



July 27, 2016

To our shareholders:

Strong quality growth and financial performance remains the mantra for 2016. Touchmark National Bank's assets increased by \$55 million (31%) to \$231 million over the last 12 months. Net interest income after provisions for loan losses increased by 37% to \$982 thousand over the same period. Overall, net income after tax increased by 5% to \$826 thousand resulting in an annualized ROA of 0.76% as compared to 0.94% the prior period. The decline in the ROA is primarily attributed to lower SBA premium fees (\$360M) and a \$225 thousand non-recurring recovery in 2015.

Touchmark National Bank - 2nd Quarter Financial Highlights:

- **Net interest income before provision for loan losses increased 30% to \$3.8 million** from \$2.9 million for the same period in 2015. Our net interest margin remained unchanged at 3.74%, as compared to the same period last year.
- **Non-interest income declined by \$506 thousand** as a result of \$360 thousand in less premiums from the sale of SBA loans during the first half of the year. Several Government Guaranteed loans are expected to close and be sold in the second half of the year which should cover the shortfall.
- **Non-interest expense increased by 14% in the first half of the year**, primarily from increased staffing.
- **Asset growth of 31%**, resulting in total assets of \$231 million.
- **Gross loan balances increased by \$57 million, or 41% year over year.**
- **Deposits increased 31% to \$182 million.** The overall cost of funds was 0.91% during the first half of the year as compared to 0.92% during the same period last year.
- **The Allowance for Loan Losses was \$2.6 million or 1.31% of loans** compared to \$2.2 million or 1.57% of loans a year earlier. The excellent credit quality supports the lower balance. We have one non-performing asset valued at \$525 thousand or less than 0.30% of total assets, however this asset was disposed of during the month of July. We have not experienced any charge offs during the first half of this year.

You may view our unaudited second quarter financial statements by visiting the investor relations section on our website at www.touchmarknb.com.

The Board and management are committed to maximizing leverage while maintaining prudent capital ratios in order to generate optimum returns for shareholders. We believe our first half results are in line with this objective and our overall strategic plan. Our loan pipeline remains stronger than it has

ever been without having to compromise credit quality. Consequently, we are very optimistic about our prospects for 2016 and beyond.

Thank you for your continued support and I welcome your questions, comments, or suggestions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Forment', with a long horizontal flourish extending to the right.

Jorge L. Forment
President & CEO