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 the 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.
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INSTITUTION’S CRA RATING: This institution is rated Satisfactory.
The Lending Test is rated Satisfactory.
The Community Development Test is rated Satisfactory.

Triumph Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank’s lending activity. The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank’s assessment area. Secondly, the borrower’s profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses of different sizes. The bank’s loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, and assessment area credit needs, and a majority of the bank’s loans and other lending-related activities are in the bank’s assessment area. Lastly, no CRA-related complaints were filed against the bank for this review period.

Furthermore, Triumph Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank’s performance under community development test. The bank demonstrates adequate responsiveness to the community development needs of its assessment area, considering the institution’s capacity, the need for community development activities, and the availability of such opportunities within the institution’s assessment area. The bank has addressed these needs through various activities, including community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank’s CRA performance was evaluated using the Federal Financial Institutions Examination Council’s (FFIEC’s) Interagency CRA Procedures for Intermediate Small Institutions. The intermediate small bank examination procedures entail two performance tests, the Lending Test and the Community Development Test. The period of review spanned from the date of the bank’s previous CRA evaluation on June 4, 2012 to September 8, 2014.

Lending Test

Under the Lending Test, the bank’s performance is evaluated under the following criteria, as applicable.

- The geographic distribution of loans.
- Loan distribution by borrower’s profile (applicant income or business revenue).
- The bank’s average LTD ratio.
- The concentration of lending within the assessment area.
- A review of the bank’s response to written CRA complaints.

Lending performance was based on the loan products and the corresponding time periods as displayed in the following table:
These two loan categories are considered the bank’s primary lines of business, based on lending volume by number and dollar amounts and in light of the bank’s stated business strategy. Therefore, loan activity represented by these credit products is deemed indicative of the bank’s overall lending performance. However, given the emphasis placed on credit needs associated with housing, performance based on the HMDA loan product carried the most significance toward the bank’s overall performance conclusions.

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business and business geodemographics are based on Dun & Bradstreet data, which are applicable to the year of loan data being evaluated. Generally, when analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are updated annually and are therefore expected to predict more relevant comparisons. In addition, the bank’s lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $363.3 million to $548.2 million.

Community Development Test

Under the Community Development Test, the bank’s performance was evaluated via responsiveness to the following community development needs, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment areas.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- The extent to which the bank provides community development services.

The review of the bank’s performance under the Community Development Test included community development activities initiated in the period from the date of the bank’s previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation but still outstanding as of this review date were also considered.

Community Contacts

To augment this evaluation, two interviews with members of the local community were completed in order to ascertain specific credit needs, opportunities, and local market conditions within the bank’s assessment area. In addition, six community contact interviews conducted for
other recent CRA examinations were reviewed and used for this examination. Key details from these community contact interviews are included in the Description of Assessment Area and Conclusions with Respect to Performance Criteria sections.

DESCRIPTION OF INSTITUTION

Triumph Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. Triumph Bank is owned by Triumph Bancshares, Inc., a one-bank holding company headquartered in Memphis, Tennessee. The bank’s branch network consists of four branches, including the main office in Memphis. Each facility has a full-service automated teller machine (ATM) on-site. Triumph Bank does not have any stand-alone ATMs. In addition to being a full-service facility, each branch has drive-up accessibility. In 2012, operations of the bank’s branch on Judicial Drive in Germantown were relocated to a nearby facility on North Street, also in Germantown. Because of the proximity of the two locations, this was considered a relocation and not the closing of the Judicial Drive branch.

The bank’s main facility is located in an upper-income census tract in the southeast quadrant of the city of Memphis. The branches are in the nearby cities of Collierville, Germantown, and Arlington, all of which are in the eastern third of Shelby County and in upper-income census tracts. Triumph Bank also has four loan production offices: two in Shelby County, Tennessee, one in Pulaski County, Arkansas, and one in Mississippi County, Arkansas.

Based on the branch network, the bank is not well positioned to deliver financial services to its entire assessment area, particularly to the LMI census tracts that are grouped in the western third of Shelby County. This lack of branch presence is somewhat mitigated by other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank currently appears capable of meeting assessment area credit needs based on its available resources and financial products. As of June 30, 2014, the bank reported total assets of $488.2 million. As of the same date, loans and leases outstanding were $403.7 million (82.7 percent of total assets), and deposits totaled $429.5 million. The bank’s loan portfolio composition by credit category is displayed in the following table.
### Distribution of Total Loans as of June 30, 2014

<table>
<thead>
<tr>
<th>Credit Category</th>
<th>Amount (S000s)</th>
<th>Percentage of Total Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction and Development</td>
<td>$59,382</td>
<td>14.7%</td>
</tr>
<tr>
<td>Commercial Real Estate</td>
<td>$142,445</td>
<td>35.3%</td>
</tr>
<tr>
<td>Multifamily Residential</td>
<td>$22,008</td>
<td>5.5%</td>
</tr>
<tr>
<td>1–4 Family Residential</td>
<td>$61,771</td>
<td>15.3%</td>
</tr>
<tr>
<td>Farmland</td>
<td>$348</td>
<td>0.1%</td>
</tr>
<tr>
<td>Farm Loans</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Commercial and Industrial</td>
<td>$104,982</td>
<td>26.0%</td>
</tr>
<tr>
<td>Loans to Individuals</td>
<td>$10,048</td>
<td>2.5%</td>
</tr>
<tr>
<td>Total Other Loans</td>
<td>$3,312</td>
<td>0.8%</td>
</tr>
<tr>
<td>Less: Unearned Income</td>
<td>$601</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$403,695</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

As indicated in the table above, a significant portion of the bank’s lending resources is directed to commercial and industrial loans, commercial real estate loans, and loans secured by 1–4 family residential properties.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on June 4, 2012.

### DESCRIPTION OF ASSESSMENT AREA

#### General Demographics

The bank’s assessment area is located in the westernmost part of the state of Tennessee and includes all of Shelby County, Tennessee, and the westernmost seven census tracts in Fayette County, Tennessee. The assessment area is comprised of 228 census tracts. As of the 2010 U.S. Census, the assessment area had a total population of 950,773. The bank’s assessment area is part of the larger Memphis, Tennessee-Mississippi-Arkansas metropolitan statistical area (Memphis MSA). In addition, the city of Memphis comprises most, but not all of Shelby County; within the city boundaries are 192 of the 228 census tracts in Shelby County. The Mississippi River separates the city of Memphis and the state of Tennessee from the state of Arkansas to the west.

According to the 2010 U.S. Census, the population of the bank’s assessment area is 950,773. Shelby County, with a population of 927,644, accounts for 97.6 percent of the population of the assessment area. The population of the portion of Fayette County that is in the bank’s assessment area is 23,129.
According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, as of June 30, 2014, there are 36 FDIC-insured financial institutions in the assessment area. Triumph Bank ranks tenth in terms of deposit market share, holding 2.2 percent of the total assessment area deposit dollars.

**Income and Wealth Demographics**

As previously noted, the bank’s assessment area consists of the 228 census tracts comprising Shelby County in its entirety and the seven westernmost adjoining tracts of Fayette County. The following table reflects the number and population of the census tracts within the assessment area in each income category.

<table>
<thead>
<tr>
<th>Dataset</th>
<th>Low-</th>
<th>Moderate-</th>
<th>Middle-</th>
<th>Upper-</th>
<th>Unknown</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Census Tracts</td>
<td>55</td>
<td>53</td>
<td>47</td>
<td>68</td>
<td>5</td>
<td>228</td>
</tr>
<tr>
<td></td>
<td>24.1%</td>
<td>23.2%</td>
<td>20.6%</td>
<td>29.8%</td>
<td>2.2%</td>
<td>100%</td>
</tr>
<tr>
<td>Family Population</td>
<td>36,016</td>
<td>51,447</td>
<td>48,525</td>
<td>93,789</td>
<td>0</td>
<td>229,777</td>
</tr>
<tr>
<td></td>
<td>15.7%</td>
<td>22.4%</td>
<td>21.1%</td>
<td>40.8%</td>
<td>0.0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

LMI families comprise 38.1 percent of all families in the assessment area. The above table reveals that the bank’s assessment area contains a significant number of low-income census tracts; however, relative to the percentage of tracts in the assessment area that are designated as low-income (24.1 percent), only 15.7 percent of families live in low-income tracts. The number of vacant units in low-income tracts may help explain this difference, as addressed on page 7 of this evaluation. The percent of families living in moderate-income tracts (22.4 percent) is comparable to the percentage of census tracts that are designated as moderate-income (23.2 percent).

All of the low-income tracts are in the western half of Shelby County, as are most of the moderate-income tracts. There is one moderate-income tract in the Fayette County portion of the assessment area. The remainder of the census tracts in Fayette County consists of four upper-income and two middle-income tracts. There are also five census tracts with unknown income, but no families reside in these geographies. A map of the assessment area can be found in Appendix A.

Based on 2010 U.S. Census data, the median family income for the assessment area is $56,309, while the median family income for the entire Memphis MSA is $56,557. In comparison, the median family incomes for the two counties in the assessment area are $55,923 (Shelby County) and $63,186 (Fayette County). For statewide Tennessee, the median family income is $53,246. This illustrates that, despite the small portion of Fayette County included in the assessment area, the relative affluence of Fayette County offsets the lower median family income for both Shelby County and the Memphis MSA as a whole. More recently, the FFIEC estimates the 2013 median family income for the Memphis MSA to be $58,000.
The following table displays population percentages of assessment area families by income level, compared to the MSA and statewide Tennessee family populations as a whole.

<table>
<thead>
<tr>
<th>Dataset</th>
<th>Low-</th>
<th>Moderate-</th>
<th>Middle-</th>
<th>Upper-</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment Area</td>
<td>57,697</td>
<td>37,050</td>
<td>38,355</td>
<td>96,675</td>
<td>229,777</td>
</tr>
<tr>
<td>MEMPHIS MSA</td>
<td>79,169</td>
<td>52,506</td>
<td>57,699</td>
<td>135,196</td>
<td>324,570</td>
</tr>
<tr>
<td>TENNESSEE</td>
<td>356,145</td>
<td>284,789</td>
<td>332,695</td>
<td>671,276</td>
<td>1,644,905</td>
</tr>
</tbody>
</table>

Based on the data in the preceding table, the assessment area approximates the Memphis MSA in the distribution of its families by income, although the assessment area has a slightly higher percentage of LMI families. The combined percent of LMI families in the assessment area is 41.2 percent, while for the Memphis MSA as a whole it is 40.6 percent. Both of these numbers are higher than for the entire state of Tennessee, in which 39.0 percent of all families are designated as LMI.

Although the first table in this section indicated that 38.1 percent of all families in the assessment area live in LMI census tracts, 41.2 percent of all families in the assessment area are considered LMI. This helps to illustrate that LMI families are distributed throughout census tracts of every income designation. Lastly, the level of families living below the poverty level in the assessment area (15.1 percent) is above that of all families in the Memphis MSA (14.5 percent).

**Housing Demographics**

Based on housing values, income levels, and rental costs, housing in the assessment area appears similar in affordability compared to the Memphis MSA. The median housing value for the assessment area is $136,985, which is only slightly higher than the figure for the Memphis MSA ($135,200). Moreover, the assessment area housing affordability ratio of 32.9 percent is similar to the Memphis MSA figure of 34.2 percent. Lastly, the median gross rent for the assessment area of $782 per month is somewhat higher than the median gross rent for the Memphis MSA, which was noted to be $774 per month. The median gross rent for the assessment area is, however, identical to that of Shelby County, also $782, which contains the majority of the population in the assessment area. These figures are summarized in the following table.
There are 405,399 housing units in the assessment area and 175,227 total housing units in LMI census tracts. In low-income geographies, only 23,188 are owner-occupied units, accounting for 29.8 percent of total units in those geographies. In contrast, 46.9 percent of low-income housing units are rental units, and 23.3 percent are vacant units. In moderate-income census tracts, only 41,929 are owner-occupied housing units, accounting for 43.1 percent of total units. In contrast, 39.5 percent of housing units are rental units, and 17.4 percent are vacant units. In comparison, owner-occupied rates are 55.4 percent and 72.8 percent for middle- and upper income census tracts, respectively. These figures are summarized in the following table.

<table>
<thead>
<tr>
<th>Housing Units Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Census Tract Income Level</strong></td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Low-Income</td>
</tr>
<tr>
<td>Moderate-Income</td>
</tr>
<tr>
<td>Middle-Income</td>
</tr>
<tr>
<td>Upper-Income</td>
</tr>
</tbody>
</table>

As seen in the table above, the percentage of rental and vacant units are higher in low- and moderate-income tracts than in middle- and upper-income tracts. Low-income census tracts show high percentages of rental and vacant units and low percentages of owner-occupancy. Community contacts have repeatedly indicated that there has been a significant increase in rental units in LMI areas of Memphis since the beginning of the recession in 2008.

One community contact indicated that the need for basic financial literacy training was greater than the need for first-time homeownership counseling. Another contact stated the need for affordable housing, as well as for affordable housing that is safe and clean.

**Industry and Employment Demographics**

The assessment area economy is diverse and is supported by a mixture of health care, transportation and warehousing, and retail trade. By number of paid employees in the assessment area, health care and social assistance plays the lead role (67,625), followed by transportation
and warehousing (49,528) and retail trade (47,956). The largest employer in Memphis is a delivery servicer, with 31,000 local employees. Three major healthcare providers have 20,000 employees combined. Despite the presence of these large employers, business demographic estimates reveal that 88.5 percent of assessment area businesses have gross annual revenues of $1 million or less.

Between 2002 and 2012, Memphis’ population grew 8.7 percent, slower than both Tennessee’s growth (11.4 percent) and the nation’s (9.1 percent). For the past decade, the unemployment rate in Memphis has consistently hovered above the national rate. The 2013 annual average rate of unemployment rate for Shelby County was 9.7 percent, while the rate was 9.8 percent for Fayette County. Recent figures show that as of July 2014, the unemployment rate in the Memphis MSA stood at 8.9 percent, while at 9.0 percent and 7.9 percent in Shelby and Fayette Counties, respectively.4

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1 Source: U.S. Census Bureau 2012 County Business Patterns.
2 Source: The Regional Economist, “Transportation and Health Care are Pockets of Strength in Memphis’ Slow Recovery” (Gascon and Eubanks) October 2013: https://www.stlouisfed.org/publications/re/articles/?id=2422. The Regional Economist is a publication of the St. Louis Federal Reserve Bank.
3 Ibid.
Community Contact Information

Information from eight community contacts was used to help form the performance context in which the bank’s activities were evaluated. Of these interviews, three were with individuals specializing in planning/economic development roles, two for business development and one for affordable housing. Three others were conducted with people working in different aspects of real estate and affordable housing. One contact was with a university research group devoted to urban affairs and public policy issues; the last contact was with an organization that provides financial literacy training and other financially related social services.

The community contacts all categorized the Memphis economy as having been severely impacted by the recession beginning in 2008. Most agreed that there had been some recovery, but the process of improvement in the region’s general economic conditions was slow. Interviewees in both the areas of real estate and financial literacy stressed the impact of investor purchases of distressed properties. Both types of interviewees identified that these wide-spread purchases had created an abundance of rental properties, although many were of poor quality. Several contacts mentioned the need for safe, affordable housing developments. One commented that several factors made low-income areas even less desirable for people interested in homeownership, including the increased proportion of rental properties and the large number of vacant homes. In addition, all of these elements contribute to driving down appraised values, making it more difficult for borrowers to qualify not only for purchase loans but also refinance and home improvement loans. Several contacts echoed the difficulty LMI individuals experience in qualifying for home purchase loans.

The contact involved in financial literacy noted that homeownership was not a goal that many low-income people could reach due to low credit scores and lack of savings for a down payment. Instead, there was a greater need for transportation to and from work. Not only is there a need for better mass transit, but also for used, reliable automobiles and reasonable interest rates to finance their purchase. Both contacts in business-related economic development observed that local financial institutions did not actively market to small businesses and that startup businesses had difficulty in obtaining financing.
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Triumph Bank’s performance under the Lending Test is satisfactory. The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank’s assessment area. Secondly, borrower’s profile analysis reveals overall reasonable penetration among individuals of different income levels, including LMI levels and businesses of different sizes. The bank’s LTD ratio is more than reasonable given the bank’s size, financial condition, and assessment area credit needs, and a majority of the bank’s loans and other lending-related activities are in the bank’s assessment area. Lastly, no CRA-related complaints were filed against the bank for this review period.

Geographic Distribution of Loans

As noted previously, the bank’s assessment area contains 55 low-income, 53 moderate-income, 47 middle-income, 68 upper-income, and 5 census tracts of unknown income. As noted earlier, the five census tracts with unknown income contain no families, although there is some population present, and some businesses are located there.

The analysis in this section illustrates the distribution of the bank’s loan activity across these geographies. Overall, the bank’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area, based on activity analyzed from both loan categories reviewed. The following table displays the geographic distribution of HMDA loans compared to owner-occupied housing statistics and 2013 aggregate data for the assessment area.
The geographic distribution of HMDA loans in LMI census tracts is reasonable. On a combined basis, the bank’s lending performance (15.5 percent) does not compare favorably to the level of owner-occupied housing units in LMI geographies (30.0 percent), but it does exceed 2013 aggregate performance (11.6 percent). In low-income census tracts, the bank’s performance (1.2 percent) is considered poor, as it does not compare favorably to the level of owner-occupied housing units in the assessment area (10.7 percent) or 2013 aggregate lending (3.1 percent). While the bank’s level of lending in moderate-income tracts (14.3 percent) is well below the level of owner-occupied housing units (19.3 percent), it significantly exceeded 2013 aggregate lending levels, indicating reasonable performance.

The geographic distribution of small business loans was also reviewed. The following table shows the bank’s performance compared with the estimated percentages of small businesses located in each geography income category and 2013 aggregate data for the assessment area.
As illustrated in the previous table, the bank’s level of lending in LMI census tracts is above data used for comparison. The bank originated 58.3 percent of small business loans to businesses within LMI census tracts. In comparison, 2013 business geodemographic data indicate that 32.2 percent of assessment area businesses are reported to be located in LMI census tracts. The bank’s reasonable performance in low-income tracts is bolstered by the excellent performance in moderate-income tracts. In addition, based on 2013 CRA aggregate data, Triumph Bank compares favorably to that of other lenders. Aggregate CRA data indicate that 9.0 percent of reported small business loans were made to businesses in low-income census tracts, which is comparable to Triumph Bank’s performance. In addition, only 18.7 percent of aggregate small business loans were made in moderate-income census tracts, which is well below Triumph Bank’s performance. Therefore, the geographic distribution of the bank’s small business loans reflects excellent dispersion throughout the assessment area.

Based on activity analyzed from both loan categories reviewed, but with greater weight placed on the distribution of the bank’s HMDA loan activity, the bank’s overall geographic distribution of loans reflects reasonable dispersion throughout this assessment area.

**Loan Distribution by Borrower’s Profile**

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure for the assessment area. The median family income for the assessment area in 2013, as estimated by the FFIEC, is $56,309. The following table shows the distribution of HMDA loans by borrower income level, compared to family population income characteristics and 2013 aggregate data for the assessment area.
The distribution of HMDA loans to LMI people is reasonable. On a combined basis, the bank’s lending performance (14.3 percent) does not compare favorably to the distribution of families that are LMI (41.2 percent), but it does approach 2013 aggregate performance (16.3 percent). For low-income borrowers, the bank’s performance (0.6 percent) is considered poor, as it does not compare favorably to the family population that are low-income (25.1 percent) or 2013 aggregate lending (4.1 percent). While the bank’s level of lending to moderate-income borrowers (13.7 percent) is below the distribution of families that are moderate-income (16.1 percent), it exceeded 2013 aggregate lending (12.2 percent), indicating reasonable performance. Therefore, despite concluding that the bank’s performance of making HMDA loans to low-income borrowers is poor, the overall conclusion for HMDA lending is that its performance is reasonable.

As with the analyses conducted for the HMDA loan categories, the bank’s distribution of small business loans to businesses of various sizes was also reviewed. The following table reflects the bank’s distribution of small business loans by gross annual business revenue and loan amount, along with 2013 aggregate data for the assessment area.
Based on this analysis of small business loans, Triumph Bank is doing a poor job of meeting the credit needs of small businesses. The table above demonstrates that 23 of 84 loans reviewed (27.4 percent) were made to businesses with gross annual revenues of $1 million or less. In comparison, business geodemographic data as of July 2013 from Dun & Bradstreet indicate that 88.5 percent of small businesses inside the assessment area are classified as small businesses. CRA aggregate data for the assessment area reflect that 41.9 percent of commercial lending was to small businesses. In addition, the bank’s level of lending is far below the prior CRA examination in 2012, in which the bank’s performance of 83.3 percent was described as reasonable. The fact that 60.9 percent of loans to small businesses reviewed (14 of 23) were in amounts of $100,000 or less indicates some willingness to meet the credit needs of small businesses. However, community contacts indicated that not only are small business loans needed in the assessment area, but more creative approaches to small business lending are also needed. Given the bank’s low number of loans to small businesses, the bank’s lending to small businesses is considered poor.

Nevertheless, like performance in the geographic distribution of loans, greater weight is placed on the bank’s HMDA loan activity. In the assessment of geographic distribution, the excellent performance in small business lending did not raise the overall finding above reasonable. In the same manner, the bank’s poor performance in the borrower distribution of small business loans does not lower the overall finding below reasonable. Therefore, the bank’s overall borrower’s profile performance, based on analyses of both loan categories, is reasonable.

**Loan-to-Deposit (LTD) Ratio**

One indication of the bank’s overall level of lending activity is its LTD ratio. The table below displays the bank’s average LTD ratio compared to those of regional peers. The average LTD ratio represents a nine-quarter average, dating back to the bank’s last CRA evaluation (June 4, 2012).
**LTD Ratio Analysis**

<table>
<thead>
<tr>
<th>Name</th>
<th>Asset Size ($000s) as of June 30, 2014</th>
<th>Headquarters</th>
<th>Average LTD Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Triumph Bank</td>
<td>$488,181</td>
<td>Germantown, Tennessee</td>
<td>92.5%</td>
</tr>
<tr>
<td>Regional Banks</td>
<td>$548,224</td>
<td>Memphis, Tennessee</td>
<td>105.2%</td>
</tr>
<tr>
<td></td>
<td>$363,290</td>
<td>Memphis, Tennessee</td>
<td>137.7%</td>
</tr>
<tr>
<td></td>
<td>$352,712</td>
<td>Bartlett, Tennessee</td>
<td>52.7%</td>
</tr>
</tbody>
</table>

Based on data from the previous table, the bank’s level of lending is between the three comparison peer banks in the region. During the review period, the bank’s LTD ratio ranged from a low of 87.5 percent to a high of 96.3 percent, a spread of 8.8 percent, representing a generally stable trend. In comparison, the average difference between the high and low LTD ratios for the regional peers were 10.8 percent, 24.3 percent, and 5.1 percent, showing a mix of stability and volatility. Therefore, compared to data from regional banks as displayed in the table above, the bank’s average LTD ratio appears to be more than reasonable given the bank’s size, financial condition, and assessment area credit needs.

**Assessment Area Concentration**

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank’s assessment area.
Lending Inside and Outside of Assessment Area

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Inside Assessment Area</th>
<th>Outside Assessment Area</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HMDA</td>
<td>161</td>
<td>36</td>
<td>197</td>
</tr>
<tr>
<td></td>
<td>81.7%</td>
<td>18.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>$42,213</td>
<td>$9,165</td>
<td>$51,378</td>
</tr>
<tr>
<td></td>
<td>82.2%</td>
<td>17.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Small Business</td>
<td>84</td>
<td>14</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>85.7%</td>
<td>14.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>$14,883</td>
<td>$2,957</td>
<td>$17,840</td>
</tr>
<tr>
<td></td>
<td>83.4%</td>
<td>16.6%</td>
<td>100.0%</td>
</tr>
<tr>
<td>TOTAL LOANS</td>
<td>245</td>
<td>50</td>
<td>295</td>
</tr>
<tr>
<td></td>
<td>83.1%</td>
<td>16.9%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>$57,096</td>
<td>$12,122</td>
<td>$69,218</td>
</tr>
<tr>
<td></td>
<td>82.5%</td>
<td>17.5%</td>
<td>100%</td>
</tr>
</tbody>
</table>

As shown above, a majority of loans sampled were extended to borrowers or businesses that reside or operate in the bank’s assessment area. In total, 83.1 percent of the total loans were made inside the assessment area, accounting for 82.5 percent of the dollar volume of total loans.

**Review of Complaints**

No CRA-related complaints were filed against the bank during this review period (June 4, 2012 through September 8, 2014).

**COMMUNITY DEVELOPMENT TEST**

The bank’s overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment area, considering the bank’s capacity and the need and availability of such opportunities in the assessment area. The bank has addressed community development needs through community development loans, qualified investments, and community development services.

**Community Development Loans**

During the review period, the bank originated, renewed, or modified ten community development loans totaling $24.7 million in its assessment area. All ten loans were made to entities providing affordable housing options targeted to LMI tenants. Five of the loans were directed to developments in low-income census tracts and four in moderate-income tracts. To
qualify as “community development,” a loan involving affordable housing for LMI individuals hinges on whether LMI individuals benefit, or are likely to benefit, from the housing.

Four of the loans involve developments that are part of the Memphis Payment in Lieu of Taxes (PILOT) Program. One aspect of the PILOT Program is devoted to the public benefit purposes of providing safe, decent, and affordable housing for LMI families within the city of Memphis. The housing element of the program is administered by the Health, Education, and Housing Facility Board of the city of Memphis and requires endorsement and regular review by the Memphis Housing Authority (MHA). To be eligible, a development must meet certain requirements designed to improve access to affordable housing. Quarterly reporting to the MHA is required.

Two of the loans not associated with the PILOT Program involve a development in a low-income tract, in which the business model of the borrower is to provide safe and secure housing at affordable rates. These two loans can be also considered to help revitalize and stabilize the low-income tract where the development is located and help to meet a well-defined, unmet housing need.

The remaining four loans, while not part of an express program or business model designed to address affordable housing needs, nevertheless show evidence that LMI individuals benefit, or are likely to benefit, from the housing.

**Community Development Investments**

The bank currently has one qualified investment in the amount of $500,000. The investment is in Memphis municipal bonds issued and designated as “Build America Bonds.” Build America Bonds were developed by the U.S. Department of the Treasury as part of the American Tax Recovery and Reinvestment Act of 2009. The Build America Bond Program supports both local infrastructure projects and job creation, via capital investments in public buildings, schools, government, hospitals, and governmental housing projects, as well as transportation, public safety facilities, and public utility projects. As a result, this investment helps to revitalize and stabilize the city of Memphis, where 55.2 percent (106 of 192) of census tracts within the city limits are categorized as LMI.

In addition, the bank made donations to two entities serving a community development purpose, totaling $4,950.

**Community Development Services**

During the review period, 18 bank employees and 4 board members contributed a total of 458 hours of community development services to 9 different organizations or agencies. Two of the agencies provide social services to homeless and distressed individuals; three involve schools in LMI areas; and three organizations promote economic development and small business financial needs. A member of the bank’s board of directors is also a director of an economic development organization which administers a separate element of the PILOT Program, one that promotes economic development and job creation.
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs Examination (including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements) conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.
Appendix A

ASSESSMENT AREA DETAIL
GLOSSARY

**Aggregate lending**: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Assessment area**: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution’s record of CRA performance.

**Census tract**: A small subdivision of metropolitan and nonmetropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community contact**: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank’s community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution’s CRA performance.

**Community development**: An activity associated with one of the following five descriptions: (1) **affordable housing** (including multifamily rental housing) for low- and moderate-income individuals; (2) **community services** targeted to low- and moderate-income individuals; (3) activities that promote **economic development** by financing businesses or businesses that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that **revitalize or stabilize** low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) **Neighborhood Stabilization Program (NSP)** eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

**Consumer loan(s)**: A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small business loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Demographics**: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.
Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).
Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution’s record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.
Performance criteria: These are the different criteria against which a bank’s performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution’s record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution’s CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small businesses/small businesses: A small business/business is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, “small business loans” are included in “loans to small businesses” as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured by either nonbusiness or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonbusiness residential real estate as “small business loans” if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to business(s): That is, “small business loans” are included in “loans to small businesses” as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by businessland or are classified as loans to finance agricultural production and other loans to businesses.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.