



August 25, 2017

To our shareholders:

Asset growth and earnings remain solid through the second quarter of 2017. Net interest income after provisions for loan losses increased by \$1.5 million (42%) to \$5.2 million over the same period last year. Overall, net income after tax increased by \$529 thousand (55%) to \$1.5 million resulting in an annualized ROA of 1.01% as compared to 0.90% in the prior period.

Touchmark National Bank - 2nd Quarter Financial Highlights:

- **Net interest income after provision for loan losses increased 42% to \$5.2 million** from \$3.6 million for the same period in 2016. Our Net Interest Margin increased by 9bp to 3.82% from the 3.73% a year earlier, due to an improvement in earning asset yields despite an increase in the cost of funds.
- **Non-interest income increased by \$1.0 million** primarily from Government Guaranteed loan sale fees. Sales of Government Guaranteed loans were \$1.6 million in 2017 as compared to \$602 thousand in 2016, an increase of 175%.
- **Non-interest expense increased by 43%** from the prior period primarily from Government Guaranteed loan referrals. This increase was offset by the increased fees noted in non-interest income above.
- **Net loan balances increased by \$71 million, or 36%** year over year.
- **Deposits increased 48% to \$271 million.** The overall cost of funds was 1.00% during the period as compared to 0.91% during the same period last year after considering the 14bp effect of non-interest bearing deposits.
- **The Allowance for Loan Losses was \$3.3 million or 1.25% of gross loans** compared to \$2.6 million or 1.31% of gross loans a year earlier. The decline in ALLL percentage can be traced to the increased volume of government guaranteed loans, which have no credit risk. There are no non-performing assets or charge-offs at the end of the second quarter of 2017.

I encourage you to view, in greater detail, our unaudited second quarter financial performance by visiting the investor relations section on our website at www.touchmarknb.com.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Forment", written in a cursive style.

Jorge L. Forment
President & CEO