

## EXPERIENCE THE MALAGA BANK DIFFERENCE

### FINANCIAL STRENGTH

- Ranked #1 Thrift in the U.S. by SNL Financial for the 12 months ended December 31, 2011. This is the 3rd consecutive annual recognition for Malaga Financial Corporation.\*

### PERSONALIZED SERVICE

- What our customers are saying:

"We bank with Malaga Bank because all of their employees know the importance of building personal relationships with mutual respect. Their service is unparalleled and they care about our community." *Andrea Sala, Executive Director, Peninsula Education Foundation*

### COMMUNITY PARTNER

- We live and work in the communities we serve. We support numerous non-profit organizations such as the Peninsula Education Foundation, Cancer Support Community, Grand Vision Foundation, Peninsula Friends of the Library, the Palos Verdes Art Center and Peninsula Land Conservancy. Our staff is very active in supporting the business communities through our local Chambers of Commerce.

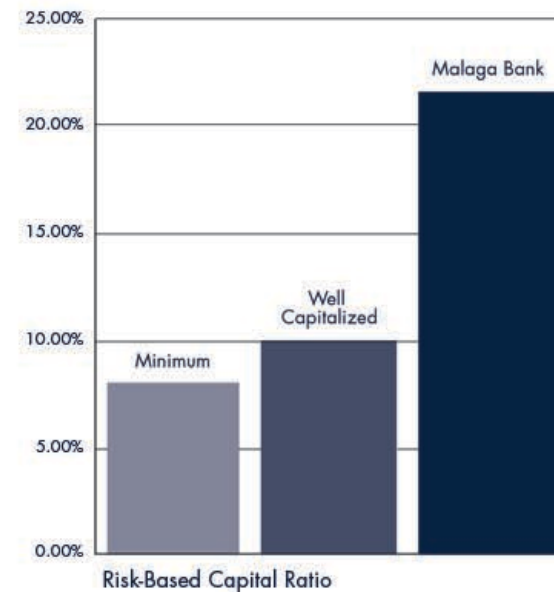
Malaga Bank is a wholly owned subsidiary of Malaga Financial Corporation whose common stock is traded under MLGF.

### SEPTEMBER 30, 2012 HIGHLIGHTS

- Record third quarter and year-to-date earnings
- Net income for nine months ended September 30, 2012 was \$9,538,000, an increase of \$733,000 or 8% from the nine months ended September 30, 2011
- No foreclosures or real estate owned
- Allowance for loan losses was \$2.8 million or 0.36% of total loans
- Total assets were \$835 million
- Net loan portfolio was \$787 million
- Total deposits were \$574 million

Randy C. Bowers, President and CEO, remarked, "Our financial strength has allowed us to continue to expand our retail banking operations and open our new Torrance-Skypark Branch. We are pleased that we were rated as one of the 349 safest banks in the United States by MSN.money using the complex Texas Ratio. Of the 16 California-based banks receiving this recognition, Malaga Bank is the only institution both headquartered in the South Bay and with all of its branches serving communities in that area."

As of September 30, 2012, Malaga Bank was in compliance with all applicable regulatory capital requirements and was deemed "well-capitalized" under applicable regulations. Core capital and risk-based capital ratios were 13.06% and 21.56%, respectively, at September 30, 2012, 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 September 30, 2012

Assets	
Cash & Investments	\$ 26,973,000
Loans Receivable, Net	787,308,000
FHLB Stock	10,033,000
Other Assets	<u>10,385,000</u>
	<b>\$ 834,699,000</b>
Liabilities & Capital	
Deposits	\$ 573,794,000
FHLB Advances	145,080,000
Other Liabilities	6,804,000
Capital	<u>109,021,000</u>
	<b>\$ 834,699,000</b>

### STATEMENT OF OPERATIONS Nine Months Ended September 30, 2012

Net Interest Income	\$ 23,490,000
Recovery of Loan Losses	<u>141,000</u>
Net Interest Income after Recovery of Loan losses	23,631,000
Other Operating Income	455,000
Other Operating Expense	<u>(7,745,000)</u>
Income Before Income Taxes	16,341,000
Income Tax Expense	<u>(6,803,000)</u>
Net Income	<b>\$ 9,538,000</b>

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 \$835 million.*