



## From the Chairman

2011 was a year of significant progress for Grandpoint Bank. We completed the integration of First Commerce Bank and Orange Community Bank. These were both well-managed, quality banks that brought talented, knowledgeable bankers into Grandpoint. Their well-established banking offices helped us build our footprint in key Los Angeles and Orange county locations. We opened an SBA loan production office in Pasadena and continued to experience strong growth in our South Bay office. We also secured a location for our new Irvine/Newport banking office, which we expect to open in the second quarter 2012, in the heart of that region's business community.

Grandpoint Bank ended 2011 with total assets of \$855 million, up from \$492 million at December 31, 2010. Our balance sheet remained clean with minimal portfolio risk as measured by our Texas Ratio of 9.1 percent at year-end. A Texas ratio of 100 percent or above is the threshold that generally classifies a bank with severe credit problems. Our capital ratios are strong with a Total Risk-Based Capital Ratio of 14.59 percent at December 31, 2011, well above the 10 percent considered "well capitalized" by bank regulators.

We continued to experience strong internal growth in loans and deposits throughout the year, exclusive of our Orange Community Bank acquisition. At December 31, 2011, total loans increased 71 percent to \$578.4 million, up from \$337.4 million at December 31, 2010. Nearly 45 percent of the increase was generated by internal growth. Total deposits also posted a significant increase, growing to \$726.6 million at December 31, 2011, from \$407.6 million at the end of the prior year. Of that increase, \$102 million, or 32 percent, is attributable to non-acquisition-related growth. Non-interest-bearing deposits continued to account for approximately 30 percent of total deposits at year-end 2011.

During the year, we continued to strengthen our client relationships by offering new product capabilities and helping clients address the risks that impact their financial security. With the increasing prevalence of fraud, we educated our clients on how to protect their personal and business information and rolled out a software package, at no charge, to make their internet connections to our online banking service more secure. We also instituted new security protocols to limit our clients' exposure if their computers are ever compromised.

As we moved into 2012, our parent company, Grandpoint Capital, announced agreements to acquire two financial institutions. While both transactions are still subject to regulatory approval, we expect Phoenix-based The Biltmore Bank of Arizona to become a subsidiary of Grandpoint Capital when that acquisition is completed in the second quarter. California Community Bank, which is headquartered in Escondido, will be merged later this year into La Jolla-based Regents Bank, which became a subsidiary of Grandpoint Capital in January. Concurrent with the Regents acquisition, the Grandpoint Capital board of directors named Regents CEO Dan Yates to the additional position of Grandpoint Capital president. Dan's approach to client relationships epitomizes the personal, consultative style that is so important to us at Grandpoint. As Dan becomes more involved with Grandpoint Bank's business development activities, I know you will enjoy getting to know him.

Don M. Griffith  
Chairman & CEO



## Balance Sheet (Unaudited)

<i>(Dollars in thousands)</i>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
Cash and due from banks	\$16,892	\$22,853
Interest-bearing deposits in banks	<u>58,262</u>	<u>8,368</u>
Cash and Cash Equivalents	75,154	31,221
Investment Securities	160,570	100,435
Loans, total	578,353	337,424
Fees and discounts	(6,658)	(10,081)
Allowance for loan losses	<u>(4,622)</u>	<u>(1,050)</u>
Net Loans	567,073	326,293
Goodwill	25,337	14,958
Core deposits and other intangibles	3,460	1,930
Other assets	<u>23,256</u>	<u>16,864</u>
Total Assets	<u>\$854,850</u>	<u>\$491,701</u>
Deposits:		
Demand deposits	\$244,296	\$107,557
NOW accounts	34,474	21,362
Money market accounts	368,850	222,270
Savings accounts	6,524	3,068
Time deposits	<u>72,505</u>	<u>53,340</u>
Total Deposits	726,649	407,597
Other liabilities	8,581	4,892
Total Shareholders' Equity	<u>119,620</u>	<u>79,212</u>
Total Liabilities and Shareholders' Equity	<u>\$854,850</u>	<u>\$491,701</u>

## Capital Ratios

December 31, 2011

Total Risk-Based Capital Ratio:	14.59%
Tier 1 Capital Ratio:	13.88%
Leverage Ratio:	10.45%