

Grandpoint Bank

Mid-Year 2014

From the Chairman

In the first half of 2014, we completed the consolidation of Grandpoint Capital's banking subsidiaries into Grandpoint Bank. The Biltmore Bank of Arizona, which first joined the Grandpoint family as a subsidiary in December 2012, became a division of Grandpoint Bank at the end of March. Like Regents Bank and Bank of Tucson, Biltmore Bank retains its name and regional authority. With the consolidation, Phoenix, Ariz., becomes the sixth region in which Grandpoint Bank now operates. As of June 30, 2014, the Bank had 16 offices in Southern California, Arizona and southern Washington.

At the end of June 2014, Grandpoint Bank completed a purchase and assumption transaction with Wedbush Bank, a subsidiary of Wedbush, Inc., in which we acquired certain deposits and loans. We have known and admired the Wedbush management team for years, so we were pleased to welcome so many of their clients to Grandpoint. The mid-year results reflect both the consolidation of Biltmore Bank as well as the Wedbush transaction.

During the first half of 2014, we continued to experience healthy deposit growth, including the stable core deposits associated with our long-term client relationships. At June 30, 2014, deposits totaled \$2.1 billion of which 37 percent were demand deposits. Total loans reached \$1.9 billion at June 30, 2014, and our balance sheet remained very clean with excellent credit quality. Total assets grew to \$2.5 billion at June 30, 2014, from \$1.2 billion at June 30, 2013. Our acquisition and consolidation activity contributed significantly to these results, and we have experienced solid organic growth as well.

The consolidation of our banking subsidiaries into Grandpoint Bank has enhanced our ability to serve clients in all of our regions, with expanded product offerings and higher lending limits. It has also enabled us to reduce expenses and become more efficient, which has contributed to improved earnings. We reported pre-tax income of \$13.5 million for the first six months ended June 30, 2014, compared to \$3.8 million in pre-tax income for the comparable period in 2013.

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 2014, our Tier 1 Leverage Ratio was 10.8 percent, Tier 1 Risk-Based Capital ratio was 13.2 percent and Total Risk-Based Capital Ratio was 14.0 percent.

We were honored to receive, for the fourth consecutive quarter, BauerFinancials' most recent Five-Star Superior Rating for strength, stability and soundness, based on first quarter 2014 results. BauerFinancial, a highly regarded, independent rating and research firm, only awards five-star ratings to banks that are considered to be the strongest in the nation. It is gratifying to have our continued strong financial performance validated by such a respected organization.

Don M. Griffith
Chairman & CEO

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DIVISIONS OF GRANDPOINT BANK

Grandpoint Bank

Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	June 30,	
	2014	2013
Assets		
Cash and due from banks	\$ 38,189	\$ 32,134
Interest-bearing deposits in banks	165,687	54,189
Cash and cash equivalents	203,876	86,323
Investment securities	233,209	183,512
Loans, total	1,907,800	897,868
Deferred loan fees, costs and discounts	(7,127)	(5,710)
Allowance for loan losses	(13,173)	(7,572)
Net loans	1,887,500	884,586
Goodwill	53,101	37,346
Core deposit and other intangibles	12,074	5,678
Other assets	76,417	40,731
Total assets	<u>\$ 2,466,177</u>	<u>\$ 1,238,176</u>
Liabilities and shareholder's equity		
<i>Liabilities</i>		
Deposits		
Demand	\$ 791,807	\$ 384,872
NOW	122,090	59,400
Money market	766,501	422,037
Savings	35,709	12,490
Time	419,465	171,869
Total deposits	2,135,572	1,050,668
Other liabilities	15,996	7,359
Total liabilities	2,151,568	1,058,027
<i>Shareholder's equity</i>	314,609	180,149
Total liabilities and shareholder's equity	<u>\$ 2,466,177</u>	<u>\$ 1,238,176</u>

Capital ratios

Capital ratios considered
"Well Capitalized"
by bank regulators

Tier 1 Leverage Ratio	10.8%	5%
Tier 1 Risked-Based Capital Ratio	13.2%	6%
Total Risk-Based Capital Ratio	14.0%	10%

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Income Statements (unaudited)

DOLLARS IN THOUSANDS

	Six months ended June 30,	
	2014	2013
Interest income	\$ 50,355	\$ 24,588
Interest expense	1,712	938
Net interest income	48,643	23,650
Provision for loan losses	2,398	91
Noninterest income	2,839	1,913
Noninterest expense:		
Salaries and benefits	19,555	12,576
Occupancy	2,893	1,314
Furniture and equipment	1,839	1,203
Promotion	857	569
Data processing	925	585
Professional services	1,220	1,072
Merger, acquisition, conversion and restructuring	2,963	1,849
Office	959	465
Assessments and insurance	1,159	588
Other	3,180	1,447
Total noninterest expense	35,550	21,668
Income before income taxes	13,534	3,804
Income taxes	5,549	1,520
Net income	<u>\$ 7,985</u>	<u>\$ 2,284</u>



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