

Grandpoint Bank

Third Quarter 2015

From the Chairman

Grandpoint Bank reported net income of \$21.6 million for the first nine months of 2015, an increase of 63 percent over the same period in 2014. The Bank also reported total assets of \$3.1 billion at September 30, 2015, up from \$2.5 billion at the end of the prior year third quarter, and \$2.8 billion at year-end 2014.

During the third quarter, we continued the steady, organic growth of our core business with solid increases in both deposits and loans. Our focus on further improving our operating efficiencies enabled us to achieve a core efficiency ratio of 52 percent in the third 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.

At September 30, 2015, our total deposits increased to \$2.5 billion and total loans were \$2.3 billion. Our asset quality remained strong during the quarter as the Bank continued to maintain a prudent and disciplined risk strategy. Key performance measures also demonstrated the Bank's sustained strength. Return on average assets was 1.0 percent and return on tangible equity was 12.3 percent for the nine months ended September 30, 2015.

Throughout the third quarter 2015, our capital ratios were above levels considered well-capitalized by bank regulators. At September 30, 2015, the Bank's Leverage Ratio was 9.2 percent; Common Equity Tier 1 Risk-Based Capital Ratio was 11.6 percent; Tier 1 Risk-Based Capital Ratio was 11.6 percent; and Total Risk-Based Capital Ratio was 12.4 percent.

We are also pleased to report that in September 2015, Grandpoint received a superior 5-star rating from independent rating and research firm BauerFinancial for the ninth consecutive quarter. The latest rating was based on June 30, 2015, financial data. The 5-star rating, for strength, stability and soundness, is only awarded to the nation's strongest banks.

Don M. Griffith
Chairman & CEO

Grandpoint.

  
DIVISIONS OF GRANDPOINT BANK

Grandpoint Bank

Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	September 30,	
	2015	2014
Assets		
Cash and due from banks	\$ 40,564	\$ 36,911
Interest-bearing deposits in banks	132,694	173,889
Cash and cash equivalents	173,258	210,800
Investment securities	586,985	235,753
Loans, total	2,255,508	1,921,410
Deferred loan fees, costs and discounts	2,554	(5,242)
Allowance for loan losses	(17,983)	(14,622)
Net loans	2,240,079	1,901,546
Goodwill	53,323	53,323
Core deposit and other intangibles	9,658	11,569
Other assets	76,116	72,867
Total assets	<u>\$ 3,139,419</u>	<u>\$ 2,485,858</u>
Liabilities and shareholder's equity		
<i>Liabilities</i>		
Deposits		
Demand	\$ 867,517	\$ 823,321
NOW	137,189	130,154
Money market	1,174,914	766,501
Savings	34,542	34,313
Time	278,494	392,741
Total deposits	2,492,656	2,147,030
Borrowings	300,000	–
Other liabilities	8,937	19,151
Total liabilities	2,801,593	2,166,181
<i>Shareholder's equity</i>	337,826	319,677
Total liabilities and shareholder's equity	<u>\$ 3,139,419</u>	<u>\$ 2,485,858</u>

Capital ratios	Capital ratios considered "Well Capitalized" by bank regulators	
Leverage Ratio	9.2%	5.0%
Common Equity Tier 1 Risk-Based Capital Ratio	11.6%	6.5%
Tier 1 Risk-Based Capital Ratio	11.6%	8.0%
Total Risk-Based Capital Ratio	12.4%	10.0%

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Income Statements (unaudited)

DOLLARS IN THOUSANDS

	Nine months ended September 30,	
	2015	2014
Interest income	\$ 83,537	\$ 76,772
Interest expense	4,009	2,817
Net interest income	79,528	73,955
Provision for loan losses	3,750	3,898
Noninterest income	4,985	4,382
Noninterest expense:		
Salaries and benefits	27,676	29,070
Occupancy and equipment expense	6,137	6,892
Merger, acquisition, conversion and restructuring	–	3,868
Other expenses	10,896	12,162
Total noninterest expense	44,709	51,992
Income before income taxes	36,054	22,447
Income taxes	14,415	9,199
Net income	<u>\$ 21,639</u>	<u>\$ 13,248</u>

Five-Star Superior Rating by BauerFinancial



Grandpoint.

BANK of TUCSON REGENTS BANK THE BILTMORE BANK
DIVISIONS OF GRANDPOINT BANK