Rio Financial Services, Inc. - $24 Million 10NC5 F2F Subordinated Debt
Recent Community Bank Transaction
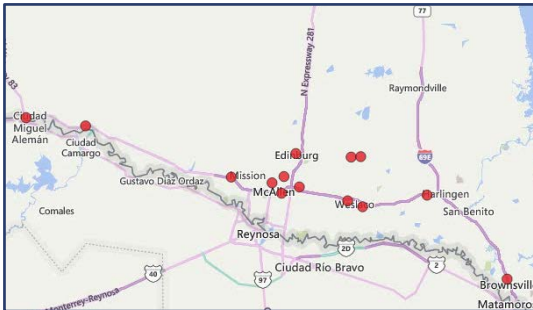
$24 Million 10 Year, Non-call 5
5.25% Subordinated Notes

BBB by Egan-Jones Ratings Company

BREAN CAPITAL

Sole Placement Agent

October 26th, 2020

Issuance Rationale

- Proceeds will be used to support future growth, redeem existing debt, and general corporate purposes.

- 10 year, non-call 5 fixed to floating subordinated debt at attractive coupon for issuer and investors.

Transaction Highlights

- $650M+ asset bank with fourteen strategic branch locations in Southern Texas.

- Attractive, sticky deposit base (nearly 40% non-interest bearing) with 0.66% cost of funds.

- Robust 6.17% yield on earning assets – peers at 4.44%.

- Strong net interest margin – consistently ranks in the Top Decile relative to peers.

- Limited loss content history due to disciplined and conservative underwriting.

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dollars in (000's)

Balance Sheet	2017Y	2018Y	2019Y	2020Q1	2020Q2
Total Assets	$324,813	$521,914	$544,956	$566,367	$653,249
Annd. Asset Growth Rate (%)	13.6	60.7	4.4	15.7	61.4
Total Net Loans	$205,934	$336,864	$333,210	$334,000	$374,990
Annd. Loan Growth Rate (%)	10.2	63.0	(1.0)	1.0	48.7
Total Deposits	$288,739	$452,235	$471,992	$488,181	$572,878
Annd. Deposit Growth Rate (%)	11.6	56.6	4.4	13.7	69.4
Loans/Deposits (%)	72.2	75.1	71.3	69.1	66.1

Profitability	2017Y	2018Y	2019Y	2020Q1	2020Q2
Net Income	$2,980	$3,001	$6,556	$1,614	$1,238
ROAA (%)	0.94	0.69	1.20	1.17	0.78
ROAE (%)	10.5	7.6	11.3	10.3	7.7
Net Interest Margin (%)	4.79	5.13	4.97	4.89	5.31
Yield/ Cost Spread (%)	4.51	4.78	4.44	4.44	5.10
Efficiency Ratio (FTE) (%)	72.0	80.3	68.9	68.8	67.1

Note: 2018 net income includes one-time merger related expenses.
Source: S&P Global Market Intelligence

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