August 5, 2005

Dear Fellow Shareholder:

Enclosed you will find the unaudited financial statements for Trinity Bank, N.A. for the six months ended June 30, 2005. We continue to make progress in terms of operating results. Net Income improved from a loss of $250,025 for the first six months of 2004 to a gain of $141,046 for the same period in 2005. On a quarterly basis, operating results from inception are:

Period	Gain (Loss) From Operations
5-28-03 to 9-30-03	($426,028)
4Q '03	($218,316)
1Q '04	($158,143)
2Q '04	($ 91,878)
3Q '04	($ 37,379)
4Q '04	$ 10,422
1Q '05	$ 44,869
2Q '05	$ 96,177

We are pleased that the operating numbers continue to improve, especially considering the increased level of competition in this market and the relatively flat yield curve.

There are two primary reasons for the improved performance. As shown in the table below, Loans (our primary earning asset) and Deposits (our primary source of funds) continue to increase. The percentage increases appear very high, but it is relatively easy to have big percentage increases on a small base. So if the question is "Can you grow Loans and Deposits consistently at the 60% and 37% level?", the answer is no. But our fundamental goal from inception has been to have a bank that can add $20,000,000 in net new deposits and $15,000,000 in net new loans each year. As you probably know, May 28, 2005 was our second anniversary. So, are we achieving our goals? I think the answer is yes.

(in 000's)	6-30-04	6-30-05	% change	Goal Business Plan
Loans	$20,074	$32,010	60%	$30,000
Deposits	$38,754	$53,285	37%	$40,000
Total Assets	$48,565	$63,240	30%	N/A

The second reason for the improving profit picture is the increase in the Net Interest Margin (which is the difference between what we pay for money and what we earn on the money).

Net Interest Margin

6 months 6-30-04	6 months 6-30-05
2.60%	3.59%

The improvement in the Margin comes from Loans increasing to a larger percentage of Earning Assets (versus Investment Securities and Short-Term Investments) and from the general increase in interest rates caused by the actions of the Federal Reserve. While the margin has improved, it is still well below historical levels. At a previous employer, the Margin rarely dropped below 5%. I do not see achieving the historical levels in the foreseeable future.

The preceding table compared asset growth from June, 2004 to June, 2005. However, comparing Total Assets for the last six months (see Balance Sheet on page 1 of the financial statements) you will see that the growth has slowed somewhat – down to a little over 9% (or about 20% on an annualized basis). To state it another way, we added $58,000,000 in assets in the first 19 months of operation. During the next six months (the first six months of 2005), we were able to attract a little over $5,000,000. During the first year and a half of operations, we spent a great deal of time setting up banking relationships for most of our 258 shareholders. For those of you who have moved your banking business to Trinity Bank, we want to thank you and tell you how much we appreciate it. If you do not bank with us yet, we earnestly solicit the opportunity to show you our products and services. We are confident that we can provide a better overall value than your existing supplier of financial services. We just need the opportunity.

We continue to need your active support in referring business opportunities to us. With many of our shareholders relationships already at Trinity Bank, we have picked most of the "low-hanging fruit". Therefore, we must work harder and smarter to maintain an acceptable rate of growth in assets. Please let us know if there is any type of financial transaction involving quality people that we can solicit. 80% of new business comes from referrals. We need your help to make your and our investment more valuable.

Without trying to talk too much about numbers (but please feel free to call me if you have any questions about our financial performance), let me give you a good example of why we need to continue to grow. We are at a stage now where "operating leverage" is working very much in our favor. For example, in the enclosed six month numbers:

(in 000's)	6 months 6-30-04	6 months 6-30-05	% increase
Net Interest Income	$ 444	$ 895	
Non-Interest Income	$ 129	$ 141	
Total Income	$ 573	$1,036	81%
Non-Interest Expense	$ 823	$ 894	9%

With the growth in assets over the last 12 months, we have been able to increase our income 81% with only a 9% increase in expenses. We should be able to double our assets with roughly the same level of operating expense. With most of the overhead already covered, profit growth will be much faster than asset growth – if we can continue to add long-term relationships with quality people.

From time to time, I try to pick meaningful topics about current banking issues to discuss with you. One of the hottest topics today is branching. I have received questions concerning Trinity Bank's approach to branching. I have had several comments such as, "Now that we are profitable, when are we going to open our next branch?" or "When are we going to expand geographically?". What you are about to read is not very compatible with conventional thinking, but let me give you some facts that weigh heavily on our thinking.

1. "Although the numbers of bank in the U.S. has fallen by 46% since 1984, total branches are up 61% over the same period."[1]

2. "Tom Brown, founder of Second Curve Capital and bankstocks.com, says the estimated U.S. population growth from 2003-2004 was 5.6 million people. At an average of 3,500 people per branch (the total population divided by the total number of branches), the country would need 1,600 new branches to keep up with the growth. However, the top 10 U.S. banks planned to open over 2,242 branches, about 40% more than required."[2]

3. The number of bank and savings institution branches in the state of Texas has increased from 3,833 in 1994 to 5,480 in 2004 (a 43% increase).[3]

4. "The growth in physical branches is all the more striking in that it occurred during a period of rapid technological advances that would appear to have diminished the need to use branches."[4]

The first three statements are facts while the fourth is a quote from an FDIC researcher.

In my opinion, the industry has too many branches now, too many on the drawing board, and the branches are very expensive with concurrent significant additions to overhead. Three to five years from now, I think we will see more branches being closed than opened.

If I am right, the rhetorical question then becomes, "When should Trinity Bank open a branch?". I think there are two instances where we should consider physical expansion. First, if we can attract an experienced banker(s) in a new market such as Aledo, Arlington, Mid-Cities, etc., we would pursue opening a new location to serve that market. However, having the people is the key, not the location.

Second, I believe strongly in the concept of service capacity as discussed in the Bank Technology News article mentioned in item 2 above. In this article, the author compares banks that routinely identify themselves with the retail industry with successful retailers.

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[1] Newsday, "Bank Branches Keep Sprouting" by Susan Harrigan, June 13, 2005.
[2] Bank Technology News, "Branch Growth Should Hinge on Service Capacity" by Dr. Ali Kiran, April, 2005.
[3] From the FDIC Update on Emerging Issues, "Banking Continues to Thrive as the U.S. Banking System Consolidates", Table 3, October 20, 2004.
[4] Quote from FDIC researcher Ronald L. Spiekor in the most recent FDIC analysis of bank branches available at FDIC.com.

A look at the retail industry's successful players, such as Starbucks, provides evidence as to why the standard banking expansion strategies fail most banks.

Every bank branch, just like every Starbucks, is limited by the service capacity it can support. Banks with branches that reach capacity and can no longer provide acceptable service levels to customers should then open a new branch in a strategic location. Today's highest density of Starbucks can be found in London with 162 stores in a 5-mile radius. Is the population in that area growing? No. Did they add new stores based on demographic information as banks are currently doing? No. They added those stores because of service capacity constraints.

If Starbucks only considered shifting demographics in its expansion plan as most banks do, it would not open new locations in areas where stores were too busy to service any additional business. It would only open locations in areas where there was significant population growth. Most bank branching strategies rely on demographics and fail to consider service capacity, one of the most important aspects of expansion.

There are several good examples in Fort Worth. Out-of-state banks with existing branches that are not busy at all are looking for five more locations. When was the last time you were in a bank lobby that was full of customers? The only busy lobbies I have seen in recent memory were at big banks that had cut staff to the point that only two teller lines were open.

Enough on this issue. Would we like to expand and grow faster? Yes. But the key is having the people that are experienced in and familiar with a new market. Otherwise, we will grow at our existing location until we reach service capacity.

I hope this discussion is enlightening, not confusing. And I will remind you that I could be wrong. As my friend and former business associate, John Stevenson, once said, "Harp, you may be wrong, but you are never in doubt!". If I am wrong on this issue, I will try to notice and confess before you, my fellow investors, have to remind me.

To sum things up, things are going reasonably well. We need more long-term relationships with quality people. We need your help. Please call me if you have any questions, comments, or suggestions.

Sincerely,

Jeff Harp

Jeffrey M. Harp
President