



November 7, 2014

Dear Partners and Friends,

We are very pleased to send you our 3Q2014 report. We had a very good quarter in many different categories. Our business continued to grow in the 3rd quarter and is reflected in our balance sheet and income statement. Our credit quality was also quite good.

First off, we experienced strong loan growth of approximately \$12,000,000 during the quarter. This is a very strong number considering the slow growing economy we are experiencing. Our investment securities, while yielding substantially less than loans, do contribute income and are an additional source of liquidity while waiting for new loans to be funded. These increased almost \$10,000,000 in 3Q2014. We funded this growth in earning assets through a small increase in borrowings with the balance coming from an increase in deposits with local customers.

The larger amount of earning assets drove an increase in our net interest income. The increase from 2Q2014 was 3%. Also, during the quarter we tweaked our mortgage operations to sell a guaranteed amount of future mortgage production at a fixed price with the simultaneous purchase of an "interest rate hedge." This "guaranteed sale" results in a higher fee per loan as opposed to our previous method of selling the mortgage production "one loan at a time." The combination of higher mortgage volume with the higher fee per loan was the main driver behind the \$622,292 increase in Total Non-interest Income for 3Q2014 as compared to 2Q2014. This income, when added to the Net Interest Income from loans and investments on our expanded balance sheet with only a 1% increase in operating expenses helped drive operating income of \$721,000 (44% increase!) for the quarter. After setting aside reserves for future credit losses and income taxes, our net income increased 67% over the 2nd quarter. Earnings per share reached 63 cents, year to date. The impact of this quarter is also reflected in the YTD numbers where our net income is almost 16% higher YTD 3Q2014 as compared to YTD 3Q2013. This is a very nice increase in earnings in an uneven economic world.

Our asset quality continued to holdup during the quarter. We had one large charge off and several small ones for total charge offs of \$351,330 for the quarter. The largest part was the result of the settlement of a legal action against a borrower. We settled the long running legal matter, foreclosed on the collateral and sold the property on the courthouse steps. While the charge off was high, we had reserved 100% of the loss in prior periods. Our year-to-date loan losses were \$940,014 for the three quarters or 31/100 of 1% on an annualized basis. This is a bit higher than our normal standards but we would prefer to continue to aggressively deal with our few asset quality issues to allow time to concentrate on making new loans to present and new customers.

Our past due loans greater than 30 days increased by \$690,228 to \$973,703. This represents 24/100 of 1% of total loans. While higher than June 30, 2014, it is still a very small percentage of our portfolio. Additionally, our foreclosed properties decreased by \$212,577 through the sale of a commercial lot. We are now down to one commercial lot which is under contract for sale, four residential lots and an unimproved property. This is great progress in this category as these properties provide no income while increasing various operating expenses. Our loans not accruing interest decreased by \$366,249. Unfortunately this was due to charging off a substantial part (see above) of a loan involved in litigation.

The Board of Triumph Bancshares realizes there is not an established market for trading its stock so they want to remind shareholders that Triumph Bancshares has an established policy regarding the matching of buyers and sellers of its common stock. In this regard, the Company maintains a list of the names of these shareholders along with a range of sales prices for the most recent sales that we have knowledge of. If you are interested in participating in this program, please contact Zora Pannell at (901)333-8819 or zpannell@triumphbank.com. Neither Triumph Bancshares nor the Bank



makes any recommendations on whether to buy, sell or the negotiations of the sales price. The following is the historical stock trade prices for the past three (3) months that we have knowledge of:

<u>Date</u>	<u>Number of Shares</u>	<u>Price per Share</u>
September 2014	1,000	\$12.50
September 2014	12,025	\$11.75

In summary, we had a lot of positives during the quarter which are giving us momentum going into the last quarter of the year. Thank you for your confidence and support. As always, please call us when we can be of service to you, your family or friends.

All my best,
Triumph Bancshares

A handwritten signature in black ink, appearing to read "WJ Chase, Jr.".

William J. Chase, Jr.
President and CEO