

EXPERIENCE THE MALAGA BANK DIFFERENCE

FINANCIAL STRENGTH

- Rated #1 Thrift in the U.S. by SNL Financial for the 12 month period ended March 31, 2011 for the *SECOND CONSECUTIVE YEAR*.

PERSONALIZED SERVICE

- What our customers are saying:

"The friendliest bank with the nicest staff."

Jill Goodman

"Good service, no tricks, gimmicks or hard sell products like all the other banks. It makes Malaga Bank a financial breath of fresh air."

John Reith

"The services here are great and the employees always eager to help." *Myrl Hicks*

COMMUNITY PARTNER

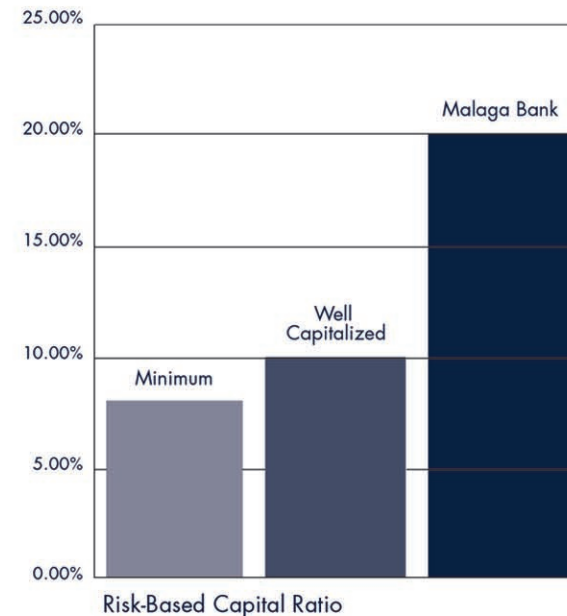
- We work and live in the communities we serve. We support numerous non-profit organizations such as the Peninsula Education Foundation, Boys & Girls Clubs of the Los Angeles Harbor, Grand Vision Foundation and the Palos Verdes Art Center. Our staff is very active in supporting the business communities through our local Chambers of Commerce.

JUNE 30, 2011 HIGHLIGHTS

- Record year-to-date earnings
- Net income for six months ended June 30, 2011 was \$5,858,000, an increase of \$382,000 or 7% from the six months ended June 30, 2010
- No delinquent loans or real estate owned
- Allowance for loan losses was \$2.8 million or 0.36% of total loans
- Total assets were \$823 million
- Total loan portfolio was \$781 million
- Total retail deposits were \$488 million

Randy C. Bowers, President and CEO, remarked, "We are pleased to continue to report record earnings in spite of ongoing weak economic conditions. The hard work of our staff and disciplined execution of our business plan has produced exceptional results."

As of June 30, 2011, Malaga Bank was in compliance with all applicable regulatory capital requirements and was deemed "well capitalized" under applicable regulations. At June 30, 2011, core capital and risk based capital ratios were 11.92% and 19.62%, respectively, significantly exceeding the minimum "well capitalized" requirements of 5% and 10% respectively.



We are proud of our strength, our exceptional team of bankers and our leadership in the communities we serve. We appreciate the support provided by our customers and Board of Directors as well as the continued hard work of our staff.

STATEMENT OF CONDITION June 30, 2011

Assets	
Cash & Investments	\$ 20,828,000
Loans Receivable, Net	778,089,000
FHLB Stock	12,823,000
Other Assets	<u>11,105,000</u>
	\$ <u>822,845,000</u>

Liabilities & Capital

Deposits	\$ 544,420,000
FHLB Advances	176,000,000
Other Liabilities	4,356,000
Capital	<u>98,069,000</u>
	\$ <u>822,845,000</u>

STATEMENT OF OPERATIONS Six Months Ended June 30, 2011

Net Interest Income	\$ 14,907,000
Provision for Loan Losses	<u>(68,000)</u>
Net Interest Income after Provision for Loan losses	14,839,000
Other Operating Income	354,000
Other Operating Expense	<u>(5,159,000)</u>
Income Before Income Taxes	10,034,000
Income Tax Expense	<u>(4,176,000)</u>
Net Income	\$ <u>5,858,000</u>

This unaudited statement is prepared in accordance with generally accepted accounting principles.

Malaga Bank is the largest community bank headquartered in the South Bay area, with total assets of \$823 million.

