



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 01, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Touchmark National Bank
Charter Number 24789

3651 Old Milton Parkway
Alpharetta, GA 30005

Office of the Comptroller of the Currency

Georgia Field Office, 3 Ravinia Drive, Suite 550; Atlanta, GA 30346

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Touchmark National Bank's overall CRA performance demonstrates satisfactory effort in addressing the credit needs of its assessment area. The rating is based on the following information.

- The loan-to-deposit ratio is more than reasonable to meet the standards for satisfactory performance and compares favorably to local peer banks.
- A substantial majority of the bank's primary loan products are originated within the assessment area.
- Management's lending to businesses of different sizes is reasonable while lending to borrowers of different incomes reflects poor performance.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The bank has received no CRA-related complaints during the evaluation period.

SCOPE OF EXAMINATION

This CRA Performance Evaluation is the first assessment of Touchmark's ability to meet the credit needs of its community. Examiners conducted a full-scope review of the defined assessment area (AA), which included four contiguous counties that are located in the Atlanta-Sandy Springs-Marietta, Georgia Metropolitan Statistical Area. Touchmark was evaluated using the "Small Bank" examination procedures for institutions with total assets of less than \$274 million. The review focused on applicable lending performance standards. This evaluation covers the period of January 28, 2008 through October 1, 2010.

Commercial loans represent the majority of the bank's loan portfolio. Home Mortgage Disclosure Act (HMDA) report data was unavailable during this review because the bank just became HMDA-reportable during 2010. Therefore, a random sample of the primary loan products (commercial real estate based on dollar volume and home equity lines of credit based on number of loans) was selected to evaluate CRA lending performance.

In analyzing this bank's performance, our assessment placed more weight on the commercial real estate results since 47 percent of the bank's dollar volume of loans constitutes commercial real estate loans. Also, the variance between the number of home equity lines and commercial real estate loans is negligible with 23.5 percent of the number of loans being home equity lines of credit versus 18 percent being commercial real estate loans. Management strategies also include phasing out home equity loans to focus on commercial loan products.

At September 30, 2010, the loan portfolio composition was as follows:

Loan Category	\$ (000s)	% by \$	# of Loans	% by #
A&D/Construction	16,540	19.8%	11	6.8%
Owner-Occupied RE	12,393	14.9%	25	15.4%
Other Non-farm/Non-residential RE	39,114	47.0%	29	17.9%
1-4 Family HELOCs	2,314	2.8%	38	23.5%
1-4 Family 1st & 2 nd Lien	4,652	5.6%	8	5.0%
Total Real Estate	75,013			
Personal Revolving Credit Lines	105	0.1%	5	3.1%
Other Consumer	293	0.4%	7	4.3%
Total Consumer	398		12	
C & I (not secured by RE)	6,401	7.7%		21.0%
Farm/AG	1,399	1.7%	5	3.1%
Total Loans	\$ 83,211	100%	162	100%

DESCRIPTION OF INSTITUTION

Touchmark National Bank (Touchmark) commenced business on January 28, 2008. The community bank is owned by a one-bank holding company, Touchmark Bancshares, Incorporated. The holding company is headquartered in Alpharetta, Georgia. The bank operates a main office at Old Milton Parkway in Alpharetta and two full service branches in Duluth and Doraville, Georgia. Each office has an ATM with the Doraville branch ATM accepting deposits. Touchmark also offers personal and business online banking at its website www.touchmarknb.com.

As of June 30, 2010, assets totaled \$152 million and net loans to assets represented 52.4 percent. Touchmark's primary business focuses on traditional deposit accounts and loan products, including Small Business Administration (SBA) loans. The bank is located in a highly competitive market. Excluding branches of larger regional banks, there are 18 community banks with assets less than \$250 million in the assessment area. The local area presents additional competition with 8 credit unions operating offices in Alpharetta.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA(S)

The assessment area (AA) consists of 286 census tracts located in Fulton, Gwinnett,

Dekalb, and Forsyth counties; all within the Atlanta-Sandy Springs-Marietta, Georgia Metropolitan Statistical Area (Atlanta MSA).

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	432,256
Number of Households	672,313
Geographies	
Number of Census Tracts	286
% Low-Income Census Tracts (44)	15.4
% Moderate-Income Census Tracts (55)	19.2
% Middle-Income Census Tracts (80)	28.0
% Upper-Income Census Tracts (107)	37.4
Median Family Income (MFI)	
2000 MFI for AA	\$ 58,537
2010 HUD-Adjusted MFI	\$ 71,700
Economic Indicators	
Unemployment Rate	3.1%
2000 Median Housing Value	\$ 183,947
% of Households Below Poverty Level	9%

ATLANTA-SANDY SPRINGS-MARIETTA, GA MSA

The Atlanta MSA, which is the ninth-largest metropolitan statistical area in the United States, consists of 28 counties. Atlanta is the capital and the largest city in the state with a 2009 population of 540,921. Metro Atlanta ranks as the most populous metropolitan area with a 2009 population of 5,475,213 people, which reflects an increase since 2000 of 1.2 million people or 30 percent. Fulton, Gwinnett, and Dekalb counties are part of the five original counties and continue to be the core of the metro area. The AA meets all legal requirements set forth by the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas.

Total employment in the Atlanta MSA as of August 2010 was 2,268,500, unchanged from one year earlier. The Atlanta metropolitan area added 24,600 new jobs (in education and health services along with professional and business services) from August 2009 to August 2010, but this was basically offset by a loss of 24,400 jobs in other industries. Financial activities experienced the largest employment decline. Beginning in 2007, the national economy weakened and bank failures rose with Georgia having the highest number of failed banks. The collapse of Metro Atlanta's real estate market and subsequent increase in foreclosures, coupled with the credit crisis, contributed to local bank failures. The housing market in Georgia is believed to hit its low-point in 2010 with recovery beginning but at a very slow pace. Despite the

indications of an economic recovery, the unemployment rate in Atlanta remained at a historic level of 10.4 percent.

Atlanta is considered a top business city and a primary transportation hub of the Southeastern United States. Atlanta also contains the world headquarters of such large corporations as The Coca-Cola Company, Georgia Pacific, the Cable News Network (CNN), and Turner Broadcasting. The leading employment sectors in the Atlanta MSA are trade, transportation and utilities; professional and business services; and government. Top corporate employers in the Atlanta MSA are Delta Airlines, AT&T, Emory University, Cox Enterprises, United Parcel Service, and Wellstar Health Systems.

Atlanta is home to the world's busiest airport, Hartsfield-Jackson International Airport, and has maintained this title for the past 10 years. The airport is located on over 3,500 acres in parts of Fulton and Clayton Counties. In 2009, approximately 88 million passengers traveled through Hartsfield-Jackson International Airport.

Fulton County

Fulton County, the most populous county in Georgia, is the core county of the Atlanta MSA. Fulton County suffered a severe decline in the economy hastened by a dramatic decrease in residential building permits. Despite the economic slowdown in Metro Atlanta, Fulton County population surpassed the 1 million mark in 2008 - the first county in the state to achieve that milestone. From 2000 to 2009, the county population increased 26.5 percent to 1,033,756. The county seat is the city of Atlanta. The median household income for 2009 was \$62,682. Annual averages for 2009 showed Fulton County's unemployment rate at 9.3 percent.

The primary industry in Fulton County is services. The five largest employers are Delta Air Lines Incorporated, Georgia Institute of Technology, Georgia State University, Grady Health System, and Turner Services Incorporated.

Gwinnett County

Gwinnett County is one of the nation's fastest growing counties. Gwinnett County's 2009 estimated population was 808,167 residents. The county has, however, been impacted by metro Atlanta's economic downturn. As of 2009, the estimated median household income was \$66,327 per year. Annual averages for 2009 showed Gwinnett County's unemployment rate at 9.4 percent.

Trade, professional and business services, and leisure and hospitality are the county's largest employers. The county's top employers are Houndstooth Incorporated, The Kroger Company, Gwinnett Hospital System Incorporated, Publix Supermarket Incorporated, and Wal-Mart Associates Incorporated.

Dekalb County

Dekalb County is the second most populated and diverse county in Georgia. The estimated population for 2009 was 747,274, a 12 percent increase from 2000. The median household income was \$54,708. Dekalb County was also noted as being the

second most affluent county in the state.

Annual averages for 2009 show DeKalb County's unemployment rate at 9.6 percent. Cox Communications; the third largest cable television provider in the United States, is headquartered in Dekalb County. The top five employers are Children's Healthcare of Atlanta, Dekalb Medical Center Incorporated, Emory Healthcare Incorporated, Emory University, and The Kroger Company.

Forsyth County

Forsyth County is ranked by the Census Bureau as the fastest-growing county in Georgia. Based on updated 2009 data, the total population increased 74 percent from the 2000 census information to 174,520. The median household income was \$88,626. As such, Forsyth County was named as being the 13th wealthiest county in the nation. Recent job growth is negative, decreasing by 6.39 percent. Annual averages for 2009 showed Forsyth County's unemployment rate at 9.1 percent.

Agribusiness has always been the cornerstone of Forsyth's economy, helping to make Georgia one of the leading poultry-producing states in the United States. The largest employer in Forsyth County is the Forsyth County Public School System. Other leading employers are Koch Foods of Cumming LLC, The Kroger Company, Northside Forsyth Hospital, Scientific Games Products Incorporated, and Tyson Poultry Incorporated.

Community Contact

A recent community contact was conducted with a local, economic development organization. Emphasis has been placed on the need to stabilize housing prices and stimulate consumer and business spending. The Atlanta area continues to suffer from high foreclosures, distressed properties, and vacant lots. There are initiatives in place that involve local banks offering special loan products to increase loan demand. Financial institutions are focused on community needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, lending performance is satisfactory given the bank's size, financial condition, and ability to meet the credit needs of its assessment area.

Loan-to-Deposit Ratio (LTD)

The LTD ratio is more than reasonable and exceeds the standards for satisfactory performance. The bank's quarterly LTD ratio averaged 111 percent since opening in January 2008 and compares favorably to the 105 percent average ratio of three similarly situated banks. This ratio ranged from 70 percent to 210 percent. Quarterly peer bank averages ranged from a low of 99 percent to a high of 111 percent.

Lending in Assessment Area

Lending in Assessment Area is good with a substantial majority of loans originated inside of the assessment area.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$	%	
Commercial RE	15	75	5	25	20	26,511	75	8,597	25	34,807
HELOC	14	70	6	30	20	1,959	80	483	20	2,442
Totals	29	73	11	27	40	28,170	76	9,079	24	37,249

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, lending to Borrowers of Different Incomes and businesses of different sizes is reasonable and meets the standard for satisfactory performance.

Lending to businesses of different sizes is reasonable. The percentage of small business loans by number and dollar volume made to businesses with revenues less than \$1 million exceeds the percentage of small businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Assessment Area			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Total
% of AA Businesses	76%	4%	80%*

% of Bank Loans in AA by #	70%	30%	100%
% of Bank Loans in AA by \$	80%	20%	100%

Source: Loan sample; Dunn and Bradstreet data. *20% of AA businesses did not report revenue data.

Lending to borrowers of different incomes is poor based on the penetration of consumer home equity lending to low- or moderate-income families. The bank's extensive AA reflects significant competition for loans. Borrower's requesting these products are from the local area, which is largely inclusive of upper income census tracts. But, primarily impacting this performance is that Atlanta's housing has experienced substantial declines in market value. Home values in the area have deteriorated to the point where equity is scarce and many people adjusted mortgage loans through the modification process or, in numerous cases, suffered from foreclosure. Right now consumers are experiencing tough economic times and are value-focused causing decreased demand for home equity loans.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
HELOCs	6%	0%	15%	0%	31%	0%	48%	100%

Geographic Distribution of Loans

The distribution of business loans reflects reasonable dispersion throughout the four census tract income levels. The bank made no business loans to borrowers located in low census tracts but the census information only listed 7% low-income businesses in the AA. Also, there is significant competition for commercial loan business in a stagnant economy. Although the percentage of loans in the moderate-income census tracts is lower than the percentage of AA owner occupied housing in the census tract, the amount of loans originated in the moderate-income census tracts is reasonable.

Table 3A - Geographic Distribution of Loans to Businesses in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial RE	7%	0%	18%	5%	30%	20%	45%	75%

The bank’s geographic distribution of residential loans reflects poor dispersion throughout census tracts of different income levels. The bank had no loans to home equity loan borrowers in low- or moderate-income census tracts. Management’s weak performance in lending within the low- and moderate-income census tracts is directly related to the bank’s location in a highly populated and competitive market. The Atlanta MSA has lots of competition for banking business from commercial banks, regional institutions, and credit unions. In addition, the bank’s assessment area is inclusive of census tracts south of Atlanta where the bank has no branch network. The bank’s main office and Duluth office are in Upper tracts and the Doraville branch is in a Middle tract. These offices are located in the northern part of Atlanta that consist primarily of Upper tracts.

With this being the bank’s first evaluation of CRA, management is now able to determine where its true market area lies based upon actual lending. As such, the board and management will review where its lending has been and likely adjust the AA to reflect that. Our review determined that the AA includes census tracts that are not within the bank’s immediate area, thus presenting additional difficulty to realistically serve these communities.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
HELOCs	3%	0%	11%	0%	31%	11%	55%	89%

Responses to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.