Grandpoint Bank

Mid-Year 2013

From the Chairman

During the second quarter 2013, Bank of Tucson, a Grandpoint Capital subsidiary since 2011, became a division of Grandpoint Bank. In a year focused on consolidating Grandpoint Capital's family of banks, the Bank of Tucson merger was the first significant step. In the third quarter, San Diego-based Regents Bank, a subsidiary since 2012, will also be merged into Grandpoint Bank as a division. While both banks will retain their names and regional autonomy, clients will have access to the complete network of Grandpoint, Bank of Tucson, and Regents Bank offices in southern California, Arizona and southern Washington. They will also benefit from the greater lending capacity of a larger Grandpoint Bank as well as the specialized expertise and market knowledge each of these banks offers.

In other merger news, we recently announced a definitive agreement to acquire Los Angeles-based Gilmore Bank, which will be merged into Grandpoint Bank. The Gilmore family, who has owned the bank since its founding in 1955, has a long and storied history in Los Angeles. We are privileged that they chose to partner with Grandpoint. We expect to complete the merger during the third quarter 2013 and to integrate our operations before the end of the year.

During the first half of 2013, we continued to increase the stable core deposits associated with our long-term client relationships. At June 30, 2013, demand deposits accounted for 37 percent of total deposits of $1.1 billion, compared to 35 percent in the prior year period. Total loans reached $897.9 million at June 30, 2013, reflecting strong internal loan growth as well as the Bank of Tucson merger. Our balance sheet remained very clean during the first half of 2013 with excellent credit quality.

Grandpoint Bank reported pre-tax income of $3.8 million during the six months ended June 30, 2013, even after incurring $1.8 million in non-recurring, acquisition-related expenses during that period. This compared to $2.3 million in pre-tax income for the comparable period in 2012. Total assets grew to $1.2 billion at June 30, 2013, from $856.6 million at June 30, 2012. The increases in pre-tax income and assets were due in large measure to the merger of Bank of Tucson into Grandpoint Bank.

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 2013, our Tier 1 Leverage Ratio was 10.8 percent, Tier 1 Risk-based Capital Ratio was 13.6 percent and Total Risk-based Capital Ratio was 14.4 percent.

Building strong core deposits and adding high quality, diversified loans to our portfolio have created a solid foundation for Grandpoint Bank that we expect will be further strengthened as we continue our consolidation. Integrating our banking subsidiaries into Grandpoint Bank in a manner that enables us to operate most efficiently and bring the greatest value to our clients will remain our focus during 2013.

Don M. Griffith
Chairman & CEO

Grandpoint.

BANK of TUCSON | A DIVISION OF GRANDPOINT BANK

Grandpoint Bank

Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	June 30, 2013	June 30, 2012
Assets		
Cash and due from banks	$ 32,134	$ 21,668
Interest-bearing deposits in banks	54,189	42,185
Cash and cash equivalents	86,323	63,853
Investment securities	183,512	150,624
Loans, total	897,868	596,793
Deferred loan fees, costs and discounts	(5,710)	(4,638)
Allowance for loan losses	(7,572)	(5,275)
Net loans	884,586	586,880
Goodwill	37,346	24,820
Core deposit and other intangibles	5,691	3,246
Other assets	40,718	27,184
Total assets	$ 1,238,176	$ 856,607
Liabilities and shareholder's equity		
Liabilities		
Deposits		
Demand	$ 384,872	$ 262,247
NOW	59,400	38,072
Money market	422,037	349,557
Savings	12,490	6,392
Time	171,869	69,047
Total deposits	1,050,668	725,315
Other liabilities	7,359	8,390
Total liabilities	1,058,027	733,705
Shareholder's equity	180,149	122,902
Total liabilities and shareholder's equity	$ 1,238,176	$ 856,607

Capital ratios		Capital ratios considered "Well Capitalized" by bank regulators
Tier 1 Leverage Ratio	10.8%	5%
Tier 1 Risked-Based Capital Ratio	13.6%	6%
Total Risk-Based Capital Ratio	14.4%	10%

Grandpoint Bank

Income Statements (unaudited)

DOLLARS IN THOUSANDS

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Interest income	$ 24,588	$ 18,817
Interest expense	938	951
Net interest income	23,650	17,866
Provision for loan losses	91	730
Noninterest income	1,913	2,034
Noninterest expense:		
Salaries and benefits	12,576	10,923
Occupancy	1,314	1,254
Furniture and equipment	1,204	893
Promotion	569	374
Data processing	585	467
Professional services	1,072	1,000
Merger, acquisition, conversion and restructuring	1,849	–
Office	465	375
Assessments and insurance	588	544
Loan	485	340
Other	961	697
	21,668	16,867
Income before income taxes	3,804	2,303
Income taxes	1,520	–
Net income	$ 2,284	$ 2,303