



PUBLIC DISCLOSURE

September 12, 2016

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
Atlanta Field Office
Three Ravinia Drive
Suite 1950
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 (TNB) has a **satisfactory** record of meeting community credit needs. We based this assessment on the following:

- The average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area (AA) credit needs and exceeds the standards for satisfactory performance.
- The majority of the bank's loans are inside its AA and meets the standards for satisfactory performance.
- The penetration of loans to businesses of different sizes is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of loans reflects a reasonable dispersion within the AA and meets the standards for satisfactory performance.

SCOPE OF EXAMINATION

This performance evaluation is an assessment of TNB's ability to meet the credit needs of the communities in which it operates. Examiners conducted a full-scope review of the bank's Assessment Area (AA). The bank was evaluated using Small Bank examination procedures. CRA performance was determined by analyzing the bank's primary lending activities. The evaluation period for this assessment was October 2010 to September 2016. Lending data was evaluated using the 2010 census. The bank has no lending affiliates.

The bank's primary business is commercial lending. Bank management provided a list of loans originated and purchased since the last CRA review. Commercial loans accounted for approximately 92 percent of loan originations. A sample of 20 business loans originated from January 2014 to June 2016 was selected to evaluate the bank's performance under the lending test.

TNB is subject to the Home Mortgage Disclosure Act (HMDA), which requires the collection and reporting of application data concerning home purchase, home refinance, and home improvement loans. The bank originated only four HMDA loans totaling \$2.2 million in 2014. In 2015, the bank originated one loan totaling \$445 thousand and purchased \$9.8 million. Due to this limited activity, further analyses was not conducted on home mortgage lending.

DESCRIPTION OF INSTITUTION

TNB is a small community bank, wholly owned by Touchmark Bancshares, Inc., a one-bank holding company. The bank's only location is a full service branch and deposit accepting ATM located in Alpharetta, Georgia. During this evaluation period, the bank closed two full service branches. A branch in Duluth, Georgia was closed on February 28, 2013 and a branch in Doraville, Georgia was closed on June 18, 2013. No branches have been opened since the last CRA examination. The bank offers personal and business online banking at its Internet website

www.touchmarknb.com. There have not been any significant changes to TNB's corporate structure during the evaluation period.

As of June 30, 2016, the bank had total assets of \$231 million, net loans of \$194 million, total deposits of \$182 million, and tier one capital of \$29 million. The bank offers a variety of traditional deposit and loan products. Commercial lending is TNB's primary business focus. The bank's business plan is to provide sound small business lending throughout the bank's market. There was no merger, acquisition, or expansion activity since the prior CRA evaluation. There are no legal or financial impediments to TNB's ability to meet the credit needs of its AA. The previous CRA evaluation dated October 1, 2010 rated the bank's performance as "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA (AA)

The AA consists of all census tracts located in five counties (Fulton, Cobb, Gwinnett, DeKalb and Forsyth) of the Atlanta-Sandy Springs-Roswell, Georgia Metropolitan Statistical Area (MSA). The AA is comprised of 627 census tracts with 79 low-, 137 moderate-, 165 middle- and 242 upper-income tract characteristics. The AA meets the technical requirements of the Act and does not arbitrarily exclude low-or moderate-income census tracts. The table below summarizes certain demographics for the AA:

Demographic and Economic Characteristics of AA	
Population	
Total Population	3,281,384
Number of Families	771, 511
Number of Households	1,194,796
Geographies	
Number of Census Tracts	627
% Low-Income Census Tracts	12.60%
% Moderate-Income Census Tracts	21.85%
% Middle-Income Census Tracts	26.32%
% Upper-Income Census Tracts	38.60%
Median Family Income (MFI)	
2010 MFI for AA	\$67,374
2014 HUD-Updated MFI	\$70,100
Economic Indicators	
2010 Unemployment Rate	6.06%
2010 Median Housing Value	\$236,478
% Households Below Poverty Level	11.40%

Atlanta-Sandy Springs-Roswell MSA

The Atlanta-Sandy Springs-Roswell MSA is one of the nation's top-performing large metro areas. It is the most populous metro area in Georgia and the ninth-largest MSA in the US. The

Atlanta-Sandy Springs-Roswell MSA is recognized as the transportation, distribution, and cultural center of the Southeastern United States. It is the third largest metropolitan region in the Southeast behind Greater Washington and South Florida. The Atlanta-Sandy Springs-Roswell MSA encompasses the city of Atlanta and includes 29 surrounding counties. It accounts for more than half of the state's economy and is largely responsible for its robust growth. According to the US Census Bureau, the Atlanta-Sandy Springs-Roswell MSA's population was estimated at 5.7 million for 2015.

The July 2016 Moody's Analytics performance report indicates Atlanta-Sandy Springs-Roswell is growing rapidly. The current resurgence in the national labor force is due to strong job creation. The increase in Atlanta is especially pronounced with more than 100,000 additions in the last two years alone. Business expansions and relocations attribute to the above average job and income growth. Hartsfield-Jackson, one of the world's busiest airports, is undergoing a \$6 billion, 20-year expansion. Hiring is broad-based with the greatest gains in professional services and construction. Other industries such as hospitality and retail are also growing faster than their national counterparts.

Strengths of the Atlanta metro area include a diverse economy, strong in-migration and population growth, and a business friendly environment. The MSA has a diverse industrial base that includes manufacturing, transportation, distribution, retailing, wholesaling, finance, government, research, education, medicine, and technical support. Top employers include; Delta Airlines, AT&T Corporation, Publix Super Markets, US Army Garrison Headquarters, Emory University, Randstaad Staffing Services, and The Home Depot.

The banking industry is highly active in the AA and comprises diverse financial institutions including community banks, large banks, and credit unions. Competition is high with this variety and volume of available services and products.

Fulton County

Fulton County is the principal county of the Atlanta MSA. Atlanta is the largest city in the county as well as the county seat. Located in the center of the county, Atlanta divides the county's northern and southern sections. North Fulton County, a suburban area, is among the most affluent areas in the US. South Fulton County, which includes Atlanta, has pockets of wealthy areas, but contains some of the lowest income sections of the MSA.

North Fulton is known for a business climate renowned for its available and affordable buildings and developable sites. In addition, North Fulton has a well-educated workforce with a wide-ranging array of business services and benefits. Technology, healthcare, finance/insurance, telecommunications, logistics and business services drive the area's economy.

Almost every major highway, and every major interstate highway in metro Atlanta, passes through Fulton County. According to the 2010 US Census, Fulton County has the largest population of any county in Georgia, with 920,581 residents. The median household income was \$56,709 and the median family income was \$75,579. About 12 percent of families and 15 percent of the population were below the poverty line. The Georgia Department of Labor shows

the county's annual average unemployment rate for 2015 at 5.5 percent.

The ten largest companies in Fulton County include AT&T Services, Delta Air Lines, Emory Healthcare, Georgia Institute Of Technology, Georgia State University, SunTrust Bank, The Coca-Cola Company, and Turner Sports.

Cobb County

Cobb County is the fourth-most populous county in Georgia. The largest city in the county is Marietta, which is the county seat. The US Census Bureau ranks Cobb County as the most-educated in Georgia. It has ranked among the top 100 wealthiest counties in the US. SunTrust Park, the future home baseball park of the Atlanta Braves, is currently under construction in Cobb County, and scheduled to open in 2017. According to the 2010 US Census, the population of Cobb County was 688,078. The median household income in the county was \$65,522 and the median family income was \$78,920. Approximately 8 percent of families and 11 percent of the population live below the poverty line. Annual averages for 2015 from the Georgia Department of Labor show the county's unemployment rate at 5.4 percent.

The county's largest public employers include the Cobb County School District, Home Depot, Kennesaw State University, Lockheed Martin Corp, Publix Super Markets, The Kroger Company, and Walmart.

Gwinnett County

Gwinnett County is the second most populous county in Georgia. It is named for Button Gwinnett, who signed the US Declaration of Independence. The county seat is Lawrenceville. Gwinnett County has the largest public school system in Georgia. According to the 2010 US Census, the county had 805,321 residents. The median household income in the county was \$63,219 and the median family income was \$70,767. Approximately 9 percent of families and 11 percent of the population live below the poverty line. Annual averages for 2015 from the Georgia Department of Labor show the county's unemployment rate at 5.5 percent.

The ten largest companies in Gwinnett County include Cognizant Technology Solutions U S, Gwinnett Hospital System, NCR Corporation, Primerica Life Insurance Company, Publix Super Markets, and Waffle House, Inc.

DeKalb County

DeKalb County is the third most populous county of Georgia. It contains approximately 10 percent of the city of Atlanta (90 percent lies in Fulton County). According to the 2010 US Census, there were 691,893 people residing in the county. The median household income in the county was \$51,349 and the median family income was \$60,718. About 12 percent of families and 16 percent of the population live below the poverty line. Annual averages for 2015 from the Georgia Department of Labor show the county's unemployment rate at 5.8 percent.

Major employers in DeKalb County include Children's Healthcare of Atlanta, DeKalb Medical Center, Emory Healthcare, Emory University, International Hotels Corp, State Farm Mutual Auto Insurance Company, and United Parcel Service.

Forsyth County

Forsyth County is one of the fastest-growing areas in the US. Contributing to the population growth is the county's proximity to Atlanta. Forsyth County has a highly regarded school district and is one of Georgia's largest. According to the 2010 US census, the population was 175,511.

The median household income in the county was \$87,605 and the median family income was \$96,501. Approximately 5 percent of families and 6 percent of the population live below the poverty line. Annual averages for 2015 from the Georgia Department of Labor show the county's unemployment rate at 5.3 percent.

Forsyth County Schools is the largest employer in the county. Other major employers include Healthport Technologies, Koch Foods of Cumming, Northside Hospital, Resourcing Edge I, Scientific Games Products, and Tyson Poultry, Inc.

In conducting this assessment of the bank's performance, we contacted a local community organization. The contact indicated "cost burden" as the primary housing problem facing low- and moderate-income families and individuals in Fulton County. Although several banks (large and regional banks) and mortgage lenders participated in Fulton County's homeownership initiative, there is a need for more lender support. Touchmark NB was not a participant primarily because the bank's lending focus is on commercial loans specific to small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

TNB's performance under the small bank test is satisfactory. This conclusion is based on the following: a more than reasonable loan-to-deposit ratio; a majority of loans in the AA; lending to businesses of different sizes reflects a reasonable penetration, and a reasonable dispersion of loans within the AA. Details regarding these findings are addressed below.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio averaged 93.50 percent over the 23 quarters since the last CRA evaluation.

The bank's loan-to-deposit ratio compares favorably with other community banks of similar size, location, and product offerings. TNB ranks second among six similarly situated banks serving its AA. The other five banks had loan-to-deposit ratios averaging 78.55 percent and ranging from 46.09 percent to 98.81 percent over the 23 quarters since the last examination. All of the similarly situated banks are located in counties, which are part of the Atlanta-Sandy Springs-Roswell MSA.

Lending in Assessment Area

TNB originates a majority of its loans to borrowers located inside its AA and meets the standard for reasonable performance for the evaluation period. Sixty-one percent of bank’s lending by number of loans is within the AA. A slight majority of the bank’s loans by dollar volume is outside the AA. As a Small Business Administration lender, the bank originates many large dollar commercial loans outside the bank's AA. At the time of this review, the bank had seventeen hotel loans totaling \$39.3 million. Fourteen are located outside the bank's AA and total \$31.8 million.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
All Loans	128	60.66	83	39.34	211	112,526	48.25	120,676	51.75	233,202

Source: Bank reported originations and purchases during evaluation period.

Lending to Businesses of Different Sizes

Lending to businesses of different sizes is reflects a reasonable penetration and meets the standards for satisfactory performance. Per Dunn and Bradstreet data, 80 percent of businesses within the AA report annual revenues of less than \$1 million. The bank originated 76 percent of loans to businesses with annual revenues less than \$1 million.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.01	4.13	15.86	100%
% of Bank Loans in AA by #	70.00	30.00	0.00	100%
% of Bank Loans in AA by \$	75.77	24.23	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion within the AA and meets the standards for satisfactory performance. Based on the loans sampled, the percentage of loans made in low- and moderate-income tracts exceeds the percentage of businesses located in low- and moderate-income tracts. TNB’s AA is large and lending in each census tract is not expected, particularly given the size of the bank. There were no concerns related to gaps or areas of low penetration relative to the bank’s lending patterns.

Table 3A - Geographic Distribution of Loans to Businesses in AA								
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
	5.37	15.00	18.32	20.00	29.40	15.00	46.87	50.00

Source: Loan sample; Dun and Bradstreet data.

Responses to Complaints

TNB has not received any CRA related consumer complaints since the prior CRA examination.

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.