

RIO GRANDE VALLEY MULTIBANK CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

RIO GRANDE VALLEY MULTIBANK CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

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 sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, retained earnings, and cash flows for the years 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.

Auditor's 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, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Long Chilton LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP

Brownsville, Texas
May 10, 2016

RIO GRANDE VALLEY MULTIBANK CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31,

ASSETS	2015	2014
Current Assets		
Cash	\$ 1,022,551	\$ 1,765,551
Due from CDCB	78	29,961
Due from CLC	12,716	-
Accrued interest receivable	82	4,852
Servicing fees receivable	40,163	27,844
Interim construction loans	-	47,836
Current maturities of loans receivable	1,151,478	1,496,779
Small Dollar Loan receivables, net of allowance	1,559,094	946,499
Total current assets	<u>3,786,162</u>	<u>4,319,322</u>
Other Assets		
Cash - restricted (grant reserve)	30,163	30,396
Cash - restricted (escrow deposits)	17,110	16,678
Cash - small dollar loan reserve	-	11,500
FHLB stock	185,300	115,000
Deferred tax asset	62,490	84,724
Pooled mortgage loans receivable, less current maturities	5,896,466	4,742,259
	<u>6,191,529</u>	<u>5,000,557</u>
	<u>\$ 9,977,691</u>	<u>\$ 9,319,879</u>

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RIO GRANDE VALLEY MULTIBANK CORPORATION

CONSOLIDATED BALANCE SHEETS - Continued

December 31,

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Escrow deposits	\$ 47,273	\$ 47,074
Due to CDCB	125,310	155,975
Deferred revenue - CASA	264,576	275,509
Deferred revenue - CDFI	-	90,698
Other current liabilities	1,778	-
Current maturities of loans payable	943,251	846,950
Total current liabilities	<u>1,382,188</u>	<u>1,416,206</u>
Other Liabilities		
Loans payable, less current maturities	6,474,844	6,041,917
	<u>6,474,844</u>	<u>6,041,917</u>
Stockholders' Equity		
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued and outstanding 1,700,000 and 1,600,000 shares in 2015 and 2014, respectively	1,700,000	1,600,000
Additional Paid In Capital	15,418	-
Retained earnings	405,241	261,756
	<u>2,120,659</u>	<u>1,861,756</u>
	<u>\$ 9,977,691</u>	<u>\$ 9,319,879</u>

See Accompanying Notes to Consolidated Financial Statements.

RIO GRANDE VALLEY MULTIBANK CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Operating revenue		
Interest income - pool mortgage loans	\$ 189,632	\$ 263,535
Interest income - small dollar loans	154,612	114,064
Interest income - interim construction loans	1,361	11,594
Interest income - Casa loans	234,939	107,448
Interest - Other	391	591
Grant income	309,249	446,083
CLC operating income - TACDC	14,000	31,000
CLC service and administrative fees	115,646	33,580
Miscellaneous income	23,674	9,610
Operating revenue	<u>1,043,504</u>	<u>1,017,505</u>
Operating expenses		
Administrative services	185,780	187,064
Advertising	7,326	8,785
Commission expense	22,350	-
Data storage expense	20,730	3,455
Expansion	-	27,064
Grant expense	218,551	355,384
Insurance	8,787	11,142
Interest expense	268,993	277,897
Loan loss	44,718	166,522
Miscellaneous	29,419	23,336
Professional services	71,131	34,495
Operating expenses	<u>877,785</u>	<u>1,095,144</u>
Net income (loss) before federal income taxes	165,719	(77,639)
Income tax benefit (expense)	(22,234)	274
Net income (loss)	<u>\$ 143,485</u>	<u>\$ (77,365)</u>

See Accompanying Notes to Consolidated Financial Statements.

RIO GRANDE VALLEY MULTIBANK CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, beginning	\$ 261,756	\$ 339,121
Net income (loss)	<u>143,485</u>	<u>(77,365)</u>
Balance, ending	<u>\$ 405,241</u>	<u>\$ 261,756</u>

See Accompanying Notes to Consolidated Financial Statements.

RIO GRANDE VALLEY MULTIBANK CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 143,485	\$ (77,365)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in working capital components:		
(Increase) decrease in other receivables	29,883	(29,961)
(Increase) decrease in servicing fees and proceeds receivable	(12,319)	(13,309)
(Increase) decrease in accrued interest receivable	4,770	(3,729)
(Increase) decrease in deferred tax asset	22,234	(274)
Increase (decrease) in accounts payable	(41,598)	153,218
Increase (decrease) in escrow liability and reserves	199	(565)
Increase (decrease) in other current liabilities	1,778	-
Increase (decrease) in deferred revenues	(90,698)	56,270
Net cash provided by (used in) operating activities	<u>57,734</u>	<u>84,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Federal Home Loan Bank, Stock	(70,300)	(76,900)
Net cash provided by (used in) investing activities	<u>(70,300)</u>	<u>(76,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in loans payable	529,228	1,707,964
(Increase) decrease in loans receivable	(808,906)	(1,310,227)
(Increase) decrease in Small Dollar Loans receivable	(625,311)	(480,031)
(Increase) decrease in interim construction loans	47,836	250,575
Increase (decrease) in Capital Stock	100,000	-
Additional Paid In Capital	15,418	-
Net cash provided by (used in) financing activities	<u>(741,735)</u>	<u>168,281</u>
Net increase (decrease) in cash and cash equivalents	(754,301)	175,666
Beginning cash and cash equivalents	<u>1,824,125</u>	<u>1,648,459</u>
Ending cash and cash equivalents	<u>\$ 1,069,824</u>	<u>\$ 1,824,125</u>

(Continued)

RIO GRANDE VALLEY MULTIBANK CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	\$ 268,993	\$ 277,897
Income taxes	\$ -	\$ -
Cash is reported on the Consolidated Balance Sheet as follows:		
Cash	\$ 1,022,551	\$ 1,765,551
Cash - restricted	47,273	58,574
	<u>\$ 1,069,824</u>	<u>\$ 1,824,125</u>

See Accompanying Notes to Consolidated Financial Statements.

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

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 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.

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies – Continued

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, 2015 and 2014, cash balances are estimated to have exceeded federally insured limits by \$319,824 and \$1,438,171, respectively.

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, 2015 and 2014 were \$7,326 and \$8,785, respectively.

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies – Continued

Miscellaneous Income/Expense

A portion of prior year miscellaneous income of \$33,580 was reclassified into CLC service and administrative fees resulting in a restated miscellaneous income total of \$9,610. Additionally, \$3,455 of miscellaneous expense was reclassified into data storage expense resulting in a restated miscellaneous expense total of \$23,336.

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, 2015 or 2014. 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.

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 and 2012 for State Margin. 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, 2015, the Company had a net operating loss carryforward of approximately \$416,597. This will offset future taxable federal income.

Date of Management's Evaluation

Management has evaluated subsequent events through May 10, 2016, the date the financial statements were available to be issued.

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 2 – Cash and Cash Equivalents

The Company’s cash and cash equivalents consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Checking and savings accounts	\$ 1,022,551	\$ 1,765,551
Restricted cash	47,273	58,574
Totals	\$ 1,069,824	\$ 1,824,125

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.

RIO GRANDE VALLEY MULTIBANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 3 – Loan Programs – Continued

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:

	<u>2015</u>	<u>2014</u>
Housing Loan Programs :		
Community Development Corporation of Brownsville (AHLP)	\$ 937,451	\$ 1,389,088
Affordable Homes of South Texas, Inc. (AHLP)	706,367	1,438,202
CASA Loan Program	5,337,378	3,307,864
Rural Colonia Loan Program	<u>66,748</u>	<u>103,884</u>
Total notes receivable:	<u>7,047,944</u>	<u>6,239,038</u>
Less - current maturities:	<u>1,151,478</u>	<u>1,496,779</u>
Total notes receivable, less current maturities:	<u>\$ 5,896,466</u>	<u>\$ 4,742,259</u>

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, 2015 and 2014 the note receivable balance was \$1,821,295 and \$1,140,089, with the allowance account balance of \$91,065 and \$114,461, respectively. An analysis of the Small Dollar Loan Program is as follows:

	<u>2015</u>	<u>2014</u>
Small Dollar Loans receivable (gross)	\$ 1,821,295	\$ 1,140,089
Less: Unearned interest	<u>(171,136)</u>	<u>(79,129)</u>
Subtotal	1,650,159	1,060,960
Less: Allowance for loan loss	<u>(91,065)</u>	<u>(114,461)</u>
Small Dollar Loans receivable (net)	<u>\$ 1,559,094</u>	<u>\$ 946,499</u>

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 4 – Interim Construction Loans Receivable

The Company furnished a line of credit to the CDCB in October 2009. The line of credit provides for maximum borrowing of \$250,000, and is unsecured. Interest rate on unpaid principal is prime floating rate. Loan was paid in full as of December 31, 2015. This results in a principal balance at December 31, 2015 and 2014 was \$-0- and \$29,536, respectively.

The Company has furnished a note to Architecture for Charity of Texas, Inc. The note amount is for \$45,000, and is secured by deed of trust and security agreement dated June 28, 2013, from Architecture for Charity of Texas, Inc. as documented in the agreement. Repayment terms are eleven monthly payments only and a final payment of principal balance plus accrued and unpaid interest due and payable at maturity. Interest rate is New York Prime plus one percent, however, it cannot be less than six percent at any time. Loan was paid in full as of December 31, 2015. This resulted in a principal balance at December 31, 2015 and 2014 of \$-0- and \$18,300, respectively.

Note 5 – Allowance for Loan Losses

Small Dollar Loans - The Company maintains an allowance for loan losses equal to five percent 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.

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RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5 – Allowance for Loan Losses – Continued

Pooled Mortgage Loans Receivable and Interim Construction Loans - Because of the credit quality of the borrowers and the underlying collateral, all residential loans and interim construction loans are considering fully collateralized and no losses are anticipated.

2015

	CASA	CDCB	Residential MAHI	RCLP	Interim Construction	Small Dollar	Total
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

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RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5 – Allowance for Loan Losses – Continued

2014

	Residential				Interim Construction	Small Dollar	Total
	CASA	CDCB	MAHI	RCLP			
Allowance for Credit Losses							
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,399	\$ 56,399
Charge-offs	-	-	-	-	-	(113,062)	(113,062)
Recoveries	-	-	-	-	-	4,602	4,602
Provision	-	-	-	-	-	166,522	166,522
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,461	\$ 114,461
Financing Receivables							
Ending Balance: individually evaluated for impairment	\$ 3,306,676	\$ 1,389,088	\$ 1,438,202	\$ -	\$ 47,836	\$ -	\$ 6,181,802
Ending Balance: collectively evaluated for impairment	-	-	-	105,069	-	1,140,089	1,245,158
Ending Balance: loans acquired with deteriorated credit quality	-	-	-	-	-	-	-
Ending Balance	\$ 3,306,676	\$ 1,389,088	\$ 1,438,202	\$ 105,069	\$ 47,836	\$ 1,140,089	\$ 7,426,960

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RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5 – 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.

2015

	CASA	CDCB	MAHI	RCLP	Construction	Total
Excellent	\$ 5,309,676	\$ 937,451	\$ 706,367	\$ 267,720	\$ -	\$ 7,221,214
Special Mention	-	-	-	47,432	-	47,432
Substandard	-	-	-	-	-	-
Ending Balance	<u>\$ 5,309,676</u>	<u>\$ 937,451</u>	<u>\$ 706,367</u>	<u>\$ 315,152</u>	<u>\$ -</u>	<u>\$ 7,268,646</u>

Small Dollar Loan -

Credit Risk profile based on payment activity.

Performing	\$ 1,690,144
Non-performing	123,955
Ending Balance	<u>\$ 1,814,099</u>

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5 – Allowance for Loan Losses – Continued

2014

	CASA	CDCB	MAHI	RCLP	Construction	Total
Excellent	\$ 3,306,677	\$ 1,389,087	\$ 1,438,202	\$ 7,744	\$ 47,836	\$ 6,189,546
Special Mention	-	-	-	4,308	-	4,308
Substandard	-	-	-	-	-	-
Ending Balance	<u>\$ 3,306,677</u>	<u>\$ 1,389,087</u>	<u>\$ 1,438,202</u>	<u>\$ 12,052</u>	<u>\$ 47,836</u>	<u>\$ 6,193,854</u>

Small Dollar Loan -

Credit Risk profile based on payment activity.

Performing	\$ 1,034,338
Non-performing	111,458
Ending Balance	<u>\$ 1,145,796</u>

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RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5 – Allowance for Loan Losses – Continued

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
Interim Construction Loans						
LOC'S	-	-	-	-	-	-
Small Dollar Loans	85,295	15,066	23,594	123,955	1,697,340	1,821,295
TOTAL	\$ 224,130	\$ 51,472	\$ 71,026	\$ 346,628	\$ 8,522,611	\$ 8,869,239

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RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5 – Allowance for Loan Losses – Continued

The following chart represents the Age Analysis of Past Due Financing Receivables at December 31, 2014:

	Past Due			Total Past Due	Current	Total
	31-60 Days	61-90 Days	Over 90 Days			
Residential Loans						
CDCB	\$ -	\$ -	\$ -	\$ -	\$ 1,389,088	\$ 1,389,088
MAHI	-	-	-	-	1,438,202	1,438,202
RCLP	4,692	-	12,052	16,744	88,325	105,069
CASA	-	-	-	-	3,306,676	3,306,676
Interim Construction Loans	-	-	-	-	47,836	47,836
Small Dollar Loans	42,401	42,108	26,949	111,458	1,028,631	1,140,089
TOTAL	\$ 47,093	\$ 42,108	\$ 39,001	\$ 128,202	\$ 7,298,758	\$ 7,426,960

Note 6 – Loans Payable

Loans payable at December 31, 2015 and 2014 totaled \$7,418,095 and \$6,888,867, 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, 2015 and 2014 of \$4,448,035 and \$2,722,599, respectively. The schedule of principal repayments can be found in the above totals in note payables.

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.

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 6 – Loans Payable - Continued

Scheduled maturities are as follows:

2015

Total Notes Payable - By Shareholder Bank, By Participant

	<u>CDCB</u>	<u>MAHI</u>	<u>RCLP</u>	<u>TOTAL</u>
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	<u>\$ 928,474</u>	<u>\$ 674,821</u>	<u>\$ 35,559</u>	<u>\$ 1,638,854</u>

Total Notes Payable - By Shareholder Bank, By Year

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>
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	<u>\$ 781,327</u>	<u>\$ 645,191</u>	<u>\$ 137,107</u>	<u>\$ 21,791</u>	<u>\$ 42,380</u>	<u>\$ 11,057</u>

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

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 6 – Loans Payable – Continued

2014

Total Notes Payable - By Shareholder Bank, By Participant

	<u>CDCB</u>	<u>MAHI</u>	<u>RCLP</u>	<u>TOTAL</u>
Wells Fargo	\$ 615,884	\$ 229,954	\$ 9,044	\$ 854,882
BBVA/Compass Bank	381,404	483,548	14,549	879,501
IBC - Brownsville	167,884	-	9,188	177,072
IBC - McAllen	-	293,969	-	293,969
Chase National Bank	-	-	28,137	28,137
Frost National Bank	31,174	350,791	-	381,965
Lone Star National Bank	177,133	41,829	-	218,962
Total	<u>\$ 1,373,479</u>	<u>\$ 1,400,091</u>	<u>\$ 60,918</u>	<u>\$ 2,834,487</u>

Total Notes Payable - By Shareholder Bank, By Year

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Wells Fargo	\$ 242,865	\$ 259,837	\$ 254,107	\$ 79,873	\$ 18,200
BBVA/Compass Bank	248,593	256,639	257,728	116,541	-
IBC - Brownsville	59,605	60,510	43,368	11,365	2,799
IBC - McAllen	74,259	78,839	65,473	75,398	-
Chase National Bank	-	-	-	-	28,137
Frost National Bank	109,134	115,999	102,286	53,453	1,093
Lone Star National Bank	79,836	85,430	53,696	-	-
Total	<u>\$ 814,292</u>	<u>\$ 857,254</u>	<u>\$ 776,658</u>	<u>\$ 336,631</u>	<u>\$ 50,229</u>

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>
FHLB	<u>\$ 50,815</u>	<u>\$ 57,216</u>	<u>\$ 59,137</u>	<u>\$ 61,121</u>	<u>\$ 63,172</u>	<u>\$ 2,507,017</u>
CDCB	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 665,603</u>

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 7 – Stockholders’ Equity

Common stock issued and ownership percentages at December 31, 2015 and 2014 are as follows:

2015

<u>Bank</u>	<u>Shares</u>	<u>Amount</u>	<u>Ownership Percentage</u>
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%
	<u>1,700,000</u>	<u>\$ 1,700,000</u>	<u>100.000%</u>

2014

<u>Bank</u>	<u>Shares</u>	<u>Amount</u>	<u>Ownership Percentage</u>
Bank of America	250,000	\$ 250,000	15.625%
JP Morgan Chase	300,000	300,000	18.750%
Frost National Bank	100,000	100,000	6.250%
International Bank of Commerce - Brownsville	250,000	250,000	15.625%
International Bank of Commerce - McAllen	100,000	100,000	6.250%
Lone Star National Bank	100,000	100,000	6.250%
National Cooperative Development	100,000	100,000	6.250%
BBVA/Compass Bank	100,000	100,000	6.250%
Wells Fargo Bank	300,000	300,000	18.750%
	<u>1,600,000</u>	<u>\$ 1,600,000</u>	<u>100.000%</u>

Note 8 – Administrative Contract

CDCB is contracted annually to provide administrative services to the Company. Administrative fees totaled \$185,780 and \$187,064 for the years ended December 31, 2015 and 2014, respectively.

RIO GRANDE VALLEY MULTIBANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015 and 2014 were \$264,576 and \$275,509, respectively.

The Deferred Revenue CDFI balance was made up of funds from the CDFI grant that were used as administrative expenses. For the year ending December 31 2014, the deferred revenue – CDFI balance was \$90,698. There was no balance for the year ending December 31, 2015.

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, 2015 and 2014, the Company recorded a net income tax benefit of \$(22,234) and \$274, respectively, on earnings before income taxes of \$165,719 and \$(77,639), respectively.

The Company’s total deferred tax assets and liabilities at December 31, 2015 and 2014 are as follows:

	2015	2014
Total deferred tax assets	\$ 62,490	\$ 84,724
Total deferred tax (liability)	-	-
Net deferred tax (liability)	\$ 62,490	\$ 84,724