

**Rio Grande Valley
Multibank Corporation**

CONSOLIDATED FINANCIAL STATEMENTS


For the Years Ended December 31, 2016 and 2015



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



Rio Grande Valley Multibank Corporation
Table of Contents
December 31, 2016 and 2015

TAB: REPORT

Independent Auditors' Report 1

TAB: FINANCIAL STATEMENTS

Consolidated Balance sheets 3

Consolidated Statements of Income 5

Consolidated Statements of Retained Earnings 6

Consolidated Statements of Cash Flows 7

Notes to Consolidated Financial Statements 8

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Rio Grande Valley Multibank Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Rio Grande Valley Multibank Corporation and subsidiary (a Texas corporation), which comprise the consolidated balance sheet as of December 31, 2016 and the related consolidated statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Rio Grande Valley Multibank Corporation and subsidiary as of December 31, 2016 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The consolidated financial statements of the Rio Grande Valley Multibank Corporation as of December 31, 2015, were audited by other auditors whose report dated May 10, 2016, expressed an unmodified opinion of those statements.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

April 28, 2017

**Rio Grande Valley Multibank Corporation
Consolidated Balance Sheets**

<i>December 31,</i>	2016	2015
ASSETS		
Current Assets		
Cash	\$2,275,900	\$1,022,551
Due from CDCB	6,004	78
Due from CLC	25,634	12,716
Accrued interest receivable	-	82
Servicing fees receivable	16,598	40,163
Prepaid insurance	14,353	-
Current maturities of pooled mortgage loans receivable	2,064,175	1,151,478
Small Dollar Loan receivables, net of allowance	2,104,415	1,559,094
Total current assets	6,507,079	3,786,162
Other Assets		
Cash - restricted (escrow deposits)	42,316	47,273
Line of credit receivable - CDCB	128,638	-
Investment in FHLB stock	209,300	185,300
Deferred tax asset	61,488	62,490
Pooled mortgage loans receivable, less current maturities	4,597,028	5,896,466
Total other assets	5,038,770	6,191,529
Total assets	\$11,545,849	\$9,977,691

(Continued)

**Rio Grande Valley Multibank Corporation
Consolidated Balance Sheets**

<i>December 31,</i>	2016	2015
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Escrow deposits	\$ 42,316	\$ 47,273
Due to CDCB	50,112	118,900
Due to others	210,775	6,410
Deferred revenue - CASA	258,726	264,576
Other current liabilities	16,520	1,778
Current maturities of loans payable	528,769	943,251
Total current liabilities	1,107,218	1,382,188
Other Liabilities		
Loans payable, less current maturities	7,485,640	6,474,844
Total other liabilities	7,485,640	6,474,844
Stockholders' Equity		
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued 1,700,000, outstanding 1,400,000 in 2016 and 1,700,000 shares in 2015, respectively	1,700,000	1,700,000
Additional Paid In Capital	842,083	15,418
Treasury stock, 300,000 shares	(1)	-
Retained earnings	410,909	405,241
Total stockholders' equity	2,952,991	2,120,659
Total liabilities and stockholders' equity	\$11,545,849	\$ 9,977,691

The accompanying notes are an integral part of these financial statements.

Rio Grande Valley Multibank Corporation
Consolidated Statements of Income

<i>December 31,</i>	2016	2015
Operating revenue		
Interest income - pool mortgage loans	\$ 100,676	\$ 189,632
Interest income - small dollar loans	324,804	154,612
Interest income - interim construction loans	993	1,361
Interest income - Casa loans	309,116	234,939
Grant income	126,096	309,249
CLC operating income - TACDC	3,250	14,000
CLC service and administrative fees	136,469	115,646
Miscellaneous income	112,486	24,065
Total operating revenue	1,113,890	1,043,504
Operating expenses		
Administrative services	249,738	185,780
Advertising	13,606	7,326
Commission expense	43,990	22,350
Data storage expense	24,541	20,730
Grant expense	126,096	218,551
Insurance	6,316	8,787
Interest expense	230,247	268,993
Loan loss	240,091	44,718
Miscellaneous	53,690	29,419
Professional services	118,905	71,131
Total operating expenses	1,107,220	877,785
Net income (loss) before federal income taxes	6,670	165,719
Income tax benefit (expense)	(1002)	(22,234)
Net income (loss)	\$ 5,668	\$ 143,485

The accompanying notes are an integral part of these financial statements.

Rio Grande Valley Multibank Corporation
Consolidated Statements of Retained Earnings

<i>December 31,</i>	2016	2015
Balance, beginning	\$ 405,241	\$ 261,756
Net income (loss)	<u>5,668</u>	<u>143,485</u>
Balance, ending	<u>\$ 410,909</u>	<u>\$ 405,241</u>

Rio Grande Valley Multibank Corporation
Consolidated Statements of Cash Flows

<i>December 31,</i>	2016	2015
OPERATING ACTIVITIES		
Net income (loss)	\$ 5,668	\$ 143,485
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in working capital components:		
(Increase) decrease in other receivables	(18,844)	29,883
(Increase) decrease in servicing fees and proceeds receivable	23,565	(12,319)
(Increase) decrease in deferred tax asset	1,002	22,234
(Increase) decrease in accrued interest receivable	82	4,770
(Increase) decrease in line of credit	(128,638)	-
Increase (decrease) in accounts payable	135,577	(41,598)
Increase (decrease) in escrow liability and reserves	(4,957)	199
Increase (decrease) in other current liabilities	14,742	1,778
Increase (decrease) in deferred revenues	(5,850)	(90,698)
Net cash provided by operating activities	22,347	57,734
INVESTING ACTIVITIES		
Investment in Federal Home Loan Bank, Stock	(24,000)	(70,300)
(Increase) decrease in loans receivable	386,741	(808,906)
(Increase) decrease in Small Dollar Loans receivable	(545,321)	(625,311)
(Increase) decrease in interim construction loans receivable	(14,353)	47,836
Net cash (used in) investing activities	(196,933)	(1,456,681)
FINANCING ACTIVITIES		
Increase (decrease) in loans payable	596,314	529,228
Issuance of capital stock	-	100,000
Repurchase of treasury stock	(1)	-
Grant proceeds received	826,665	15,418
Net cash provided by (used in) financing activities	1,422,978	644,646
Net increase (decrease) in cash and cash equivalents	1,248,392	(754,301)
Cash and cash equivalents - Beginning	1,069,824	1,824,125
Cash and cash equivalents - Ending	\$2,318,216	\$1,069,824

The accompanying notes are an integral part of these financial statements.

Rio Grande Valley Multibank Corporation

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Rio Grande Valley Multibank Corporation (Company) is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the consolidated financial statements.

Nature of the Organization

The Rio Grande Valley Multibank Corporation (Company), a United States Treasury Certified Community Development Financial Institution, is a Texas corporation formed on April 3, 1995 to (1) promote, develop and improve the economic conditions of people in the Lower Rio Grande Valley area, (2) encourage and assist the supply of affordable housing, investments in small businesses and employment opportunities for low to moderate income persons through loans, investments and other business transactions, and (3) improve economic conditions in the community.

Principals of Consolidation

The consolidated financial statements of the Company include operations of the wholly owned subsidiary of the Company, Community Loan Center Corporation. Community Loan Center Corporation was formed on August 27, 2010. Together, the two entities provide the aforementioned services in the Lower Rio Grande Valley and are referred to in the notes to the consolidated financial statements as the "Company."

Basis of Accounting

The financial statements are prepared on an accrual basis, which recognizes income when earned and expenses when incurred.

Cash and Equivalents

The Company classifies as cash equivalents all highly liquid investments with original maturities of three months or less. Cash and cash equivalents include checking and savings account deposits.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2016 and 2015, cash balances are estimated to have exceeded federally insured limits by \$1,015,001 and \$1,438,171, respectively.

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company's financial instruments are cash and cash equivalents, loans receivable – net of allowance, and accounts and other payables, whose carrying amounts approximate fair value based on their short-term nature.

Loans and Other Receivables

Accounting principles generally accepted in the United States of America require a company to report the amounts of accounts, notes, and other forms of receivables at the amount management expects to collect from balances outstanding at the balance sheet date. The amount collectible is to be estimated using historical performance, projections of trends, and known information regarding the financial condition of the customer or other obligor. The difference between the book balance and the amount estimated to be collectible is deducted from the book balance by means of an allowance for uncollectible accounts.

Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Management estimates affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The Company expenses advertising costs as incurred. The advertising expense for the year ended December 31, 2016 and 2015 were \$13,606 and \$7,326, respectively.

Income Taxes

The revised provisions of FASB ASC 740, relating to uncertain income tax positions require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Company's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Accordingly, the Company has accrued no interest or penalties related to uncertain tax positions at December 31, 2016 or 2015. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for federal and state purposes.

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Company is required to file federal income tax returns and Texas franchise tax returns. With limited exceptions, the Company is no longer subject to income tax examination for any years earlier than 2013 for federal purposes and 2012 for state purposes. Management has performed its evaluation of all other income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the “more likely than not” standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax provisions in the accompanying financial statements.

As of December 31, 2016, the Company had a net operating loss carryforward of approximately \$416,597. This will offset future taxable federal income and will begin to expire in sixteen years.

Date of Management’s Evaluation

Management has evaluated subsequent events through April 28, 2017, the date the financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

The Company’s cash and cash equivalents consisted of the following as of December 31, 2016 and 2015:

	2016		2015	
Checking account	\$	2,229,525	\$	976,222
Savings account		46,375		46,329
Restricted cash		42,316		47,273
Totals	\$	2,318,216	\$	1,069,824

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 3: LOAN PROGRAMS

Mortgage Loan Programs

The Company has entered into loan commitments and master loan agreements with three participants: The Community Development Corporation of Brownsville (CDCB), Affordable Homes of South Texas, AHSTI, and the Community Development Corporation of South Texas (CDCST). The Company finances the commitments by receiving pooled funds from its shareholder banks. Under the terms of the commitments, the Company is obligated to lend funds toward the Affordable Housing Loan Programs (AHLP), and the Rural and Colonia Loan Program (RCLP), by which the participants loan the proceeds to qualified individual borrowers. The participants are responsible for replacing the notes if the individual borrowers fail to make timely payments. The loans, collateralized by real estate, are repayable to the Company by the participants in monthly installments at rates of interest from 3.5% to 7% annually.

The Company has developed and implemented the Community Affordable Safe Assistance Loan Program (CASA), a public/private affordable housing initiative for South Texas. The Company, through its membership in the Federal Home Loan Bank of Dallas, commits to provide first lien mortgage funds for mortgage loans to assist low-income families. The CASA loan structure utilizes subsidy funds to provide the required matching mortgage funds which in-turn allows the Company to provide long-term mortgage loans to families it would deny for credit under other traditional mortgage programs. The mortgage borrower will close into a fixed rate (no more than 300 basis points over FHLB Advance Rate), 20-30 year fully amortizing loan with the participating CDFI. A uniform underwriting criteria is utilized to insure equality and standardization. There is no mortgage insurance premium and servicing is held with the CDFI or its assignee.

Loan participation amounts are funded and disbursed at various dates; therefore, they have various maturity dates. Any portfolio defaults are covered by loan loss reserve and related cash accounts. The following is a breakdown of receivables by participant:

	2016	2015
Housing Loan Programs:		
Community Development Corporation of Brownsville (AHLP)	\$ 500,364	\$ 937,451
Affordable Homes of South Texas, Inc. (AHLP)	-	706,367
CASA Loan Program	6,115,917	5,337,378
Rural Colonia Loan Program	44,924	66,748
Total pooled mortgage loans receivable	6,661,205	7,047,944
Less – current maturities	2,064,175	1,151,478
Total pooled mortgage loans receivable, less current maturities	\$ 4,597,030	\$ 5,896,466

Rio Grande Valley Multibank Corporation
Notes to Consolidated Financial Statements

NOTE 3: LOAN PROGRAMS (Continued)

Community Loan Center – “Small Dollar Loan Program”

Beginning in 2011, the Company established a Small Dollar Loan Program offering eligible participants a personal, unsecured loan in the range of \$400 minimum to \$1,000 maximum per loan. Loans must be repaid or renewed within a one year period. A loan is considered delinquent after 30 days and charged off after 120 days. At December 31, 2016 and 2015 the gross note receivable balance was \$2,403,210 and \$1,821,295, with the allowance account balance of \$87,523 note and \$91,065, respectively. An analysis of the Small Dollar Loan Program is as follows:

	2016		2015	
Small Dollar Loans receivable (gross)	\$	2,403,210	\$	1,821,295
Less: Unearned interest		(211,272)		(171,136)
Subtotal		2,191,938		1,650,159
Less: Allowance for loan loss		(87,523)		(91,065)
Small Dollar Loans receivable (net)	\$	2,104,415	\$	1,559,094

NOTE 4: ALLOWANCE FOR LOAN LOSSES

Small Dollar Loans - The Company maintains an allowance for loan losses equal to 4% of the outstanding balances of the Small Dollar Loans. Loans are considered performing if all payments are made as agreed. Loans are considered non-performing if the loan is 60 days past due. The Company’s policy is to charge off as bad debts loans that are 120 days past due.

Pooled Mortgage Loans Receivable – Because of the credit quality of the borrowers and the underlying collateral, all residential loans are considered fully collateralized and no losses are anticipated.

2016

	Residential				Small	Total
	CASA	CDCB	MAHI	RCLP	Dollar	
Allowance for Credit Losses						
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ 91,065	\$ 91,065
Charge-offs	-	-	-	-	(254,518)	(254,518)
Recoveries	-	-	-	-	10,885	10,885
Provision	-	-	-	-	240,091	240,091
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ 87,523	\$ 87,523

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 4: ALLOWANCE FOR LOAN LOSSES (Continued)

2016

	Residential				Small Dollar	Total
	CASA	CDCB	MAHI	RCLP		
Financing Receivables						
Ending Balance: individually evaluated for impairment	\$ 6,115,917	\$ 500,364	\$ -	\$ -	\$ -	\$ 6,616,281
Ending Balance: collectively evaluated for impairment	-	-	-	44,924	2,403,210	2,448,134
Ending Balance: loans acquired with deteriorated credit quality	-	-	-	-	-	-
Ending Balance	\$ 6,115,917	\$ 500,364	\$ -	\$ 44,924	\$ 2,403,210	\$ 9,064,415

2015

	Residential				Small Dollar	Total
	CASA	CDCB	MAHI	RCLP		
Allowance for Credit Losses						
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ 114,461	\$ 114,461
Charge-offs	-	-	-	-	(78,601)	(78,601)
Recoveries	-	-	-	-	10,487	10,487
Provision	-	-	-	-	44,718	44,718
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ 91,065	\$ 91,065

Financing Receivables

Ending Balance: individually evaluated for impairment	\$ 5,337,378	\$ 937,451	\$ 706,367	\$ -	\$ -	\$ 6,981,196
Ending Balance: collectively evaluated for impairment	-	-	-	66,748	1,821,295	1,888,043
Ending Balance: loans acquired with deteriorated credit quality	-	-	-	-	-	-
Ending Balance	\$ 5,337,378	\$ 937,451	\$ 706,367	\$ 66,748	\$ 1,821,295	\$ 8,869,239

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 4: ALLOWANCE FOR LOAN LOSSES (Continued)

Creditworthiness Category and Internally Assigned Grade – The Company considers a loan Excellent if all payments are being made as agreed, the collateral value underlying the loans exceeds the amount of the receivable and the borrower’s financial condition reflects its ability to meet its financial obligations. A loan is considered Special Mention if payments are over 90 days past due. A loan is considered Substandard if the receivable balance exceeds the estimated fair market value of the underlying collateral.

The Company has no impaired loans, loans with modifications or loans on a non-accrual status.

Corporate Credit Exposure –

Credit risk profiled by credit worthiness category and internally assigned grade.

2016

	CASA	CDCB	MAHI	RCLP	Total
Excellent	\$ 5,585,491	\$ 500,364	\$ -	\$ 44,924	\$ 6,130,779
Special Mention	530,426	-	-	-	530,426
Substandard	-	-	-	-	-
Ending Balance	\$ 6,115,917	\$ 500,364	\$ -	\$ 44,924	\$ 6,661,205

Small Dollar Loan –

Credit Risk profile based on payment activity:

Performing	\$ 2,254,059
Non-performing	149,151
Ending Balance	\$ 2,403,210

2015

	CASA	CDCB	MAHI	RCLP	Total
Excellent	\$ 5,337,378	\$ 937,451	\$ 706,367	\$ 66,748	\$ 7,047,944
Special Mention	-	-	-	-	-
Substandard	-	-	-	-	-
Ending Balance	\$ 5,337,378	\$ 937,451	\$ 706,367	\$ 315,152	\$ 7,047,944

Small Dollar Loan –

Credit Risk profile based on payment activity:

Performing	\$ 1,697,340
Non-performing	123,955
Ending Balance	\$ 1,821,295

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 4: ALLOWANCE FOR LOAN LOSSES (Continued)

The following chart represents the Age Analysis of Past Due Financing Receivables at December 31, 2016:

	Past Due			Total Past Due	Current	Total
	31-60 Days	61-90 Days	Over 90 Days			
Residential Loans						
CDCB	\$ -	\$ -	\$ -	\$ -	\$ 500,364	\$ 500,364
MAHI	-	-	-	-	-	-
RCLP	-	-	-	-	44,924	44,924
CASA	429,651	100,775	-	530,426	5,585,491	6,115,917
Small Dollar Loans	84,886	28,257	36,008	149,151	2,254,059	2,403,210
	\$ 514,537	\$ 129,032	\$ 36,008	\$ 679,577	\$ 8,384,838	\$ 9,064,415

The following chart represents the Age Analysis of Past Due Financing Receivables at December 31, 2015:

	Past Due			Total Past Due	Current	Total
	31-60 Days	61-90 Days	Over 90 Days			
Residential Loans						
CDCB	\$ -	\$ -	\$ -	\$ -	\$ 937,451	\$ 937,451
MAHI	-	-	-	-	706,367	706,367
RCLP	-	-	47,432	47,432	19,316	66,748
CASA	138,835	36,406	-	175,241	5,162,137	5,337,378
Small Dollar Loans	85,295	15,066	23,594	123,955	1,697,340	1,821,295
	\$ 224,130	\$ 51,472	\$ 71,026	\$ 346,628	\$ 8,522,611	\$ 8,869,239

NOTE 5: LOANS PAYABLE

Loans payable at December 31, 2016 and 2015 totaled \$8,014,409 and \$7,418,095, respectively. Because loans among the RCLP program do not have fixed payment amounts, maturity figures on those instruments are estimates.

On June 24, 2011 an agreement between the Federal Home Loan Bank (FHLB) and the Company was made to establish a line of credit, whereby the FHLB provides advances to the company for qualifying affordable home loans. The FHLB will be assigned the first lien on mortgaged property in exchange for funding of 85-90% of each loan. Each advance made by the Company creates its own amortization and repayment schedule with a fixed rate assigned at the time of the advance. Included in the loans payable balances above are the outstanding balances of the FHLB note as of December 31, 2016 and 2015 of \$4,970,081 and \$4,448,035, respectively.

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 5: LOANS PAYABLE (Continued)

On December 4, 2013, a promissory note between Community Development Corporation of Brownsville and Rio Grande Valley Multibank was signed whereby Rio Grande Valley Multibank borrowed \$665,603 at zero percent interest in an unsecured loan. The principal amount is due and payable on December 4, 2043. This payable amount is also included in the total loans payable listed above.

On September 26, 2016, a promissory note between Opportunity Finance Network and Rio Grande Valley Multibank was signed whereby Rio Grande Valley Multibank borrowed \$1,250,000. The note bears interest at the rate of three percent (3.0%) per annum on the unpaid principal amount of the note outstanding from time to time. Principal payments shall be due and payable beginning December 31, 2023 in four (4) annual increments ending December 31, 2026.

Scheduled maturities are as follows:

2016

Total Notes Payable – By Shareholder Bank, By Participant

	CDCB		MAHI		RCLP		Total
Wells Fargo	\$ 241,698	\$	-	\$	-	\$	241,698
BBVA/Compass Bank	104,676		-		-		104,676
IBC – Brownsville	63,766		-		-		63,766
Frost National Bank	8,562		-		-		8,562
Lone Star National Bank	44,419		-		-		44,419
Total	\$ 463,121	\$	-	\$	-	\$	463,121

2016

Total Notes Payable – By Shareholder Bank, By Year

	2017		2018		2019		2020		2021
Wells Fargo	\$ 154,537	\$	38,106	\$	28,581	\$	20,474	\$	-
BBVA/Compass Bank	83,493		21,183		-		-		-
IBC – Brownsville	46,452		17,314		-		-		-
Frost National Bank	8,562		-		-		-		-
Lone Star National Bank	44,419		-		-		-		-
Total	\$ 337,463	\$	76,603	\$	28,581	\$	20,474	\$	-

	2017		2018		2019		2020		2021		Thereafter
FHLB	\$ 191,645	\$	196,646	\$	202,835	\$	209,219	\$	215,805	\$	3,953,932
CDCB	-	\$	-	\$	-	\$	-	\$	-	\$	665,603
CDFI	-	\$	-	\$	-	\$	-	\$	-	\$	665,603
OFN Next Award	-	\$	-	\$	-	\$	-	\$	-	\$	1,250,000

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 5: LOANS PAYABLE (Continued)

2015

Total Notes Payable – By Shareholder Bank, By Participant

	CDCB	MAHI	RCLP	Total
Wells Fargo	\$ 422,651	\$ 170,788	\$ 2,115	\$ 595,554
BBVA/Compass Bank	258,075	211,666	8,669	478,410
IBC – Brownsville	119,627	-	1,875	121,502
IBC – McAllen	-	158,589	-	158,589
Chase National Bank	-	-	22,901	22,901
Frost National Bank	20,264	133,778	-	154,042
Lone Star National Bank	107,857	-	-	107,857
Total	\$ 928,474	\$ 674,821	\$ 35,559	\$ 1,638,854

Total Notes Payable – By Shareholder Bank, By Year

	2016	2017	2018	2019	2020	Thereafter
Wells Fargo	\$ 259,837	\$ 254,107	\$ 79,873	\$ 1,737	\$ -	\$ -
BBVA/Compass Bank	256,639	221,771	-	-	-	-
IBC – Brownsville	60,510	43,368	17,624	-	-	-
IBC – McAllen	78,839	65,473	14,277	-	-	-
Chase National Bank	-	-	-	-	22,901	-
Frost National Bank	40,072	38,046	25,334	20,054	19,479	11,057
Lone Star National Bank	85,430	22,427	-	-	-	-
Total	\$ 781,327	\$ 645,191	\$ 137,107	\$ 21,791	\$ 42,380	\$ 11,057

	2016	2017	2018	2019	2020	Thereafter
FHLB	\$ -	\$ 161,924	\$ 167,132	\$ 172,508	\$ 178,146	\$ 3,768,325
CDCB	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 665,603

Rio Grande Valley Multibank Corporation
Notes to Consolidated Financial Statements

NOTE 6: STOCKHOLDERS' EQUITY

Common stock ownership percentages at December 31, 2016 and 2015 are as follows:

2016

Bank	Shares	Amount	Ownership Percentage
Bank of America	250,000	\$ 250,000	17.86%
Frost National Bank	100,000	100,000	7.14%
International Bank of Commerce – Brownsville	250,000	250,000	17.86%
International Bank of Commerce – McAllen	100,000	100,000	7.14%
International Bank of Commerce – Zapata	100,000	100,000	7.14%
Lone Star National Bank	100,000	100,000	7.14%
National Cooperative Development	100,000	100,000	7.14%
BBVA/Compass Bank	100,000	100,000	7.14%
Wells Fargo Bank	300,000	300,000	21.43%
	1,400,000	\$ 1,400,000	100.000%

2015

Bank	Shares	Amount	Ownership Percentage
Bank of America	250,000	\$ 250,000	14.706%
JP Morgan Chase	300,000	300,000	17.647%
Frost National Bank	100,000	100,000	5.882%
International Bank of Commerce – Brownsville	250,000	250,000	14.706%
International Bank of Commerce – McAllen	100,000	100,000	5.882%
International Bank of Commerce – Zapata	100,000	100,000	5.882%
Lone Star National Bank	100,000	100,000	5.882%
National Cooperative Development	100,000	100,000	5.882%
BBVA/Compass Bank	100,000	100,000	5.882%
Wells Fargo Bank	300,000	300,000	17.647%
	1,700,000	\$ 1,700,000	100.000%

Treasury Stock

At September 23, 2016, the Company purchased 300,000 shares of common stock of one of its major stockholders for \$1.00. The stock is held in treasury and recorded using the cost method.

Rio Grande Valley Multibank Corporation Notes to Consolidated Financial Statements

NOTE 7: NONSHAREHOLDER CONTRIBUTION TO CAPITAL

In 2016, RGV Multibank Corporation became a member of a collaborative which included other Community Development Financial Institutions (CDFIs). The purpose of the collaborative was to submit on behalf of the members a request for a grant from JPMorgan Chase Foundation through their Partnerships for Raising Opportunity in Neighborhoods Program in an effort to drive economic growth in chronically distressed communities. The result was that the collaborative was successful in its efforts to secure grant proceeds and \$826,667 was allocated to RGV Multibank Corporation for use in its mission of providing low interest capital to borrowers in order to stimulate economic growth in the economically depressed area of the Rio Grande Valley. This grant qualifies as a non-shareholder contribution of capital under Section 118 of the Internal Revenue Code. As such, the entire grant award has been reflected as an addition to Paid in Capital on the Consolidated Balance Sheet.

NOTE 8: ADMINISTRATIVE CONTRACT

CDCB is contracted annually to provide administrative services to the Company. Administrative fees totaled \$249,738 and \$185,780 for the years ended December 31, 2016 and 2015, respectively.

NOTE 9: DEFERRED REVENUE

The Deferred Revenue CASA loan is made up of funds from the CDFI grant and lent to borrowers under the CASA Loan Program. These funds have been deferred until payment is received by the Company from borrower, which will then result in recognition of income. Deferred Revenue – CASA balances for the years ending December 31, 2016 and 2015 were \$258,726 and \$264,576, respectively.

NOTE 10: INCOME TAXES

The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated.

For the years ended December 31, 2016 and 2015, the Company recorded a net income tax benefit of \$(1,002) and \$(22,234), respectively, on net income (loss) before federal income taxes of \$6,670 and \$165,719 respectively.

Rio Grande Valley Multibank Corporation
Notes to Consolidated Financial Statements

NOTE 10: INCOME TAXES (Continued)

The Company's total deferred tax assets and liabilities at December 31, 2016 and 2015 are as follows:

	2016		2015	
Total deferred tax assets	\$	61,488	\$	62,490
Total deferred tax (liability)		-		-
Net deferred tax (liability)	\$	61,488	\$	62,490

These amounts have been presented in the Company's financial statements as follows:

	2016		2015	
Current deferred tax assets	\$	61,488	\$	62,490
Noncurrent deferred tax (liability)		-		-
Net deferred tax (liability)	\$	61,488	\$	62,490