

Grandpoint Bank

Mid-Year 2015

From the Chairman

At June 30, 2015, Grandpoint Bank reported net income of \$14.5 million for the first six months of 2015, an increase of 82 percent over the same period in 2014. The Bank also reported total assets of \$3.1 billion at June 30, 2015, up from \$2.5 billion at the end of the prior year second quarter, and \$2.8 billion at year-end 2014.

Our strong performance in the first half of 2015 continues our growth trajectory. Over the past five years, Grandpoint acquired and consolidated 11 financial institutions with combined assets of approximately \$2 billion, and we have added another \$1 billion in assets through organic growth. That is an accomplishment in which we take great pride. As we have grown, our clients have benefited from our greater lending capacity, product diversity, and market presence.

All of our key performance measures demonstrate the financial strength of the Bank we have built. Over the past three quarters Grandpoint has achieved a return on average assets of over one percent, and the return on tangible equity at June 30, 2015, was 11.2 percent. The Bank's efficiency ratio, which measures operating expenses as a percentage of revenue, remains in the low 50 percent range.

By remaining focused on our local markets and responsive to the needs of our clients, we continue to attract business relationships that generate solid deposit growth and quality assets. At June 30, 2015, total deposits increased to \$2.3 billion and net loans totaled \$2.2 billion. Asset quality remained strong during the quarter as we continued to maintain a prudent and disciplined risk strategy.

Throughout the second quarter 2015, our capital ratios were well above levels considered well-capitalized by bank regulators. At June 30, 2015, the Bank's Leverage Ratio was 9.7 percent; Common Equity Tier 1 Risk-Based Capital Ratio was 11.9 percent; Tier 1 Risk-Based Capital Ratio was 11.9 percent; and Total Risk-Based Capital Ratio was 12.6 percent.

We are also pleased to share with you that for the eighth consecutive quarter, Grandpoint received a superior 5-star rating from independent rating and research firm BauerFinancial for strength, stability and soundness. This rating 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

	June 30,	
	2015	2014
Assets		
Cash and due from banks	\$ 28,190	\$ 38,189
Interest-bearing deposits in banks	154,489	165,687
Cash and cash equivalents	182,679	203,876
Investment securities	548,732	233,209
Loans, total	2,185,839	1,907,800
Deferred loan fees, costs and discounts	1,116	(7,127)
Allowance for loan losses	(15,893)	(13,173)
Net loans	2,171,062	1,887,500
Goodwill	53,323	53,101
Core deposit and other intangibles	10,107	12,074
Other assets	87,064	76,417
Total assets	<u>\$ 3,052,967</u>	<u>\$ 2,466,177</u>
Liabilities and shareholder's equity		
<i>Liabilities</i>		
Deposits		
Demand	\$ 849,040	\$ 791,807
NOW	140,202	122,090
Money market	1,048,493	766,501
Savings	33,606	35,709
Time	211,120	419,465
Total deposits	2,282,461	2,135,572
Borrowings	425,000	–
Other liabilities	14,372	15,996
Total liabilities	2,721,833	2,151,568
Shareholder's equity	331,134	314,609
Total liabilities and shareholder's equity	<u>\$ 3,052,967</u>	<u>\$ 2,466,177</u>

Capital ratios	Capital ratios considered "Well Capitalized" by bank regulators	
Leverage Ratio	9.7%	5.0%
Common Equity Tier 1 Risk-Based Capital Ratio	11.9%	6.5%
Tier 1 Risk-Based Capital Ratio	11.9%	8.0%
Total Risk-Based Capital Ratio	12.6%	10.0%

Grandpoint Bank

Income Statements (unaudited)

DOLLARS IN THOUSANDS

	Six months ended June 30,	
	2015	2014
Interest income	\$ 54,107	\$ 50,355
Interest expense	2,564	1,712
Net interest income	51,543	48,643
Provision for loan losses	1,500	2,398
Noninterest income	3,572	2,839
Noninterest expense:		
Salaries and benefits	18,297	19,555
Occupancy and equipment expense	4,062	4,732
Merger, acquisition, conversion and restructuring	–	2,963
Other expenses	7,075	8,300
Total noninterest expense	29,434	35,550
Income before income taxes	24,181	13,534
Income taxes	9,672	5,549
Net income	<u>\$ 14,509</u>	<u>\$ 7,985</u>

Five-Star Superior Rating by BauerFinancial



Grandpoint.

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