

Morningstar DBRS Places FACEBANK International Corporation's Long-Term Issuer Rating of BB Under Review with Developing Implications Following Acquisition Announcement

BANKING ORGANIZATIONS

DBRS, Inc. (Morningstar DBRS) placed the credit ratings of FACEBANK International Corporation (FACEBANK or the Company), including the Company's Long-Term Issuer Rating of BB Under Review with Developing Implications. The credit rating action follows FACEBANK's announcement on October 3, 2025, that it intends to recapitalize and merge with Eastern National Bank (ENB), with ENB becoming the surviving entity, which will be rebranded as FACEBANK, N.A. Founded in 1969, ENB is a bank based in Miami, Florida that provides community and international banking services, including personal and business banking, and real estate mortgages. Over the past several years, ENB has faced financial challenges and, as a result, has downsized its loan portfolio to meet regulatory capital requirements. Consequently, the bank has become structurally unprofitable and requires additional capital.

KEY CREDIT RATING CONSIDERATIONS

The Under Review with Developing Implications designation reflects Morningstar DBRS' view that there are a number of items that need to align, including new equity investors, various regulatory approvals and the formation of a holding company to complete the transaction. Once the path to the new structure becomes more certain and the post-transaction credit profile clearer, Morningstar DBRS will evaluate the transaction's impact on the Company's operating model, financial performance, risk profile, funding and liquidity, and capitalization. Completion of the transaction is subject to required regulatory approvals, including that of its current regulator, the Oficina del Comisionado de Instituciones Financieras (OCIF) of Puerto Rico, as well as the OCC, the FDIC and the Federal Reserve Board.

Following the merger, the combined bank is expected to have more than \$600 million in total assets including \$316 million in loans funded by approximately \$535 million in deposits. There will be benefits from the new charter, including the addition of deposit insurance as well as access to other avenues of liquidity. However, the challenge will be to improve earnings by wringing out expenses, while integrating the two franchises and continuing to invest in systems and technology.

CREDIT RATING DRIVERS

When there is more clarity on the approval process and timeline for completion of the transaction, Morningstar DBRS may take one of the following actions:

If Morningstar DBRS believes that the merger would only modestly alter FACEBANK's credit fundamentals, it would confirm the current credit ratings with Stable trends and would remove the Under Review with Developing Implications status.

If Morningstar DBRS views the completion of the merger as having a material positive and sustainable impact on FACEBANK's operating model, risk profile, funding and liquidity, and/or capitalization, it would place the credit ratings Under Review with Positive Implications. This could be driven by continued strong execution on strategic initiatives resulting in increased franchise scale, including a more diverse funding mix.

Conversely, if Morningstar DBRS views the completion of the potential merger as having a material negative impact on FACEBANK's credit profile, it would place the credit ratings Under Review with Negative Implications. This might include, an increased risk appetite, a perceived inability to return to strong profitability metrics including reducing the combined entities' expense base.

CREDIT RATING RATIONALE

Morningstar DBRS placed the credit ratings Under Review with Developing Implications because of the unknowns related to the merger, including the successful completion of an equity raise and the timeline of regulatory approval from multiple agencies. Morningstar DBRS will evaluate the transaction's impact on the Company, as there is more clarity on the approval timeline and post-transaction credit profile.

Established in 2006, FACEBANK operates as an International Bank Entity (IBE) under the laws of the Commonwealth of Puerto Rico. The IBE charter offers a tax-efficient platform for the bank to provide U.S. dollar deposit and payment services to foreign customers. Through its Florida-based mortgage subsidiary, Florida Home Trust, the Company provides residential mortgage loans to foreign nationals primarily in South Florida.

A key component of FACEBANK's franchise is the online connection with the Federal Reserve Bank of New York (FRBNY), which it has had since 2016 as well as the recent approval of FedNow capabilities. This relationship allows the Company to efficiently clear deposits for its customers, saving both time and expense. We view this connectivity as a competitive advantage for FACEBANK, which is contingent on the Company maintaining strong BSA/AML and corporate governance practices and ongoing reviews from the FRBNY.

Further details on the Scorecard Indicators and Building Block Assessments can be found at <https://www.dbrsmorningstar.com/research/464455>.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

ESG Considerations had a significant effect on the credit analysis.

Governance (G) Factors

The following Governance factor(s) had a significant effect on the credit analysis: The Governance factor is viewed as a Significant factor affecting the credit ratings assigned to FACEBANK. The Company's unique franchise exposes it to significant BSA/AML risks. While FACEBANK has managed these risks well to date, any failure may jeopardize its important clearing relationship with the FRBNY, potentially leading to a significant reputational or financial impact. If these risks were absent, the credit ratings would be higher.

There were no Environmental/Social factor(s) that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (May 16, 2025) at <https://dbrs.morningstar.com/research/454196>.

Notes:
All figures are in U.S. dollars unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (May 23, 2025), <https://dbrs.morningstar.com/research/454637>. In addition, Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (May 16, 2025), <https://dbrs.morningstar.com/research/454196> in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

The primary sources of information used for these credit ratings include Morningstar, Inc. and Company documents. Other sources include Morningstar Inc. and Company documents. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

The credit ratings were initiated at the request of the rated entity.

The rated entity or its related entities did participate in the credit rating process for these credit rating actions.

Morningstar DBRS had access to the accounts, management, and other relevant internal documents of the rated entity or its related entities in connection with these credit rating actions.

These are solicited credit ratings.

For more information on Morningstar DBRS' policy regarding the solicitation status of credit ratings, please refer to the Credit Ratings Global Policy, which can be found in the Morningstar DBRS Understanding Ratings section of the website: <https://dbrs.morningstar.com/understanding-ratings>

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' trends and credit ratings are under regular surveillance.

For more information on this credit or on this industry, visit <https://dbrs.morningstar.com>.

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Ratings

FACEBANK International Corporation

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
08-Oct-25	Long-Term Issuer Rating	UR-Dev.	BB	--	US

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
08-Oct-25	Short-Term Issuer Rating	UR-Dev.	R-4	--	US
08-Oct-25	Long-Term Deposits	UR-Dev.	BB	--	US
08-Oct-25	Long-Term Senior Debt	UR-Dev.	BB	--	US
08-Oct-25	Short-Term Instruments	UR-Dev.	R-4	--	US

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