

The Bank of River Oaks 2014 Year End Shareholder Newsletter

FINANCIAL MATRIX (000'S):

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>(+/-)</u>
Total Assets:	\$260,047	\$348,296	\$377,555	\$420,175	+11%
Total Deposits:	\$225,779	\$289,744	\$323,095	\$358,656	+11%
Loans:	\$201,241	\$244,417	\$248,983	\$310,609	+25%
N/P after tax:	\$2,787	\$2,845	\$3,333	\$3,081	-8%
Net Interest Spread:	4.7%	5.0%	4.2%	3.9%	-7%
Book Value:	\$12.33	\$13.19	\$13.66	\$15.06	+10%

The Bank of River Oaks experienced another very strong year, with assets increasing \$42.6MM, which represents an 11% increase over 2013. During the 2014 year, the bank actually reached an asset high point of \$434MM in September; however, in October, 2014, we initiated an effort to pare back some higher cost deposits to counteract the three year decline in our net interest spreads. This initiative may result in a smaller, but more profitable bank in 2015.

The highpoint of 2014 was the significant year over year loan growth of 25%. This too mitigated the impact of lower net interest spreads. Commensurate with our strong loan growth was no sacrifice of credit underwriting standards, as we ended the year with only one loan past due over 30 days. This particular loan is now on non-accrual, and we are in aggressive collection efforts.

With our successful effort to grow our loan portfolio was the need to contribute to our loan loss reserve. Accordingly, we deposited \$880M into our reserve in 2014, as compared to -0- in 2013. This decision reduced our profitability for the year, but makes the bank's loan loss reserve stronger for the future.

The outlook for 2015 is certainly clouded with the unforeseen effects of the significant decline in oil prices. Fortunately, The Bank of River Oaks has minimal exposure in the oil and gas sector; but, we do have concerns regarding the overall health of the Houston economy. As of the date of this letter, we are enjoying a very healthy loan pipeline...and we have approximately \$20MM in new loan closings to occur in the next 45 days. Therefore, I expect our bank to experience a very strong first quarter, 2015.

Best wishes for a prosperous 2015!

Andy Lane
Chairman & CEO