



May 9, 2017

To our shareholders:

Through the first quarter of 2017, Touchmark National Bank's growth and earnings remain solid. Net interest income after provisions for loan losses increased by 40% to \$2.5 million over the same period last year. Overall, net income after tax increased by 92% to \$708 thousand resulting in an annualized ROA of 1.02% as compared to 0.71% the prior period.

**Touchmark National Bank - 1<sup>st</sup> Quarter Financial Highlights:**

- **Net interest income after provision for loan losses increased 40% to \$2.5 million** from \$1.8 million for the same period in 2016. Our Net Interest Margin increased by 23bp to 3.94% from the 3.71% a year earlier, due to a 30bp improvement in earning asset yields.
- **Non-interest income increased by \$943 thousand** primarily from Government Guaranteed loan sale fees in the first quarter. Sales of Government Guaranteed loans were nominal in 2016 and greatly reduced fees for the first quarter.
- **Non-interest expense increased by 73%** from the prior period primarily from Government Guaranteed loan referrals. This increase was offset by the increased fees noted in non-interest income above.
- **Gross loan balances increased by \$85 million, or 50%** year over year.
- **Deposits increased 49% to \$250 million.** The overall cost of funds was 0.96% during the quarter as compared to 0.89% during the same period last year after the 13bp effect of non-interest bearing deposits.
- **The Allowance for Loan Losses was \$3.3 million or 1.31% of loans** compared to \$2.4 million or 1.44% of loans a year earlier. There are no non-performing assets or charge-offs at the end of the first quarter of 2017.

I encourage you to view, in greater detail, our unaudited first quarter financial performance by visiting the investor relations section on our website at [www.touchmarknb.com](http://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