

Grandpoint Capital, Inc.

Second Quarter 2013

From the Chairman

2013 is a year of consolidation for Grandpoint Capital as we bring together the family of banks we acquired over the past three years. We completed a significant step in this process during the second quarter 2013 when we merged Bank of Tucson into Grandpoint Bank as a division. By the end of the third quarter, our San Diego-based subsidiary, Regents Bank, will also become a division of Grandpoint Bank. Because these banks enjoy outstanding reputations and long-established community connections in their respective markets, they will retain their names, local leadership and regional autonomy, as we consolidate core operations into Grandpoint Bank.

In early July, we announced a definitive agreement to acquire Los Angeles-based Gilmore Bank. The acquisition of this long-established and well-regarded bank will expand our footprint in the Los Angeles market. We are grateful that the Gilmore family, who has owned the bank since its founding in 1955, chose to partner with Grandpoint. We anticipate the transaction will be completed in the third quarter 2013 at which time Gilmore Bank will be merged into Grandpoint Bank.

For the six months ended June 30, 2013, Grandpoint Capital reported pre-tax income of \$5.0 million, after incurring nearly \$4.2 million in non-recurring, acquisition-related expenses. This compared to \$4.1 million of pre-tax income in the first six months of 2012, when acquisition expenses totaled \$897,000. Total assets at June 30, 2013, were \$2.1 billion, compared to \$1.5 billion in the prior year period. Year-over-year financial comparisons reflect Grandpoint Capital's acquisition of The Biltmore Bank of Arizona and the completion of Regents Bank's merger with San Diego-based California Community Bank, both in the fourth quarter 2012.

Consolidated deposits at June 30, 2013, were \$1.8 billion, up from \$1.3 billion in the second quarter 2012. Demand deposits, indicative of the stable, long-term relationships we develop with clients, accounted for 38 percent of total deposits at the end of the second quarter 2013. Net loans, which totaled \$1.5 billion at June 30, 2013, included strong organic growth, in a still challenging economic environment, and very low delinquencies. Growth in deposits and loans was also influenced by the acquisition of The Biltmore Bank of Arizona and California Community Bank in the fourth quarter 2012.

Our capital ratios remained strong during the quarter with a Tier 1 Leverage Ratio of 10.9 percent, Tier 1 Risked-Based Capital Ratio of 14.0 percent, and Total Risk-Based Capital Ratio of 14.7 percent, all well above the levels considered "well capitalized" by bank regulators.

Each of our banking subsidiaries contributed to Grandpoint Capital's solid performance in the second quarter. Combining these entities, we believe, will further enhance our financial strength and improve operating efficiencies. Equally important, the larger scale of a consolidated Grandpoint Bank will provide greater lending capacity, and the combined resources and expertise of each bank will expand our ability to deliver responsive financial solutions to all of our clients.

Don M. Griffith
Chairman & CEO

Grandpoint.

Grandpoint Capital, Inc. and Subsidiaries

Consolidated Balance Sheets (unaudited)

DOLLARS IN THOUSANDS

	June 30,	
	2013	2012
Assets		
Cash and due from banks	\$ 46,851	\$ 40,631
Interest-bearing deposits in banks	117,705	181,189
Cash and cash equivalents	164,556	221,820
Investment securities, at fair value	306,215	251,626
Loans, net	1,524,561	947,461
Goodwill	51,432	45,087
Core deposit and other intangible assets	11,093	8,789
Other assets	78,334	56,012
Total assets	<u>\$ 2,136,191</u>	<u>\$ 1,530,795</u>
Liabilities and shareholders' equity		
<i>Liabilities</i>		
Deposits		
Demand	\$ 694,225	\$ 490,901
NOW	93,658	73,898
Money market	666,246	559,202
Savings	18,346	12,691
Time	339,843	139,431
Total deposits	1,812,318	1,276,123
Borrowings	5,000	12,500
Other liabilities	12,430	16,497
Subordinated debenture payable	5,155	5,155
Total liabilities	1,834,903	1,310,275
<i>Shareholders' equity</i>	301,288	220,520
Total liabilities and shareholders' equity	<u>\$ 2,136,191</u>	<u>\$ 1,530,795</u>

Capital ratios

Capital ratios considered
"Well Capitalized"
by bank regulators

Tier 1 Leverage Ratio	10.7%	5%
Tier 1 Risked-Based Capital Ratio	13.5%	6%
Total Risk-Based Capital Ratio	14.2%	10%

Grandpoint Capital, Inc. and Subsidiaries

Consolidated Income Statements (unaudited)

DOLLARS IN THOUSANDS

	Six Months Ended June 30,	
	2013	2012
Interest income	\$ 45,132	\$ 33,748
Interest expense	2,240	1,822
Net interest income	42,892	31,926
Provision for loan losses	2,265	1,845
Noninterest income	4,073	2,943
Noninterest expense:		
Salaries and benefits	21,613	16,676
Occupancy	2,716	2,161
Furniture and equipment	1,640	1,457
Promotion	998	749
Data processing	1,383	793
Professional services	2,229	2,001
Merger, acquisition, conversion and restructuring	4,168	897
Office	726	644
Assessments and insurance	993	958
Other expenses	3,262	2,589
Total noninterest expense	39,728	28,925
Net income before income taxes	4,972	4,099
Income taxes	2,084	—
Net income	<u>\$ 2,888</u>	<u>\$ 4,099</u>