



Grandpoint.

Grandpoint Capital, Inc.

Second Quarter Report 2012



## Letter from the Chairman

Since Grandpoint Capital, Inc., launched its first bank subsidiary, Grandpoint Bank, in June 2010, our growth has been driven by a strategy that balances selective acquisitions with internal growth. We have acquired seven financial institutions: five in southern California and two in Tucson, Ariz. Today we operate a combined 14 branches and one loan production office in California, Arizona and Washington.

At the end of the second quarter 2012, Grandpoint Capital's balance sheet remained clean with minimal portfolio risk. Total assets at June 30, 2012, were \$1.53 billion, up from \$1.16 billion at year-end 2011. The increase, as well as growth in our consolidated loans and deposits, reflects our January 2012 acquisition of Regents Bank, which operates as a wholly owned subsidiary of Grandpoint Capital.

Our consolidated loan portfolio increased to \$974.2 million in the second quarter 2012 from \$739.2 million at the prior year-end.

Consolidated deposits at June 30, 2012, were \$1.28 billion, up from \$979.9 million at year-end 2011. Non-interest-bearing deposits accounted for 38 percent of total deposits at the end of the second quarter 2012.

Our capital ratios remained strong at the end of the second quarter 2012 with a Tier 1 Leverage Ratio of 10.8 percent, Tier 1 Risk-Based Capital Ratio of 15.4 percent, and Total Risk-Based Capital Ratio of 16.1 percent, far exceeding the levels considered "well capitalized" by bank regulators.

The progress we have made over the past two years is gratifying. We are building strong banks around experienced management teams in markets where we can bring significant value to the small and mid-sized businesses, professionals and entrepreneurs that comprise the heart of our client base. We are excited to build on this momentum in the months ahead.



Don M. Griffith

Chairman & Chief Executive Officer

## Grandpoint Capital, Inc. and Subsidiaries

### Consolidated Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	JUNE 30, 2012	DECEMBER 31, 2011	JUNE 30, 2011
<b>Assets</b>			
Cash and due from banks	\$ 40,631	\$ 22,324	\$ 19,769
Interest-bearing deposits in banks	181,189	127,803	166,112
Cash and cash equivalents	221,820	150,127	185,881
Investment securities	251,626	208,939	98,574
Loans, total	974,163	739,241	545,289
Deferred loan fees, costs and discounts	(19,656)	(15,580)	(14,285)
Allowance for loan losses	(7,046)	(5,722)	(3,000)
Net loans	947,461	717,939	528,004
Goodwill	45,087	37,863	23,324
Core deposit and other intangibles	8,789	6,857	5,358
Other assets	56,012	36,970	29,606
Total assets	<u>\$1,530,795</u>	<u>\$1,158,695</u>	<u>\$ 870,747</u>
<b>Liabilities and Shareholders' Equity</b>			
<i>Liabilities</i>			
Deposits			
Demand deposits	\$ 490,901	\$ 327,638	\$ 207,228
NOW accounts	73,898	57,302	36,030
Money market accounts	559,202	473,107	411,329
Savings accounts	12,691	9,403	4,473
Time deposits	139,431	112,407	87,657
Total deposits	1,276,123	979,857	746,717
Other liabilities	16,497	14,084	8,893
Other borrowings	12,500	3,000	2,000
Subordinated debenture payable	5,155	5,155	5,155
Total liabilities	1,310,275	1,002,096	762,765
<i>Shareholders' equity</i>	220,520	156,599	107,982
Total liabilities and shareholders' equity	<u>\$1,530,795</u>	<u>\$1,158,695</u>	<u>\$ 870,747</u>

### Capital ratios

Tier 1 Leverage Ratio	10.8%
Tier 1 Risk-Based Capital Ratio	15.4%
Total Risk-Based Capital Ratio	16.1%

Grandpoint Capital, Inc., is a bank holding company with four wholly owned subsidiaries: Grandpoint Bank, Regents Bank, Bank of Tucson and Peoria Holdings, LLC.

**Grandpoint Capital, Inc.**  
**Executive Officers**

Don M. Griffith  
*Chairman & CEO*

Deborah A. Marsten  
*Chief Operating Officer*

Dan C. Yates  
*President*

Dave Dayton  
*Chief Financial Officer*

Mark Phillips  
*Chief Credit Officer*

Jose Jimenez  
*Chief Risk Officer*

Lorraine White  
*Director of  
Human Resources*

**Grandpoint Capital, Inc.**

333 South Grand Avenue, Suite 4250  
Los Angeles, CA 90071  
213.542.2700

**Grandpoint Bank**

355 South Grand Avenue, Suite 2400  
Los Angeles, CA 90071  
213.542.2700  
[www.grandpointbank.com](http://www.grandpointbank.com)

Offices in Anaheim, Brentwood, El Segundo, Encino, Los Angeles, Orange, Pasadena (LPO), and Santa Ana

**Regents Bank**

875 Prospect Street  
La Jolla, CA 92037  
858.729.7700  
[www.regentsbank.com](http://www.regentsbank.com)

Offices in Carlsbad, El Cajon, La Jolla, San Diego and Vancouver, Wash.

**Bank of Tucson**

4400 East Broadway  
Tucson, AZ 85711  
520.321.4500  
[www.bankoftucson.com](http://www.bankoftucson.com)

Two offices in Tucson



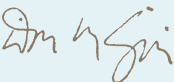
## Grandpoint Bank Second Quarter Update

Over the past two years, we have integrated five financial institutions into Grandpoint Bank. Those mergers produced immediate benefits, bringing us quality clients, outstanding employees and an expanded office network. It has taken time and resources, however, to completely integrate these banks into Grandpoint. I'm pleased to report that since the end of 2011, we have begun to see the results of our efforts, as we posted two consecutive quarters of positive earnings. We reported second quarter earnings of \$1.1 million, bringing our 2012 year-to-date earnings to \$2.3 million. At the same time, we have maintained a strong balance sheet with excellent credit quality. Our capital ratios, which measure our capital strength, continue to far exceed the levels considered "well capitalized" by bank regulators. At the end of the second quarter 2012, our Tier 1 Leverage Ratio was 10.7 percent, Tier 1 Risk-Based Capital Ratio was 14.6 percent, and our Total Risk-Based Capital Ratio was 15.4 percent.

Total deposits at June 30, 2012, were \$725.3 million, basically unchanged from year-end 2011, as we continue to shift our deposit mix to focus on the stable core deposits associated with our long-term client relationships. At the end of the second quarter 2012, core deposits accounted for 36 percent of total deposits. Total loans were \$596.8 million at June 30, 2012, up 3 percent from year-end 2011.

To support our clients, we have continued to expand and enhance our capabilities. During the second quarter, we welcomed Jeff Boyer as Executive Vice President and Director of Corporate Banking. Jeff will be leading the expansion of our corporate banking capabilities throughout the Bank. We also recently brought on board SVP Mark Martinez, who will establish Grandpoint's presence in the Inland Empire, and SVP William Fehlen, who will manage our international services.

Working closely with our clients to help them succeed and prosper is our number one goal. We are grateful that so many clients have placed their trust in Grandpoint Bank.



Don M. Griffith

Chairman & Chief Executive Officer

**Grandpoint.**

# Grandpoint Bank

## Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	JUNE 30, 2012	DECEMBER 31, 2011	JUNE 30, 2011
<b>Assets</b>			
Cash and due from banks	\$ 21,668	\$ 16,892	\$ 7,747
Interest-bearing deposits in banks	42,185	58,262	68,982
Cash and cash equivalents	63,853	75,154	76,729
Investment securities	150,624	160,570	94,572
Loans, total	596,793	578,353	371,209
Fees and discounts	(4,638)	(6,658)	(5,491)
Allowance for loan losses	(5,275)	(4,622)	(2,611)
Net loans	586,880	567,073	363,107
Goodwill	24,820	25,337	14,336
Core deposit and other intangibles	3,246	3,460	1,819
Other assets	27,184	23,256	19,470
Total assets	<u>\$ 856,607</u>	<u>\$ 854,850</u>	<u>\$ 570,033</u>
<b>Liabilities and Shareholders' Equity</b>			
<i>Liabilities</i>			
Deposits			
Demand deposits	\$ 262,247	\$ 244,296	\$ 122,810
NOW accounts	38,072	34,474	16,592
Money market accounts	349,557	368,850	305,603
Savings accounts	6,392	6,524	2,016
Time deposits	69,047	72,505	41,036
Total deposits	725,315	726,649	488,057
Other liabilities	8,390	8,581	4,723
Total liabilities	733,705	735,230	492,780
<i>Shareholders' equity</i>	122,902	119,620	77,253
Total liabilities and shareholders' equity	<u>\$ 856,607</u>	<u>\$ 854,850</u>	<u>\$ 570,033</u>

## Capital ratios

June 30, 2012

Total Risk-Based Capital Ratio	15.4%
Tier 1 Capital Ratio	14.6%
Leverage Ratio	10.7%

## Grandpoint Bank

Offices in Los Angeles, Anaheim, Brentwood, El Segundo, Encino, Orange, Pasadena (LPO) and Santa Ana

[www.grandpointbank.com](http://www.grandpointbank.com)

