

GRANDPOINT CAPITAL, INC. / 2012 ANNUAL REPORT

**Grandpoint Bank
Bank of Tucson
Regents Bank, N.A.
The Biltmore Bank of Arizona**

Ours is an entrepreneurial story that is familiar to many of



our clients who have built
their own successful businesses
and professional practices.

Grandpoint Capital has grown from just \$95 million in assets to over \$2.2 billion, nearly double our asset size of \$1.2 billion at December 31, 2011, and up substantially from \$600 million at year-end 2010. After completing nine acquisitions since June 2010—three of these during 2012—into the Grandpoint family of banks, we recorded four consecutive quarters of positive earnings in 2012. We ended the year with capital ratios that far exceed levels considered “well capitalized” by bank regulators, a very low level of delinquencies, and solid liquidity. Our focus now is on deepening our client relationships, growing through new business development, and building a consistently profitable bank.

As a result of our acquisitions of Regents Bank, N.A. in January 2012, California Community Bank in November 2012, and The Biltmore Bank of Arizona in December 2012, Grandpoint Capital saw consolidated total loans grow to \$1.4 billion at December 31, 2012, up from \$739.2 million at the prior year-end. Consolidated total deposits increased to \$1.9 billion at year-end 2012, up from \$979.3 million at December 31, 2011. Healthy growth in demand deposits generated by long-term client relationships more than offset the higher-cost deposits we deliberately reduced over the course of the year. At December 31, 2012, demand deposits accounted for 39.4 percent of Grandpoint Capital's total consolidated deposits.

While each of our subsidiary banks shares a fundamental business philosophy, credit culture and "clients first" attitude, we embrace the regional character they bring to Grandpoint. We know that one size does not fit all in banking, especially as we expand into

new regions. This is why we will keep management authority local and ensure that decision-making stays close to our clients. Maintaining regional autonomy is a priority even as we bring our subsidiary banks together to achieve greater cost efficiencies in core operations and leverage the infrastructure we have built at Grandpoint Bank.

At the end of the day, what really differentiates a bank from its competitors is its people. How service is delivered to clients is as important as what service is provided. While we continuously invest in new products and services, improve information security, and enhance convenience through technology, hiring and grooming outstanding bankers is our most consequential responsibility. Grandpoint has been exceptionally fortunate to attract and retain talented bankers who bring an entrepreneurial energy and genuine love of banking to their positions, at all levels and in all areas of our company. Our frontline relationship managers thrive on helping their

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clients succeed. They are good at it because they know what it takes to successfully manage a business and they invest themselves in their clients' success. The fact that many of our calling officers have client relationships that date back years, speaks to the trust they have built with clients and the value they bring to our client relationships.

As we move into 2013, the foundation for our decision-making remains constant: establishing ourselves as trusted advisors to our clients and keeping the Grandpoint family of banks financially strong so that we can protect our depositors and investors. That means growing in a measured fashion in our chosen markets and sticking to our conservative operating principles.

With the significant achievements of 2012, we believe we are well positioned for the coming year. While the economy appears to be improving, it is not without challenges. We have demonstrated our ability to anticipate and quickly respond to the nuances of the market in the past. We will continue to be vigilant so that we are prepared to take full advantage of new opportunities as they emerge.

We are grateful for the continued loyalty of our clients. We are committed to earning your confidence and business in the years ahead.



Don M. Griffith
Chairman & Chief Executive Officer



Grandpoint Capital, Inc. and subsidiaries

Consolidated balance sheets

DOLLARS IN THOUSANDS

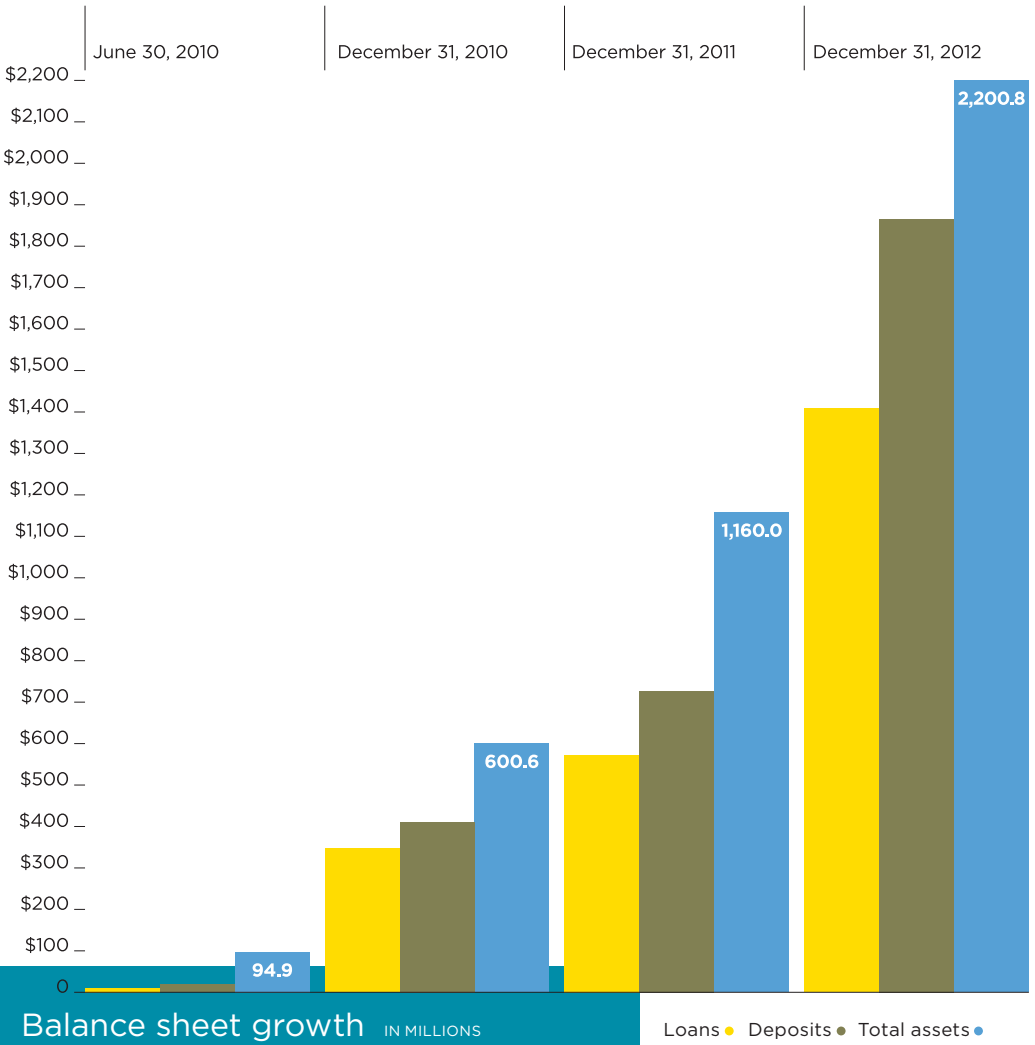
	December 31,	
	2012	2011
Assets		
Cash and due from banks	\$ 43,828	\$ 21,756
Interest-bearing deposits in banks	292,034	126,349
Cash and cash equivalents	335,862	148,105
Certificates of deposit in other banks	603	1,497
Investment securities, at fair value	317,295	206,537
Loans, net	1,405,665	717,941
Premises and equipment, net	12,421	7,043
Other real estate owned	1,876	84
Goodwill	51,432	37,346
Core deposit and other intangible assets	11,822	6,856
Deferred tax asset, net	30,997	12,011
Other assets	32,809	19,780
Total assets	<u>\$ 2,200,782</u>	<u>\$ 1,157,200</u>
Liabilities and shareholders' equity		
<i>Liabilities</i>		
Deposits		
Demand deposits	\$ 736,831	\$ 327,649
NOW accounts	88,994	57,302
Money market accounts	723,125	472,583
Savings accounts	20,587	9,403
Time deposits	298,226	112,407
Total deposits	1,867,763	979,344
Borrowings	10,500	3,000
Other liabilities	15,495	13,102
Subordinated debenture payable	5,155	5,155
Total liabilities	1,898,913	1,000,601
<i>Shareholders' equity</i>	301,869	156,599
Total liabilities and shareholders' equity	<u>\$ 2,200,782</u>	<u>\$ 1,157,200</u>
Capital ratios		
Tier 1 leverage ratio	11.4%	9.5%
Tier 1 risk-based capital ratio	14.0%	13.2%
Total risk-based capital ratio	14.6%	13.9%

Grandpoint Capital, Inc. and subsidiaries

Consolidated statements of operations

DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA

	Year ended December 31	
	2012	2011
Interest income	\$ 69,166	\$ 44,715
Interest expense	4,109	4,174
Net interest income	65,057	40,541
Provision for loan losses	5,494	6,046
Noninterest income	8,074	4,726
Noninterest expense:		
Salaries and benefits	34,891	22,343
Occupancy	4,591	3,102
Furniture and equipment	2,991	2,077
Promotion	1,385	1,178
Data processing	2,020	1,264
Professional services	3,820	2,826
Merger, acquisition, conversion and restructuring	947	5,984
Office	1,284	787
Assessments and insurance	1,880	1,428
Other expenses	4,709	3,104
Total noninterest expense	58,518	44,093
Net income (loss) before income taxes	9,119	(4,872)
Income tax benefit	6,316	—
Net income (loss)	15,435	(4,872)
Net income attributable to noncontrolling interest	(126)	(288)
Net income (loss) attributable to Grandpoint Capital, Inc.	\$ 15,309	\$ (5,160)
Net income (loss) per share attributable to Grandpoint Capital, Inc.	\$ 0.61	\$ (0.35)





Grandpoint Capital, Inc. Executive Officers

Don M. Griffith

Chairman & CEO

Deborah A. Marsten

Chief Operating Officer

David L. Dayton

Chief Financial Officer

Mark P. Phillips

Chief Credit Officer

Jose Jimenez

Chief Risk Officer

Loraine White

Director of Human Resources

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Jerro Otsuki

Chief Financial Officer

David Ross

Chief Credit Officer

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Monte Schwartz

Chief Credit Officer

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Sandi Smithe

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Missy Bowden

Chief Financial Officer

Don Jenks

Chief Credit Officer

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Richard J. Lehmann

Founder & Chairman

Jeffrey P. Gaia

CEO & President

Julia Dollarhide

Chief Operations Officer

Paige Mulhollan

Chief Financial Officer

John T. Byrd

Senior Credit Officer

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