



August 1, 2014

To our shareholders:

In recent months, banks have been experiencing stronger loan demand coupled with aggressive competition for quality borrowers, especially in small business lending. The rate of loan growth for the first six months of this year is 4.0% but the existing loan pipeline coupled with our human capital strategy should easily propel us into double digits again this year. Net Income Before Tax (NIBT) was \$616 thousand as compared to \$350 thousand during the same period last year. Net Income After Tax (NIAT) was \$387 thousand or \$0.11 per share for the first six months of this year, an increase from the \$231 thousand or \$0.07 per share in the prior year.

Touchmark National Bank - 2nd Quarter Financial Highlights:

- **Net interest income before provision for loan losses increased 4%** from 2013 to \$2.2 million. Our net interest margin decreased to 3.73% from 3.96% a year earlier, on lower earning asset yields.
- **Non-interest income grew 100%** to \$854 thousand 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 was down 16%** from the personnel and occupancy cost savings related to the two branch closures.
- **Gross loan balances were \$98 million, up 25%** year over year.
- **Deposits increased 43%** to \$110 million due to an aggressive deposit campaign to improve the bank's loan to deposit ratio and gear up for improving loan opportunities. This has increased the overall cost of funds by 6 basis points to 0.89% during the period.
- **The Allowance for Lease and Loan Losses (ALLL) was \$1.52 million or 1.55% of loans compared to \$1.39 million or 1.78% of loans** a year earlier. Non-performing assets decreased to \$5.2 million or 3.5% of total assets as compared to \$6.6 million or 5.4%. OREO has been reduced by \$1.5 million during the same period. Furthermore, there were no charge-offs recorded during this quarter.

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

We continue to invest in human capital to help accelerate the pace of organic business growth. We are in the process of adding several commercial and SBA lenders to our team to capitalize on the small business lending opportunities mentioned earlier. Nonetheless, we remain vigilant on maintaining credit quality which is paramount for sustained growth and profitability.

We are mindful of the need to leverage our capital in order to maximize shareholder value. Thus, we will continue to explore all business opportunities including the acquisition of other financial institutions. While we cannot predict the outcome of these opportunities, we believe such a strategy merits prudent, selective and meaningful consideration. In the interim, our plan is to build a strong cadre of lenders and grow organically.

We are pleased with our growth but are even more excited about the anticipated contributions of our enhanced lending group to this year's and future bank performance. Thank you for your continued support and we welcome your questions, comments, and suggestions.

Sincerely,

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

Jorge L. Forment
President & CEO