

Grandpoint Bank

First Quarter 2016

From the Chairman

Grandpoint Bank continued its strong performance during the first quarter of 2016, reporting net income of \$8.4 million, compared to \$7.2 million in the same quarter of 2015. Total assets at March 31, 2016, were \$3.2 billion, up from \$2.8 billion in the prior year quarter.

Grandpoint serves clients through six Grandpoint Bank branches in Los Angeles and Orange counties. We also have three divisions: Regents Bank, which has four offices in San Diego County and one in Vancouver, Wash.; Bank of Tucson, with two offices in Tucson, Ariz.; and The Biltmore Bank of Arizona, with an office in Phoenix, Ariz.

Our key performance metrics continue to demonstrate the Bank's long-term strength. At March 31, 2016, our return on average assets was 1.07%, and our return on average tangible equity was 11.8%. Our efficiency ratio of 51.4% reflects our success in managing expenses, as we continue to grow the Bank. Our focus remains on building deeper relationships with our existing clients in order to achieve strong and consistent growth in deposits and loans.

Total deposits at quarter-end were \$2.5 billion, and loans totaled \$2.3 billion. Our asset quality remained strong during the quarter as the Bank continued to maintain a prudent and disciplined risk strategy. Our capital ratios remain far in excess of the regulatory minimums. At March 31, 2016, the Bank's Leverage Ratio was 9.5 percent, Common Equity Tier 1 Risk-Based Capital Ratio was 12.1 percent, Tier 1 Risk-Based Capital Ratio was 12.1 percent, and Total Risk-Based Capital was 12.8 percent.

In March 2016, Grandpoint received a superior 5-star rating from independent rating and research firm BauerFinancial for the eleventh consecutive quarter. The latest rating was based on December 31, 2015, financial data. The 5-star rating, for strength, stability and soundness, is only awarded to the nation's strongest banks. It is gratifying to have our strong financial performance validated by such a respected organization.

Don M. Griffith
Chairman & CEO

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DIVISIONS OF GRANDPOINT BANK

Grandpoint Bank

Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	March 31,	
	2016	2015
Assets		
Cash and due from banks	\$ 26,437	\$ 30,856
Interest-bearing deposits in banks	<u>161,033</u>	<u>138,318</u>
Cash and cash equivalents	187,470	169,174
Investment securities	637,518	453,965
Loans, total	2,270,771	2,034,876
Deferred loan fees, costs and discounts	4,011	(1,515)
Allowance for loan losses	<u>(17,514)</u>	<u>(14,471)</u>
Net loans	2,257,268	2,018,890
Goodwill	53,323	53,323
Core deposit and other intangibles	8,780	10,579
Other assets	<u>89,830</u>	<u>83,851</u>
Total assets	<u>\$ 3,234,189</u>	<u>\$ 2,789,782</u>
Liabilities and shareholder's equity		
<i>Liabilities</i>		
Deposits		
Demand	\$ 861,489	\$ 826,934
NOW	135,030	150,367
Money market	1,137,939	1,073,212
Savings	40,433	35,891
Time	<u>372,354</u>	<u>284,375</u>
Total deposits	2,547,245	2,370,779
Borrowings	325,000	75,000
Other liabilities	<u>8,322</u>	<u>19,152</u>
Total liabilities	2,880,567	2,464,931
<i>Shareholder's equity</i>	<u>353,622</u>	<u>324,851</u>
Total liabilities and shareholder's equity	<u>\$ 3,234,189</u>	<u>\$ 2,789,782</u>

Capital ratios	Capital ratios considered "Well Capitalized" by bank regulators	
Leverage Ratio	9.5%	5.0%
Common Equity Tier 1 Risk-Based Capital Ratio	12.1%	6.5%
Tier 1 Risk-Based Capital Ratio	12.1%	8.0%
Total Risk-Based Capital Ratio	12.8%	10.0%

Five-Star Superior Rating by BauerFinancial

Grandpoint Bank

Income Statements (unaudited)

DOLLARS IN THOUSANDS

	Three months ended March 31,	
	2016	2015
Interest income	\$ 29,720	\$ 26,452
Interest expense	<u>1,937</u>	<u>1,313</u>
Net interest income	27,783	25,139
Provision for loan losses	–	250
Noninterest income	1,559	1,688
Noninterest expense:		
Salaries and benefits	9,524	9,279
Occupancy and equipment expense	2,088	2,824
Other expenses	<u>3,654</u>	<u>2,441</u>
Total noninterest expense	15,266	14,544
Income before income taxes	14,076	12,033
Income taxes	<u>5,665</u>	<u>4,811</u>
Net income	<u>\$ 8,411</u>	<u>\$ 7,222</u>
Return on Average Assets	1.07%	1.07%
Return on Average Tangible Equity	11.79%	11.43%
Efficiency Ratio	51.43%	54.23%



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DIVISIONS OF GRANDPOINT BANK