



October 28, 2014

To our shareholders:

Our strategy to expand our lending team to increase loan production is paying off. We experienced net loan growth of over 7% for the first nine months of this year resulting in gross loans of \$101 million for the first time in the bank's history. With the current pipeline of approved loans, we are on a trajectory to reach double digit growth again this year. We have been equally as aggressive in our deposit growth strategy and have successfully increased total deposits by \$39 million or 49% during the period. Net Income Before Tax (NIBT) was \$407 thousand as compared to \$620 thousand during the same period last year. The decrease is primarily the result of provisions to the Allowance for Loan & Lease Losses (ALLL) this year as compared to a negative provision in the prior year. Net Income After Tax (NIAT) was \$264 thousand or \$0.08 per share for the first nine months of this year, an decrease from the \$409 thousand or \$0.12 per share in the prior year, again from the effects of the aforementioned provisions to the ALLL.

Touchmark National Bank – 3rd Quarter Financial Highlights:

- **Net interest income before provision for loan losses increased over 5.6%** from 2013 to \$3.3 million. Our net interest margin decreased to 3.59% from 3.90% a year earlier, on a combination of lower earning asset yields coupled with an increased cost of funds.
- **Non-interest income grew 21%** to \$1.0 million primarily from SBA loan related fees and the impact of writing off approximately \$500 thousand from the branch closures in the prior year.
- **Non-interest expense decreased by 11.7%** from decreased personnel costs and lower occupancy expense from the two branch closures in the prior year.
- **Gross loan balances were \$101 million, up nearly 20%** year over year.
- **Deposits increased 61%** to \$121 million due to an aggressive deposit campaign to fund the anticipated loan growth while maintaining a prudent loan to deposit ratio. Demand deposits have increased nearly 37% however, our overall cost of funds rose by 10 basis points to 0.91% during the period.
- **The Allowance for Lease and Loan Losses (ALLL) was \$1.52 million or 1.51% of loans compared to \$1.25 million or 1.48% of loans a year earlier.** Non-performing assets decreased to \$4.4 million or 2.8% of total assets as compared to \$5.6 million or 4.6% in the prior period. OREO has been reduced to \$1.6 million during the period with one of the two remaining parcels under contract. Furthermore, there were no charge-offs recorded during this quarter.

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

The pace of organic growth has been strong with the expansion of our lending staff, but we continue to seek qualified, proven and successful commercial and SBA lenders to enhance our team in order to capitalize on the small business lending opportunities that are surfacing. Nonetheless, we remain vigilant on maintaining credit quality which is paramount for sustained growth and profitability.

We continue to leverage our capital in order to maximize shareholder value. We will also explore other business opportunities including the acquisition of other financial institutions if we deem prudent. While we cannot predict or capitalize on all opportunities, we believe certain situations may merit our consideration. In the interim, we plan to build a strong foundation through seasoned lenders and quality personnel so that we can continue to grow organically.

We are pleased with our growth and the contributions of our lending group. Based on our loan pipeline, we anticipate having a strong fourth quarter. I want to personally thank you for your continued support and we welcome any of your questions, comments, or suggestions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'J. Forment', with a stylized, flowing script.

Jorge L. Forment
President & CEO