennessee www.alzTennessee.org

PHILANTHROPIC INSBANK FUND

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 earn a competitive rate of interest while supporting the community as the bank makes a contribution to the fund based on aggregate deposits in these accounts.

CURRENT BENEFICIARIES

Nashville Children's Theatre

w.o. smith nashville community music school

INSBY AWARDS

Since 2015, we have celebrated entrepreneurship, recognizing it as a key driver of our growth. Each year, at the INSBY Awards, we honor three customers who excel in creating value, innovating in their industry, and generating jobs. This event also supports the Women's Business Center at Pathway Lending, a nonprofit and valued customer that promotes small business and job creation in Nashville. By celebrating these entrepreneurs, we strengthen our relationships and highlight the importance of innovation and job creation in our community.

MEDQUITY
HEALTHCARE BANKING

Medquity combines commercial healthcare, private banking, and fintech into a comprehensive healthcare banking division

INSBANK CULTURE

At INSBANK, our people are the heart of our mission. We believe in fostering a culture where everyone feels valued, respected, and connected. We are more than just a bank, we are a community of diverse and talented individuals who share a common vision of making banking accessible, convenient, and rewarding for our clients.

Our diverse workforce reflects the communities we serve. We believe that diversity of thought and experience enriches our culture and helps us better understand and meet the needs of our customers. We are committed to creating a workplace where everyone feels safe, supported, and empowered to be their authentic selves.

We foster a culture of connection and belonging. The INSBANK culture has always been special. We aspire to give our employees a sense of belonging and look to provide opportunities for everyone to spend time with each other outside of the day-to-day work environment. Our team outings, from magic shows to holiday parties, from wellness classes at the YMCA to Vanderbilt Football Tailgates, are just one way we bring our employees together and celebrate our shared passion for excellence. We also offer opportunities for professional development and growth, ensuring that everyone feels empowered to contribute their best.

We're dedicated to building a workplace where everyone feels valued, supported, and encouraged to be truly genuine to who they are.

As we continue to grow, we are committed to attracting and retaining top talent. Our focus on creating a positive and inclusive work environment ensures that everyone feels empowered to contribute their best. We offer competitive benefits, professional development opportunities, and a supportive culture that encourages innovation and growth.

Together, we are building a stronger INSBANK, one person at a time. We are proud of the progress we have made, and we are excited about what the future holds.

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 and non-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 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, individual skill sets, 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
- » Loan Policy and Oversight Committee
- » Executive Loan Committee

**Outside director membership only in order to ensure independence*

Bank Committees

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

- » IT Steering Committee (includes Board observation rights)
- » Compliance Committee
- » Officer Loan Committee
- » Innovation Committee
- » Process Improvement Committee

ESG

Environmental, social, and governance (ESG) considerations are an important component for banks and financial institutions.

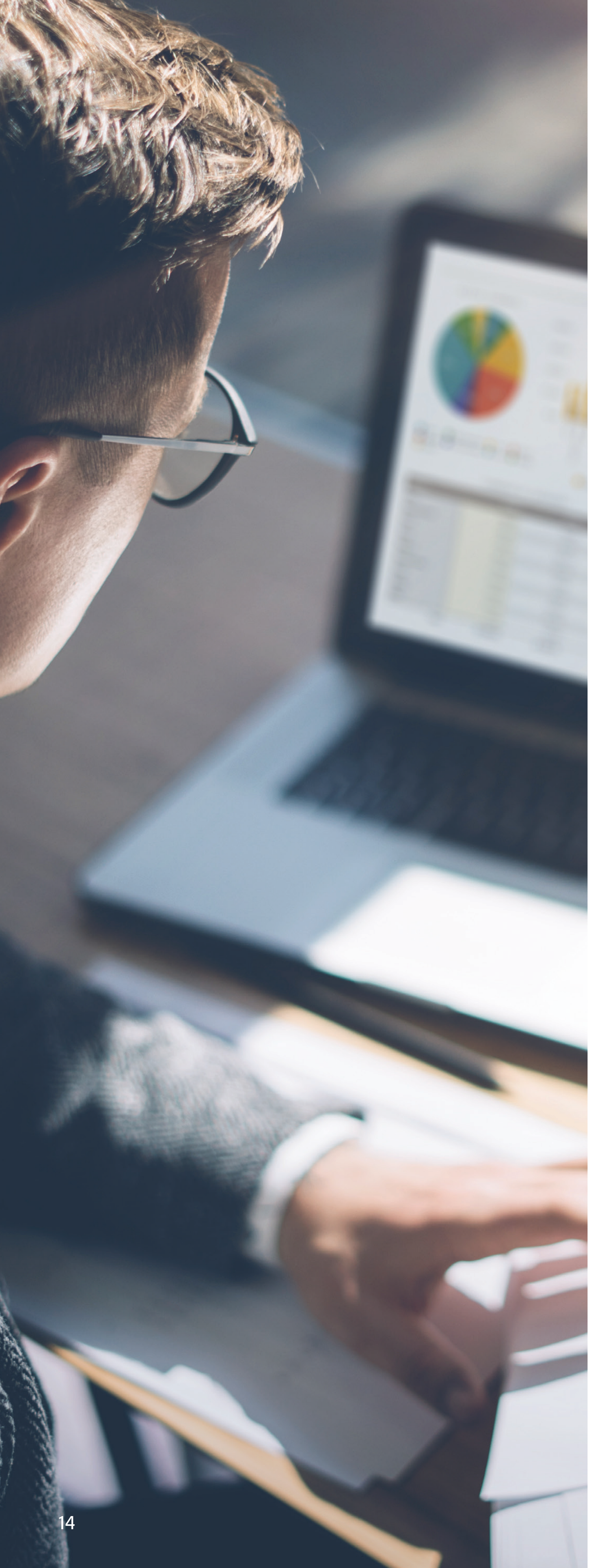
ESG provides a framework for understanding a company's sustainability and ethical impact. As a responsible corporate citizen, we recognize the significance of ESG factors and have integrated them into our business strategy. As a bank, ESG factors can have a significant impact on our business, including our ability to manage risk, attract and retain customers, and contribute to the well-being of the communities we serve.

Environmental factors refer to the impact of a company's operations on the natural environment. As part of our commitment to environmental sustainability, we promote sustainable business practices throughout our organization and facilities. Additionally, as a bank, we are in a unique position to assist clients in our community who facilitate responsible environmental stewardship for themselves and others.

Social factors refer to a company's impact on society, including its relationships with employees, customers, and communities. We are committed to promoting diversity, equity, and inclusion within our organization and strive to create a culture that values and respects all individuals. We also provide financial education programs and support for financial literacy initiatives in the communities we serve, helping to promote financial inclusion and economic empowerment. The bank also supports initiatives to give back to the communities in which we operate, such as volunteering, charitable donations, and community outreach programs, which are further highlighted in this report.

Governance factors refer to a company's management and decision-making processes, including transparency, accountability, and ethics. We have established strong governance frameworks to ensure that we conduct our business in a responsible and ethical manner. Our board of directors provides oversight and guidance on ESG issues, and we regularly engage with stakeholders to understand their concerns and incorporate their feedback into our decision-making processes.

Overall, our commitment to ESG principles reflects our dedication to creating long-term value for our shareholders, customers, employees, and communities. We believe that by incorporating ESG considerations into our business strategy, we are better positioned to create long-term value for our shareholders, customers, and communities and can help build a more sustainable future for all.



FINANCIAL INTRODUCTION

The financial section of the annual report provides an overview of InsCorp's financial performance and position over the past year, driven by INSBANK and its divisions.

This section aims to offer shareholders, investors, and other stakeholders a clear understanding of the company's financial health, strategic direction, and the results of its operations. The following pages delve into key financial statements, including the balance sheet and income statement. These statements present a snapshot of InsCorp's financial position, revenue, and expenses. By analyzing these statements, readers will gain valuable insights into the profitability, liquidity, and solvency of the organization.

Included in this section is a discussion of important financial ratios and metrics that help assess the performance and efficiency of the company. These ratios provide a deeper understanding of profitability, liquidity, leverage, and other critical aspects of financial operations. They serve as valuable tools for evaluating financial health and comparing performance against industry benchmarks. The discussion includes analysis of significant events, trends, and strategies that have shaped financial performance throughout the year. Highlighted are key factors impacting revenue streams, cost of liquidity, and profitability, as well as risk management strategies.

Transparency and accountability are vital to our commitment to our stakeholders. Information regarding financial performance and other important updates, announcements, and press releases can be found throughout the year on our website insbank.com, on the OTCQX page for InsCorp, and on the FFIEC website.

InsCorp, Inc. paid cash dividends totaling $0.34 per share in June and December of 2023, which represented an increase of 13.3%

Net interest income increased 3.5% to

$24M

Treasury management and deposit fee income increased 22% to approximately

$367K

The combination of cash dividends and share repurchases represented approximately

20%

of net income in 2023

Core non-interest income growth of

14.2%

CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet	Year Ended	Year Ended
	12/31/23	12/31/22
Assets		
Cash and Cash Equivalents	$ 7,688	$ 5,412
Interest Bearing Deposits	49,757	18,226
Securities	58,162	40,785
Loans	681,558	648,382
Allowance for Loan Losses	(9,126)	(8,778)
Net Loans	672,432	639,604
Premises and Equipment, net	12,715	13,028
Bank Owned Life Insurance	14,065	13,721
Restricted Equity Securities	8,890	8,496
Goodwill	1,091	1,091
Other Assets	12,290	11,657
Total Assets	$ 837,090	$ 752,020
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Non-interest-bearing	$ 70,418	$ 87,843
Interest-bearing	615,778	488,684
Total Deposits	686,196	576,527
Federal Home Loan Bank Advances	45,000	67,000
Federal Funds Purchased	-	15,000
Paycheck Protection Program Liquidity Fund	-	-
Subordinated Debentures	17,348	17,330
Line of Credit	8,750	7,500
Other Liabilities	9,939	4,823
Total Liabilities	767,233	688,180
Shareholders' Equity		
Common Stock	29,230	29,443
Accumulated Retained Earnings	41,727	34,810
Accumulated Other Comprehensive Income	(1,100)	(413)
Total Stockholders' Equity	69,857	63,840
Total Liabilities and Shareholders' Equity	$ 837,090	$ 752,020
Tangible Book Value per share	$ 23.92	$ 21.70

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement	Year Ended	Year Ended
	12/31/23	12/31/22
Interest Income	$ 46,208	$ 30,415
Interest Expense	22,287	7,297
Net Interest Income	23,921	23,118
Provision for Loan Losses	315	670
Non-Interest Income		
Service Charges on Deposit Accounts	252	209
Bank Owned Life Insurance	345	322
Sale of Government Guaranteed Loans	-	-
Other	1,329	1,156
Non Interest Expense		
Salaries and Benefits	9,434	8,402
Occupancy and Equipment	1,562	1,563
Data Processing	382	858
Marketing and Advertising	519	524
Other	2,576	2,266
Net Income from Operations	11,059	10,522
Gain on Interest Rate Hedges	(382)	2,789
Pre-Tax Income	10,677	13,311
Income Tax Expense	(2,273)	(2,975)
Net Income	$ 8,404	$ 10,336
Earnings Per Share	$2.92	$3.59

Statement of Changes in Shareholders' Equity		
Beginning Balance	$ 63,840	$ 55,197
Issuance of Common Stock	52	115
Purchase of Common Stock	(669)	(50)
Stock Compensation Expense	378	325
Exercise of Stock Options	26	128
Dividends	(994)	(1,227)
Net Income	8,404	10,336
Change in Accumulated Other Comprehensive Income	(687)	(984)
Cumulative change in Accounting Principle	(493)	-
Ending Balance	$ 69,857	$ 63,840

*Dollars in Thousands

MANAGEMENT'S DISCUSSION OF FINANCIALS

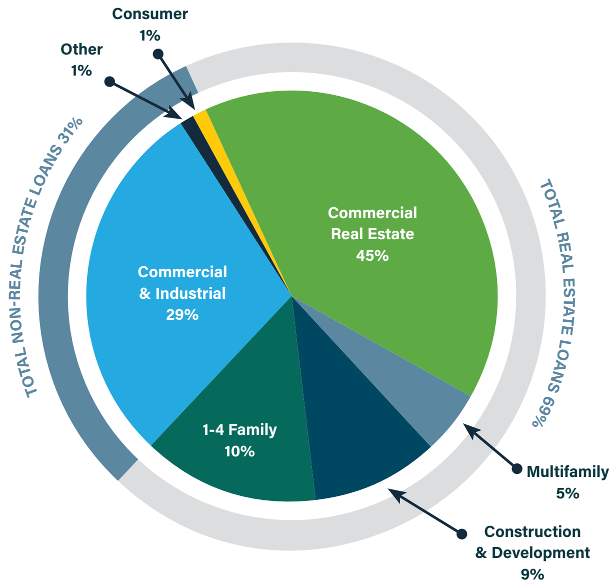
Lending

After a post-pandemic resurgence in 2022, loan growth slowed to 5.1% in 2023 compared to 17.7% in 2022. Growth was strongest in construction ("C&D") and commercial ("C&I") segments, which increased 35.2% and 15.4%, respectively; C&D and C&I growth offset modest declines in commercial real estate ("CRE") of 3.5% and residential real estate of 6.4% compared to balances at the end of 2022. The combination of elevated payoff activity and a more discerning stance by borrowers, due to the significant increase in short-term interest rates, resulted in a slowdown of origination volume as the year progressed. This stood in contrast to activity in 2022, which represented a welcome return of commercial lending that was principally for either clients' normal operations or their growth opportunities. The composition of the loan portfolio reflected a higher mix of C&D loans and C&I loans, which increased to 13.6% of loans and 30.6% of loans, respectively, while the mix of CRE decreased to 40.1% of loans and residential decreased to 9.8% of loans at the end of the year.

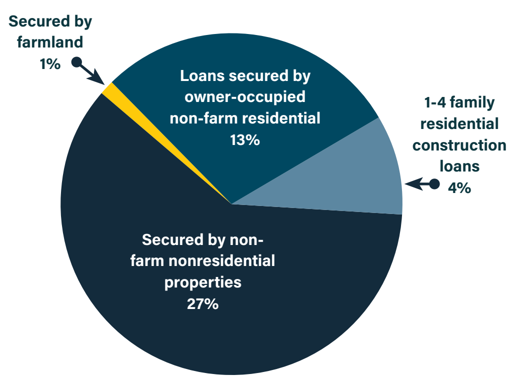
INSBANK's healthcare division, Medquity, provided net loan growth of $21 million compared to $58 million in 2022, which represented 63% of the Company's loan growth in 2023 and 60% in 2022. The portfolio of physician-focused healthcare loans remains very well diversified across geographies, healthcare specialties, facility types, and repayment sources. Yields on loans steadily increased as the Federal Reserve increased interest rates 125 basis points during 2023, which followed 400 basis points of increases to the Fed Funds rate in 2022.

Certainly, the near-zero interest rate policy that was maintained long after the economic downturn associated with the Great Financial Crisis had subsided resulted in increased loan demand and asset inflation; alternatively, the cost of capital's return to a historically normal level has reduced loan demand thus far, even if it hasn't materially affected asset inflation yet.

LOAN COMPOSITION



Commercial Real Estate Breakdown of 45%



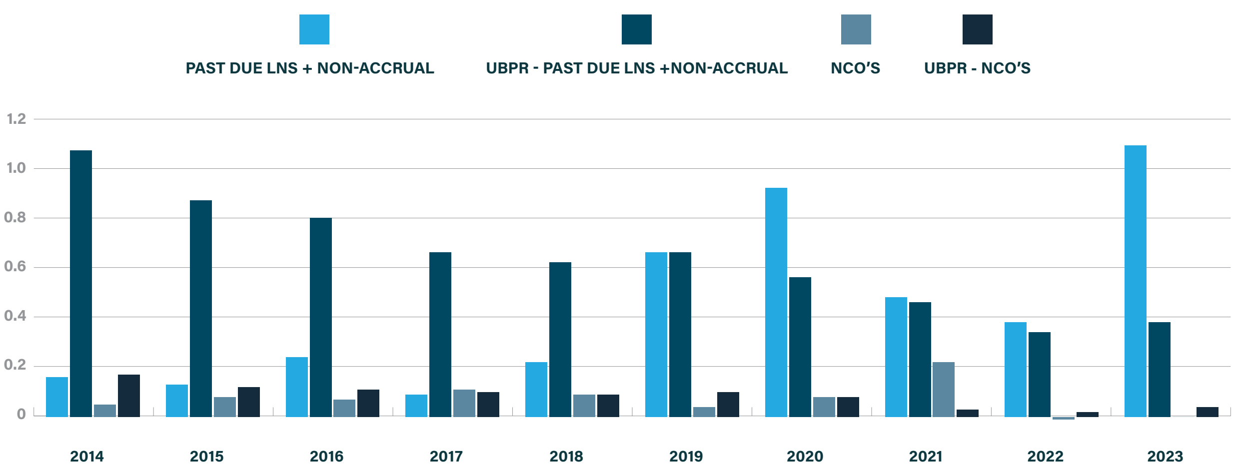
Risk Management

Though pandemic-era concerns of health and safety abated in 2022, the legacy of the related government stimulus manifest in the Federal Reserve rapidly raising interest rates to combat inflation during the 2022-2023, and thus setting up a test of the industry's ability to manage interest rate risk. INSBANK's historical strategy has been to remain relatively neutral to the direction of interest rate changes, and to minimize the risk associated with highly volatile scenarios. Methods the bank has utilized to minimize these risks include: balancing the mix of fixed and variable rate loans; minimizing price risk in bond portfolios; prudently using structured term funding; and employing hedging activities such as interest rate caps and floors and interest rate swaps. These collective tactics have allowed the bank to avoid any meaningful AOCI adjustment to equity, and to maintain a net interest margin with sufficient cushion over the bank's operating expenses.

While the industry spotlight has been cast upon interest rate risk, across the country asset quality is expected to emerge as the next challenge. Measures of asset quality across the industry demonstrated strength in 2023, and that held true for INSBANK. Nonperforming assets represented 1.09% of loans as of December 31, 2023, compared to 0.38% of loans at the end of 2022. The increase in 2023 represented the migration of one well-secured real estate loan to nonperforming status at year-end. Net charge offs were 0.00% of average loans in 2023 compared to a net recovery of 0.01% in 2022. Coupled with the adoption of CECL in January and loan growth, the allowance for credit losses increased to $9.1 million compared to $8.8 million at the end of 2022, or 1.34% of total loans compared to 1.28% for the bank's peer group average. Given the convergence of higher interest rates and work-at-home trends, all eyes remain trained on office CRE. INSBANK maintains a robust CRE policy that includes portfolio diversification, stress-testing, and requirements for a high durability underwriting overlay for all concentration thresholds.

Capital ratios moved higher again in 2023. INSBANK's total risk-based capital ratio increased 53 basis points to 13.54% in 2023 and its common equity tier-1 capital ratio increased 48 basis points to 12.29%—both of which remained solidly above respective "well-capitalized" regulatory thresholds of 10.00% and 6.50%. An increase in total capital of $33.0 million, or 46.7%, over the past three years compared to growth in non-owner occupied CRE of $73.8 million, or 31.5%; as a result, CRE declined to 298% of total capital at 2023-end versus 332% at 2020-end.

NON-PERFORMING ASSETS



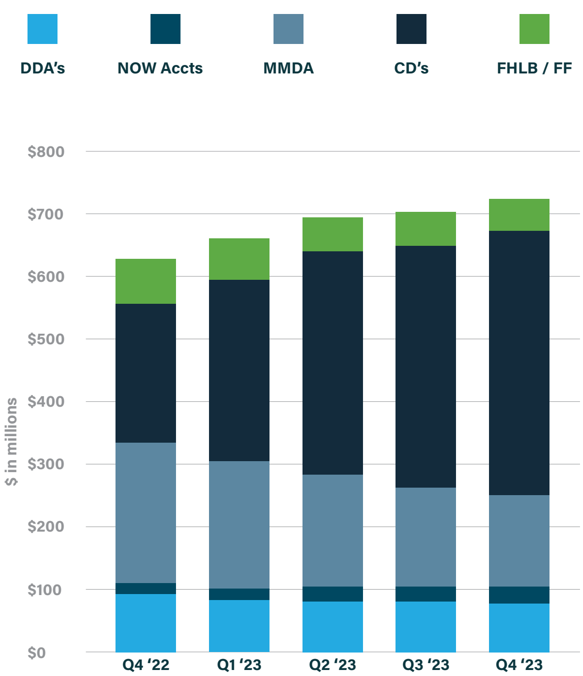
Deposits and Funding

Total deposits increased 19.0% in 2023 compared to a 1.4% decline in 2022. Coupled with loan growth of 5.1%, strong deposit growth allowed for a reduction in the loan to deposit ratio to 99.3% in 2023 versus 112.5% a year ago. After successfully improving the mix of non-interest bearing and interest bearing transactional balances through 2021, the normalization of the fed funds interest rate to 5.25% to 5.50% resulted in rationalization of excess balances by consumers to reduce loan balances, fund capital expenditure needs, and shift balances into higher yielding alternatives such as certificates of deposits ("CDs"), US Treasuries, and money market mutual funds. This has resulted in an increase in CDs to nearly 63% of deposits versus 43% a year ago and 38% at the end of 2021. Importantly, commercial customer growth remained strong during the year as treasury management and deposit fee income increased 22% to approximately $367,000 in 2023.

Insbank took advantage of the depositors' preference for CDs by launching Finworth in 2022, its digital national brand, to attract deposits beyond the Nashville market. Insbank's Finworth "branch" is highly efficient and grew nearly five-fold to approximately $150 million in 2023. This was the primary lever that enabled the bank to improve its liquidity position without having to re-price lower yielding money market accounts. Like our peers, depositors accumulated excess liquidity balances in money market accounts during the zero-rate environment era that endured since the Great Financial Crisis. Once market CD rates exceeded 4.00%, mix shift and growth favoring CDs was inevitable.

Insbank's Finworth "branch" is highly efficient and grew nearly five-fold to approximately $150 million in 2023.

FUNDING COMPOSITION



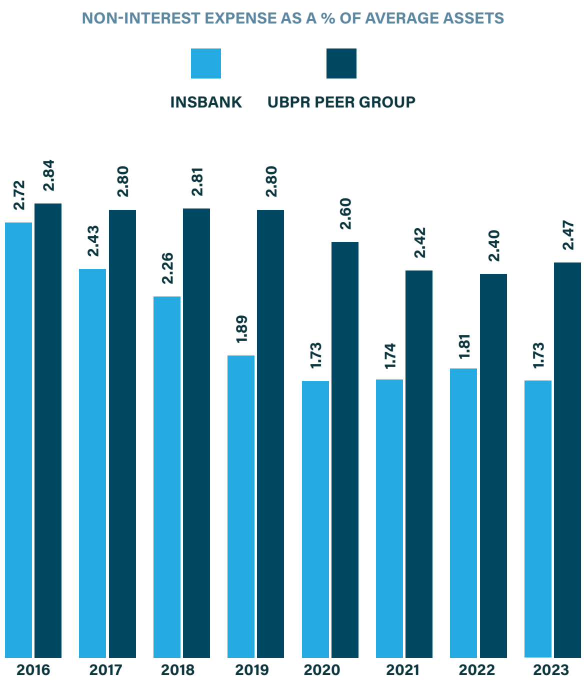
Financial Highlights

Fully diluted earnings per share ("EPS") of $2.85 in 2023 compared to $3.51 in 2022 and $2.01 in 2021. Excluding realized and unrealized gains and (losses) on interest rate derivatives and securities transactions, operating EPS of $2.94 in 2023 increased 4.8% compared to $2.81 in 2022, which was 55.1% higher than EPS of $1.81 in 2021. The net interest margin of 3.17% reflected additional funding cost pressure compared to 3.43% in 2022 but compared favorably to 3.07% in 2021. Excluding realized and unrealized derivatives and securities gains (losses), ROAA of 1.07% and ROAE of 12.8% in 2023 compared to 1.13% and 13.6%, respectively, in 2022, and 0.81% and 10.0% in 2021. On the same basis, the Company's efficiency ratio of 56.0% in 2023 compared to 54.9% in 2022 and 58.6% in 2021.

Net interest income increased 3.5% to $23.9 million, as interest income growth of $15.8 million, or 51.9% compared to interest expense growth of $15.0 million, or 205.4%. Excluding gains (losses) from derivatives and securities transactions of ($0.4) million in 2023 and $2.8 million in 2022, recurring non-interest income of $1.9 million increased 14.2% compared to $1.7 million in 2022. Interest rate derivatives remain a part of the Bank's ongoing risk management process and have been instrumental in reducing interest rate risk over the past three years.

After converting to a new core operating system with an open API structure in 2022, the bank continued to benefit from improved efficiency. The Bank's efficiency ratio of 51.4% compared favorably to 63.8% for FDIC peer banks, driven by relatively low non-interest expense of 1.73% of assets vs. 2.47% for peers and an assets per employee ratio of $14.9 million compared to an average of $7.2 million for FDIC peer banks.

OPERATING EXPENSE

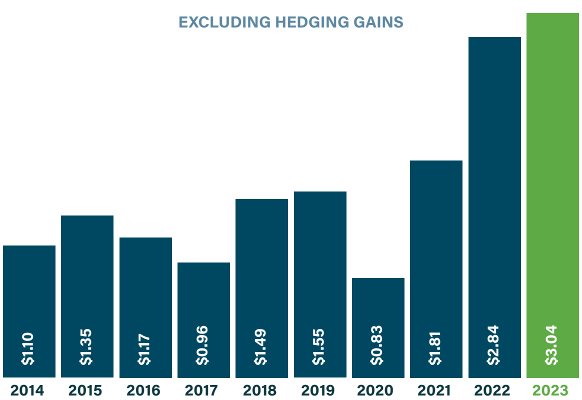


Capital Management and Dividends

InsCorp, Inc. paid cash dividends totaling $0.34 per share in June and December of 2023, which represented an increase of 13.3% compared to regular cash dividends per share of $0.30 in 2022. As a reminder, total cash dividends of $0.42 per share paid in 2022 included the payment of a special dividend of $0.12 per share in the first quarter of 2022. In January of 2024, InsCorp's Board of Directors revised the dividend policy to reflect the payment of dividends on a quarterly basis at the rate of $0.10 per share in March of 2024. The annualized dividend rate of $0.40 per share represented a 17.6% increase from the semi-annual dividends paid in 2023. Total cash dividends represented just under 12.0% of reported net income in 2023, 2022, and 2021, preserving significant retained earnings to capitalize future balance sheet growth.

Under the Company's share repurchase authorization, 33,069 shares were retired in 2023 for $669,085, or $20.23 per share, which represented approximately 93% of tangible book value per share of $21.71 at the end of 2022. The combination of cash dividends and share repurchases represented approximately 20% of net income in 2023 compared to 12% in 2022.

EARNINGS PER SHARE



Outlook for 2024

Despite recent industry trends reflecting slower asset growth and margin pressure, the bank's first quarter results were consistent with our plan for net income and return on equity even though asset growth was below plan due to relatively higher than expected payoff activity and a slower pace of loan originations.
A significant increase in the loan and deposit customer pipeline provides for a more optimistic view regarding loan and deposit growth over the balance of 2024. Inclusive of efforts to grow our talent base, earnings and returns should improve as asset growth gains momentum. Beyond the migration of one healthcare credit into nonperforming status at year-end, credit metrics remain favorable across the board. With fears of recession and volatile interest rates, the INSBANK team will rely on its historical risk management disciplines as we navigate the coming quarters for the benefit of our customers and shareholders.

INSCORP	Q1 2024
Net Interest Income	$ 11,215
Provision	$ 100
Non-Interest Income	$ 1,167
Operating Revenue	$ 12,282
Operating Expenses	$ 7,235
Gain/(Losses)	$ (345)
Income Before Tax	$ 4,702
Taxes	$ 1,119
Net Income	$ 3,583

BOARD MEMBERS

Management and Board Members

Chairman of the Board & InsCorp

Michael A. Qualls, Retired CEO of INSBANK
Consultant

Board of Directors

Russell Echlov, Partner
Ledyard Capital

James Fields, President/CEO
Concept Technology Inc.

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

Stacey Garrett Koju, Attorney
Spencer Fane Bone McAllester

Robert W. Lowe, Jr., Executive Managing Director
Stream Realty Nashville

Hope W. Lundt, Investment Manager
Spence Limited, L.P.

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

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

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

Retired April 2023:

Dennis W. Petty, CPA
Charles T. Tagman, Jr., Chairman
Risko Group LLC

Leadership Management

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

Peyton Green
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

Blake Wilson
Senior Vice President, INSBANK/President, Medquity

Andrew T. Smith
Senior Vice President/Chief Deposit Officer

Public Relations

Phene Wardlaw

Shareholder Relations

Financial Inquiries: Peyton Green
Administrative Information: Amanda Richardson

Transfer Agent: Computershare

Market: OTC-QX
Symbol: IBTN

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 for sale, that do not currently have a brokerage account, can contact Computershare's Investor Services Department at (877) 373-6374 for assistance.

OTCQX

InsCorp shares are listed on the OTCQX Market under the symbol IBTN. Shareholders can view real-time quotes and trading information on *www.otcmarkets.com* 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 one 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@insbank.com or (615) 515-4280, sign a Shareholder's Rule 144 Letter and turn in the original stock certificates to Computershare's Processing Office.

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