

A photograph of two men in business attire standing by a large window with blinds. One man is seated and smiling, while the other stands with his back to the camera, looking out the window. The scene is brightly lit, suggesting a sunny day outside.


# focused

people oriented

business concentrated



Tennessee Commerce  
Bancorp, Inc. | Annual Report  
2008



Tennessee Commerce Bancorp, Inc. is the parent company of Tennessee Commerce Bank. The Bank provides a wide range of banking services and is primarily focused on business accounts. Corporate and banking offices are located in Franklin, Tennessee. Tennessee Commerce Bancorp's stock is traded on NASDAQ's Global market under the stock symbol TNCC.

# Financial Highlights

Tennessee Commerce reported record results in 2008.

Net income rose 12.4% to \$7.8 million

Total deposits grew 31.2% to \$1.1 billion

Net loans increased 30.5% to \$1.0 billion

*(Dollars in thousands, except per share data and performance ratios)*

	2008	2007	% Change
<b>Operating Data:</b>			
Net interest income	\$ 34,951	\$ 27,272	28.2%
Net income	\$ 7,754	\$ 6,896	12.4%
<b>Per Share Data:</b>			
Earnings per share (diluted)	\$ 1.60	\$ 1.41	13.5%
<b>Financial Condition Data:</b>			
Assets	\$1,218,084	\$900,153	35.3%
Loans, net	\$1,023,271	\$784,001	30.5%
Deposits	\$1,069,143	\$815,053	31.2%
Shareholders' equity	\$ 101,747	\$ 63,121	61.2%
<b>Selected Ratios:</b>			
Efficiency ratio	44.87%	43.99%	
Net interest margin	3.43%	3.72%	
Return on average assets	0.73%	0.91%	
Return on average equity	11.34%	12.13%	



## Letter to Shareholders

Tennessee Commerce reported record results in 2008, our eighth consecutive year of growth. Our assets, loans and deposits exceeded the billion dollar mark during 2008. We achieved these record results despite the recession and the turmoil in the financial industry.

Tennessee Commerce outperformed the majority of its peer group during 2008 and we are very proud of achieving these results without the benefit of mergers or acquisitions. We believe our organic growth highlights our focus on the business banking market, our diversified customer base that spans a number of business sectors, and the strength and diversifications of our home market.



From left, **Frank Perez**, Chief Financial Officer, **Art Helf**, Chairman and Chief Executive Officer; **Mike Sapp**, President and Chief Lending Officer and **Lamar Cox**, Chief Administrative Officer


### **The Business Bank Advantage**

We believe our operating model sets us apart from most banks, not only in our focus on the business customer, but how our model provides improved operating efficiencies and increased opportunities to grow earnings. Our model is highlighted by three distinct areas that differentiate Tennessee Commerce from our competition.

First, our focus on the business segment of the market has been a key factor in our ability to diversify our customer base over a number of industries and markets. At year-end 2008, no single customer segment accounted for more than 20% of our loan portfolio. We have focused on growing across market segments while limiting our exposure to real estate lending, an area that experienced significant problems during 2008. The majority of our real estate loans are for owner-occupied buildings rather than speculative real estate developments.

A photograph of three men in business attire standing in an office. The man on the left is wearing a light blue shirt and a red tie. The man in the center is wearing a dark suit and glasses, holding a blue folder. The man on the right is wearing a dark suit and a yellow tie. They are standing in front of a large window. The word "leadership" is overlaid in large white letters across the bottom of the image.

# leadership



From left, **Larissa Baldwin**,  
**Teresa Welbeck**, **Beth Brown**,  
and **Michele Moore**, Vice  
President, Loan Administration

# efficiencies

Second, Tennessee Commerce does not have a costly bank branch network that adds significant overhead expense. As a result, our operating efficiency of 44.9% for 2008 was one of the best in the industry. We believe the dramatic shift to electronic banking, particularly for business customers, will further reduce the demand for bank branches in the future. Branches are an expensive way to deliver services and are often redundant with efficient electronic banking alternatives. We believe we are on the leading edge and taking advantage of the new age of electronic banking.

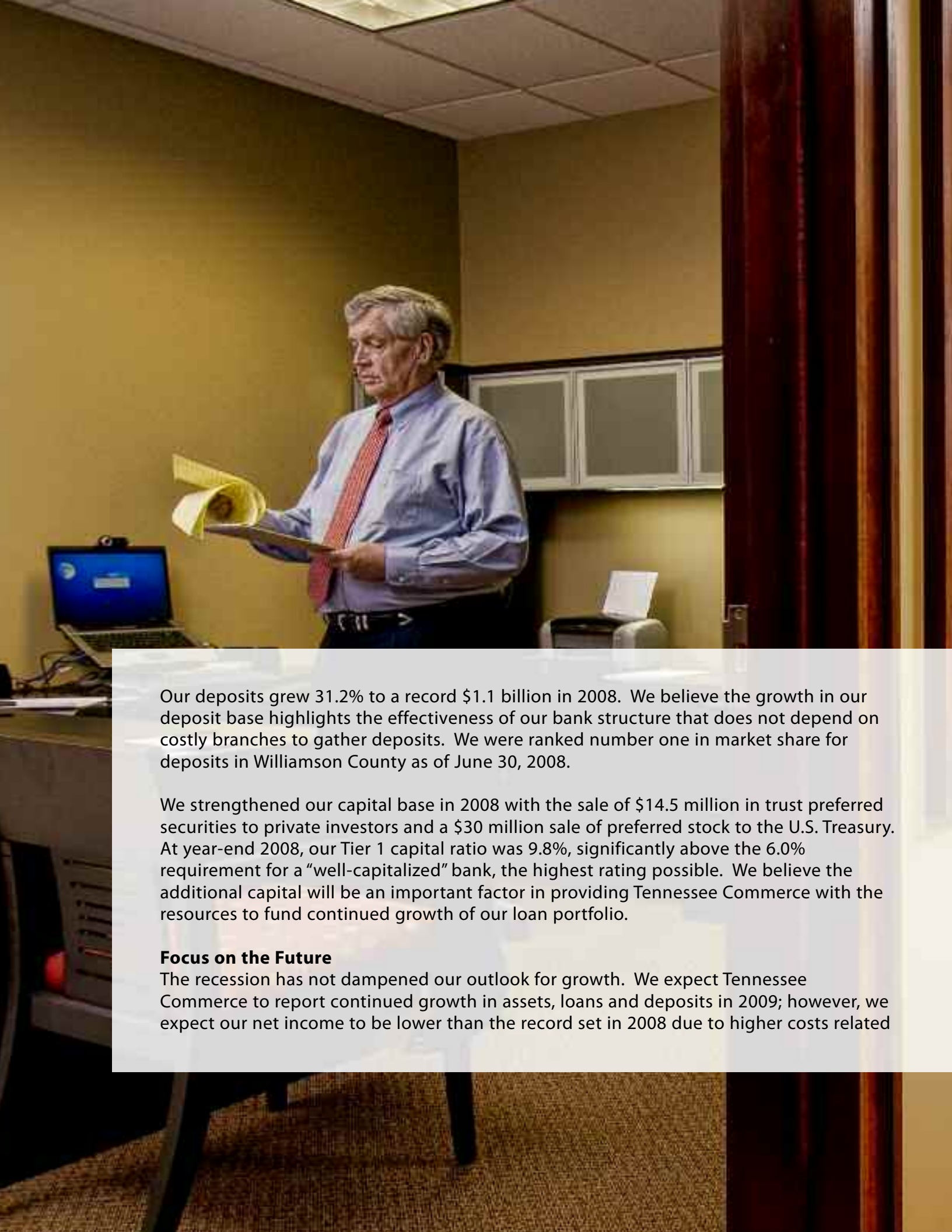
We believe another way to measure the efficiency of Tennessee Commerce's operations is the ratio of assets-to-employees. At year-end 2008, we had approximately \$14.7 million in assets for every employee, an amount over three times greater than the average for Tennessee banks.



And third, our operating model provides Tennessee Commerce with expanded opportunities to build earnings through loan sales. We generated \$3.8 million in pretax income from loan sales in 2008, an amount equal to almost 30% of pretax income. In early 2009, we expanded our loan sale capabilities with a strategic partnership with the Independent Community Bankers of America (ICBA) that will facilitate the origination or acquisition of small business equipment loans and leases for packaging and sale to other ICBA member banks. We believe our alliance with ICBA will supplement existing opportunities to build loan sales beyond our correspondent banks.

### **Growth in Core Business**

Our core business remained solid during 2008, even though the economy was stressed. We experienced loan growth throughout 2008 from both local and national accounts. We added over \$239 million in net new loans in addition to selling \$60 million in loans during the year.




Our deposits grew 31.2% to a record \$1.1 billion in 2008. We believe the growth in our deposit base highlights the effectiveness of our bank structure that does not depend on costly branches to gather deposits. We were ranked number one in market share for deposits in Williamson County as of June 30, 2008.

We strengthened our capital base in 2008 with the sale of \$14.5 million in trust preferred securities to private investors and a \$30 million sale of preferred stock to the U.S. Treasury. At year-end 2008, our Tier 1 capital ratio was 9.8%, significantly above the 6.0% requirement for a “well-capitalized” bank, the highest rating possible. We believe the additional capital will be an important factor in providing Tennessee Commerce with the resources to fund continued growth of our loan portfolio.

**Focus on the Future**

The recession has not dampened our outlook for growth. We expect Tennessee Commerce to report continued growth in assets, loans and deposits in 2009; however, we expect our net income to be lower than the record set in 2008 due to higher costs related

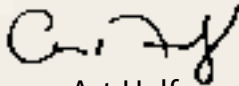
A photograph of three women in an office hallway. They are standing near a window with blinds, looking at each other and talking. One woman is holding a folder. The scene is brightly lit by natural light from the window.

From left, **Jerry Nix**, Vice President – Leasing; **Susan Marsh**, Booking Coordinator; **Kathy Weatherford**, Booking Coordinator and **Suzanne Budke**, Compliance & Review Specialist

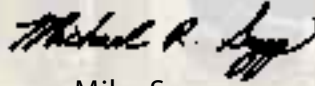
# balance

to the preferred stock dividend, higher FDIC insurance and other regulatory costs, and a higher provision for loan losses related to the soft economy. We plan to build our reserve for loan losses, while improving loan yields and strengthening credit quality. We believe these will be important measures that will benefit continued growth in shareholder value.

All of our directors and senior managers own Tennessee Commerce Bancorp stock and we believe our interests are closely aligned with those of our shareholders at large. We value your investment in Tennessee Commerce and look forward to reporting on our progress in 2009.

A handwritten signature in black ink, appearing to read "Art Helf".

Art Helf  
Chairman

A handwritten signature in black ink, appearing to read "Michael R. Sapp".

Mike Sapp  
President

## Directors



**Arthur F. Helf**  
Chairman &  
Chief Executive Officer



**H. Lamar Cox**  
Secretary &  
Chief Administrative Officer



**Paul W. Dierksen**  
Private Investor



**Dennis L. Grimaud**  
Chief Executive Officer  
Genaco Biomedical  
Products



**William W. McInnes**  
Investor



**Thomas R. Miller**  
Commercial Realtor



**Darrel Reifschneider**  
President & Chief  
Executive Officer  
Harpeh True Value  
Hardware



**Michael R. Sapp**  
President &  
Chief Lending Officer



**Paul A. Thomas, M.D.**  
The Bone & Joint Clinic

## Officers



**Frank Perez**  
Chief Financial Officer



**John Burton**  
Senior Vice President  
Commercial Lending



**Tommy Crocker**  
Senior Vice President  
Special Assets



**Mary Lankford**  
Senior Vice President  
Mortgage Lending



**Doug Rogers**  
Senior Vice President  
Commercial Lending



**Milton F. Blair**  
Vice President  
Commercial Lending



**Bill Coleman**  
Vice President  
Account Services



**Irving Ginsberg**  
Vice President  
Credit



**Andy Hawkins**  
Vice President  
Commercial Lending



**Beau F. Lee**  
Vice President  
Commercial Lending



**Michele D. Moore**  
Vice President  
Loan Administration



**Jerry Nix**  
Vice President  
Commercial Lending



**Ellis Simmons**  
Vice President  
Commercial Lending



**William D. Hatcher**  
Assistant Vice President  
Financial Analyst



**JaNeil Hicks**  
Assistant Vice President  
Loan Operations



**Timothy Mortimer**  
Assistant Vice President  
Special Assets



**Tammy Hickman**  
Banking Officer and  
Branch Manager



**Lisa Justice**  
Operations Officer and  
Deposit Operations Supervisor



**Lisa Sallee**  
Banking Officer and  
Loan Supervisor



381 Mallory Station Road • Franklin, Tennessee 37067-8264  
[www.tncommercebank.com](http://www.tncommercebank.com)

## Shareholder Information

**Corporate Offices**  
Tennessee Commerce Bancorp, Inc.  
381 Mallory Station Road  
Franklin, TN 37067-8264  
(615) 599-2274

**Stock Information**  
The common stock of Tennessee Commerce Bancorp, Inc. is traded on the NASDAQ's Global market under the symbol TNCC.

**Independent Auditors**  
KraftCPAs, PLLC  
Nashville, TN

**Registrar and Transfer Agent**  
Registrar and Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016

**Shareholder Inquiries**  
Inquiries regarding stock transfers, lost certificates, or address changes should be directed to the registrar and transfer agent at the address above.

**Legal Counsel**  
Waller Lansden Dortch & Davis LLP  
Nashville City Center  
Suite 2700  
511 Union Street  
Nashville, Tennessee 37219

**Availability of 10-K Report**  
The Corporation has filed Form 10-K with the Securities and Exchange Commission for the year ended December 31, 2008. A copy of the report is available to shareholders free of charge upon written request to:

**Chief Financial Officer**  
Tennessee Commerce Bancorp, Inc.  
381 Mallory Station Road  
Franklin, TN 37067-8264