August 15, 2008

Dear Shareholders:

**Operating Results**

I am pleased to report, on behalf of the staff and the Board of Directors, results from operations for the second quarter of 2008 as well as for the first half of the year. Listed below are some key numbers from our second quarter press release (the entire press release and summary financial report is attached for your review).

| | Unaudited Average for Quarter Ending | | |
|---|---|---|---|
| | 6-30-08 | 6-30-07 | %Δ |
| Loans | $ 57,309,000 | $46,530,000 | 23.2% |
| Deposits | $108,252,000 | $90,344,000 | 19.8% |

| | Actual for Quarter Ending | | |
|---|---|---|---|
| | 6-30-08 | 6-30-07 | %Δ |
| Net Income before Taxes | $ 431,198 | $ 372,118 | 15.9% |
| Net Income after Taxes | $ 339,998 | $ 243,868 | 39.3% |

The second quarter of 2008 represents our fifteenth consecutive quarter of improved profit.

**<u>What is going on with Trinity Bank's Investment Portfolio?</u>**

A shareholder asked me this the other day so I thought I would share the answer with everyone. From the most elementary standpoint, banks take in deposits, make loans, and everything else goes into investment in securities. Trinity's first objective is to make all of the good loans we can find. Then we invest in short-term (usually one to five year maturities), high quality securities. Short-term securities because we need to be able to access the funds if loan demand picks up or if we need to fund deposit withdrawals. High quality securities because we take enough risk in the loan portfolio.

A year ago, Trinity's Investment Portfolio consisted of 96% federal agency securities and 4% tax-exempt municipal securities. Federal agency securities consist of bonds issued by Federal National Mortgage Assoc (FNMA), Federal Home Loan Mortgage Corp (FHLMC), and Federal Home Loan Bank (FHLB). On June 30, 2007, we had approximately $27,000,000 invested about equally among these three agencies.

I am sure that most of you are aware of the recent "bailout" of FNMA and FHLMC by the U.S. Treasury. About this time last year, I couldn't understand (being simple minded) how this housing mess was going to end well for FNMA and FHLMC. So, we embarked on a program to get out of the FNMA and FHLMC bonds in an orderly fashion. We sold the last of these securities on July 8 this year. The "bailout" announcement was July 11. To date, there have been no rumblings about FHLB. However, we should be out of most of the FHLB securities by the end of 2008.

There is currently a big group of investments experts that would say this exit from investments in FNMA and FHLMC was unnecessary. Whereas these agencies formerly carried the implicit guarantee of the federal government, they now have what amounts to an explicit guarantee.

I have two responses to this view:

1. I have enough to worry about. I don't need to worry about the securities we have invested in.
2. Who is going to "bailout" the federal government when no one else in the world wants to hold dollars or buy U.S. Treasury debt?

I certainly hope we don't have to find the answer to that question. And I am probably wrong, but this is the path that we have chosen.

So where do you invest the proceeds? Nearly all of our replacement investments have been in two types of tax-free bonds. We have invested (about 25%) in general obligation bonds of Texas municipalities with an underlying rating of A or better. We do not rely on bonds whose rating is based on insurance from one of the major municipal bond insurance companies (such as MBIA, AMBAC, etc.). What has happened to these companies is nearly as frightful as what is happening with FNMA and FHLMC. Approximately 75% has been invested in Texas School District bonds guaranteed by the Permanent School Fund (PSF). The yields on these investments are a little higher than agencies, and I think they are safe.

How can the PSF bonds be safer? Let me share some numbers with you that illuminate (I hope) just how crazy things are at this point in our nation. The Permanent School Fund has $30 billion in assets – stocks, bonds, real estate, and mineral interests. By Texas law, the maximum amount of School District debt that can be guaranteed by the Fund is $55 billion. In other words, the PSF can guarantee $1.83 in debt for every $1.00 in assets.

In contrast, FNMA and FHLMC have $100 billion in capital and have guaranteed about $6.0 trillion in mortgage loans. For every $1.00 in capital, these two agencies have guaranteed $60.00 in debt. If losses exceed 2%, these agencies are out of capital – hence, the bailout. I have often been accused of having a “cave man” mentality (perhaps rightfully so), but which investment do you think is safer?

**<u>Loan Portfolio</u>**

Our loan portfolio is still holding up relatively well. As the press release states, we still haven’t had a loan loss since inception (fingers crossed), and at June 30, we still had no problem loans, no foreclosed real estate, and no loans that were 30 days past due. In today’s environment, this is pretty remarkable, but won’t be sustainable forever (unless we are really, really good).

In addition, we have had a reasonable amount of loan growth recently. After several quarters of flat loan volume at the $50 million level, we ended June with $62 million in loans. Some of this came from existing customers who are growing and doing well. But we are seeing more opportunities and the pricing is a little better. Some competitors have credit issues and have become less aggressive on loan terms and pricing. We hope to continue to grow loans through the rest of the year.

**Make me the King**

We probably all feel like we could "fix" some things that need fixing. And since I am the author (and thus own the soapbox), here are two problems that I would fix.

I would like to quote Vad Yazvinski (a writer for the Bloomberg News). "With short-term interest rates at 2% (thanks to the Fed's attempt to stimulate the economy) and inflation running at least at the 4% rate, why would anyone save money? This Fed-induced redistribution of wealth from savers to debt-hungry spenders of all income levels is not only unfair but also dangerous."

At some point we need to reward savers (with a decent interest rate – 2 to 3% above the inflation rate) and stop giving incentives to borrowers. Make interest and investment income tax-free. Phase out any benefits for borrowing (i.e. deductibility of mortgage interest, etc.).

Second, make any money spent on education, job training, etc. tax-deductible. We have far too much money invested in housing in this country. Having shelter and owning a home surely is important, but is it more important than educating our young people or providing job training?

I realize that these two ideas coming to pass have about as good a chance as me writing a short letter to shareholders, but I have the microphone and I got it off my chest.

Finally, let me end by saying that, so far, Trinity Bank (your bank) is in great shape. With bank failures again making the headlines, many people (friends, neighbors, business associates, etc.) are talking about the safety of their money. Please recommend us to these people. We need the business, and we do a good job in developing relationships.

Thanks for investing with us. We are working hard to produce a good return on your investment. Please let me know if you have any comments or questions. I am available by phone, email or in person.

Sincerely,

Jeff Harp

Jeffrey M. Harp
President

Enclosures

## Special Cautionary Notice Regarding Forward-Looking Statements

This letter may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future financial conditions, results of operations and the Bank's business operations. Such forward-looking statements involve risks, uncertainties and assumptions, including, but not limited to, monetary policy and general economic conditions in Texas and the greater Dallas-Fort Worth metropolitan area, the risks of changes in interest rates on the level and composition of deposits, loan demand and the values of loan collateral, securities and interest rate protection agreements, the actions of competitors and customers, the success of the Bank in implementing its strategic plan, the failure of the assumptions underlying the reserves for loan losses and the estimations of values of collateral and various financial assets and liabilities, that the costs of technological changes are more difficult or expensive than anticipated, the effects of regulatory restrictions imposed on banks generally, any changes in fiscal, monetary or regulatory policies and other uncertainties as discussed in the Bank's Registration Statement on Form SB-1 filed with the Office of the Comptroller of the Currency. Should one or more of these risks or uncertainties materialize, or should these underlying assumptions prove incorrect, actual outcomes may vary materially from outcomes expected or anticipated by the Bank. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. The Bank believes it has chosen these assumptions or bases in good faith and that they are reasonable. However, the Bank cautions you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. The Bank undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless the securities laws require the Bank to do so.