

Grandpoint Bank

Second Quarter 2016

From the Chairman

Grandpoint Bank reported net income of \$17.1 million for the first six months of 2016, compared to \$14.5 million for the same period in 2015. Total assets as of June 30, 2016, were \$3.3 billion.

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.

As we maintained our strong performance during the second quarter of 2016, our key performance metrics also continued to demonstrate the Bank's long-term strength. At June 30, 2016, our return on average assets for the first six months of 2016 was 1.08 percent, and our return on average tangible equity was 9.7 percent. Our efficiency ratio of 51.2 percent reflects our success in managing expenses, as we continue to build Grandpoint Bank.

Total deposits at the end of the second quarter 2016 were \$2.5 billion. Loans totaled \$2.3 billion and asset quality remained strong. Our growth is based on the success of our clients, and we are grateful for the opportunity to help them achieve their business and financial goals.

Grandpoint's capital ratios remain far in excess of the regulatory minimums. At June 30, 2016, the Bank's Leverage Ratio was 9.6 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 Ratio was 12.8 percent.

In June 2016, Grandpoint Bank received a superior 5-star rating from independent rating and research firm BauerFinancial for the twelfth consecutive quarter. The latest rating was based on March 31, 2016, financial data. The 5-star rating, for strength, stability and soundness, is only awarded to the nation's strongest banks, and we are pleased to have earned this recognition.

Don M. Griffith
Chairman & CEO

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DIVISIONS OF GRANDPOINT BANK

Grandpoint Bank

Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	June 30,	
	2016	2015
Assets		
Cash and due from banks	\$ 26,376	\$ 28,190
Interest-bearing deposits in banks	179,513	154,489
Cash and cash equivalents	205,889	182,679
Investment securities	636,640	548,732
Loans, total	2,326,773	2,185,839
Deferred loan fees, costs and discounts	4,567	1,116
Allowance for loan losses	(17,125)	(15,893)
Net loans	2,314,215	2,171,062
Goodwill	53,323	53,323
Core deposit and other intangibles	8,351	10,107
Other assets	89,676	87,064
Total assets	<u>\$ 3,308,094</u>	<u>\$ 3,052,967</u>
Liabilities and shareholder's equity		
<i>Liabilities</i>		
Deposits		
Demand	\$ 884,470	\$ 849,040
NOW	138,573	140,202
Money market	1,077,539	1,048,493
Savings	39,813	33,606
Time	342,896	211,120
Total deposits	2,483,291	2,282,461
Borrowings	450,000	425,000
Other liabilities	9,659	14,372
Total liabilities	2,942,950	2,721,833
<i>Shareholder's equity</i>	365,144	331,134
Total liabilities and shareholder's equity	<u>\$ 3,308,094</u>	<u>\$ 3,052,967</u>

Capital ratios

Capital ratios considered
"Well Capitalized"
by bank regulators

Leverage Ratio	9.6%	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

	Six months ended June 30,	
	2016	2015
Interest income	\$ 60,056	\$ 54,107
Interest expense	3,870	2,564
Net interest income	56,186	51,543
Provision for loan losses	–	1,500
Noninterest income	3,044	3,572
Noninterest expense:		
Salaries and benefits	18,961	18,297
Occupancy and equipment expense	2,590	4,062
Other expenses	9,045	7,075
Total noninterest expense	30,596	29,434
Income before income taxes	28,634	24,181
Income taxes	11,508	9,672
Net income	<u>\$ 17,126</u>	<u>\$ 14,509</u>
Return on Average Assets	1.08%	1.07%
Return on Average Tangible Equity	9.70%	11.43%
Efficiency Ratio	51.15%	54.23%



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BANK of TUCSON

REGENTS BANK

THE BILTMORE BANK

DIVISIONS OF GRANDPOINT BANK