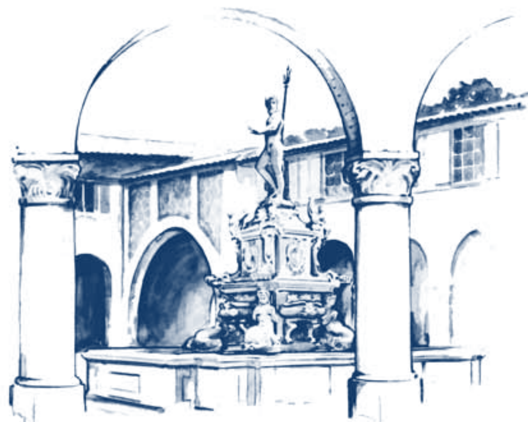
2019

MALAGA
FINANCIAL CORPORATION

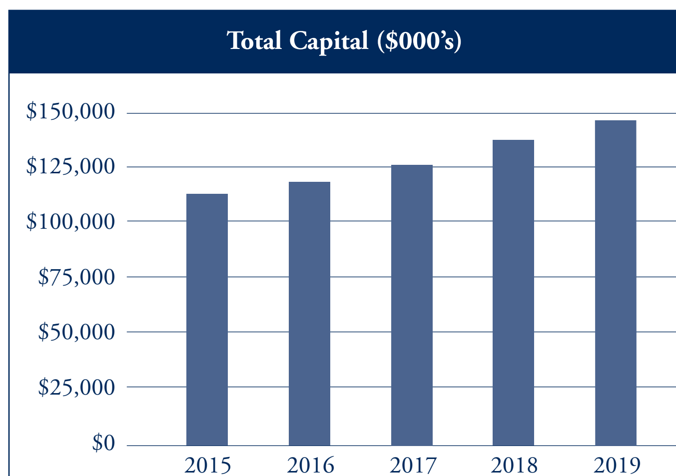
ANNUAL REPORT

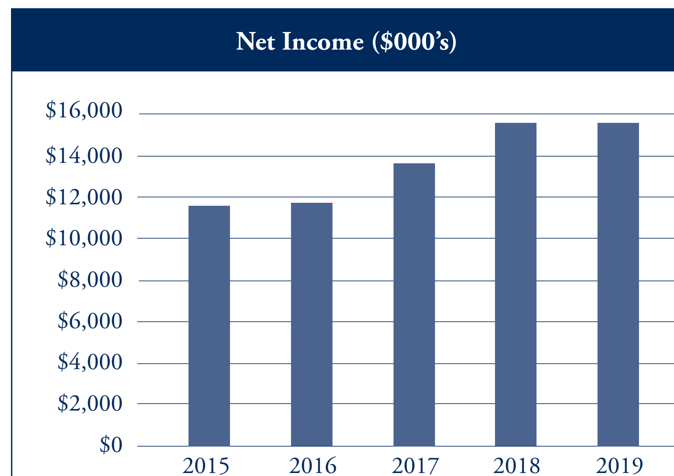
We wish to express our thanks for the opportunity to serve the residents and businesses of Palos Verdes and the surrounding communities for the last thirty-five years. We look forward to continuing to be your local community bank of choice in the years to come.



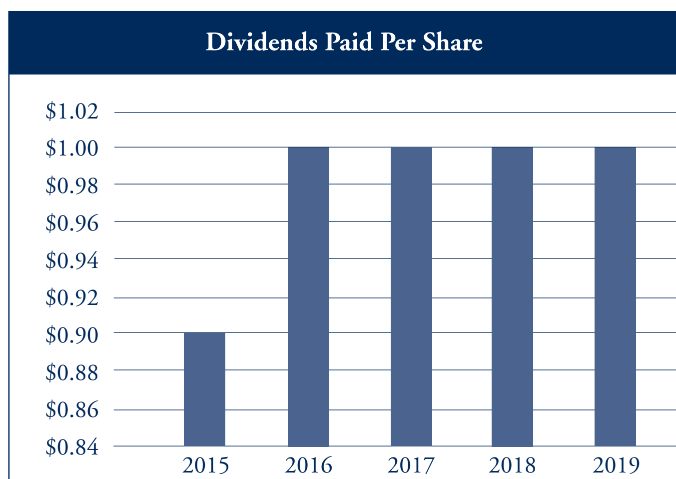
FINANCIAL STRENGTH

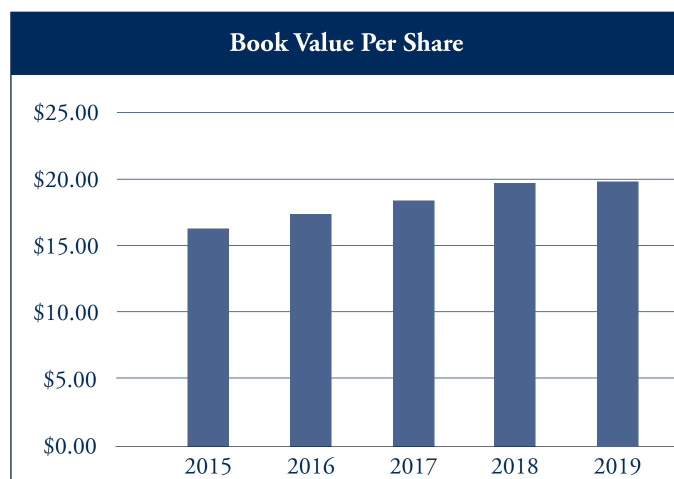
Strong and Stable Capital and Income





Shareholder Value





2019 ACCOMPLISHMENTS

Record earnings for the 3rd consecutive year.

Excellent asset quality.

Strong capital levels.

Quarterly cash dividends for the 62nd consecutive quarter and special 5% common stock dividend at year-end 2019.

For over 10 years Malaga Bank has been consistently awarded premier Top 5-Star rating by one of the nation's leading independent bank rating and reseach firms, Bauer Financial.

*Malaga Bank is a wholly owned subsidiary of Malaga Financial Corporation.

DEAR SHAREHOLDERS AND FRIENDS,

2019 was a challenging year for Malaga Financial Corporation, however we managed to successfully address many obstacles and report record earnings for the 3rd consecutive year. This was the result of an increase in net interest income and an improvement in operations that together contributed to an earnings increase of $83,000 or 1% from the prior year's record earnings.

Shareholders were rewarded with $1.00 per share cash dividends during the year in addition to the 3rd consecutive year-end 5% common stock dividend. Total cash dividends paid in 2019 increased by $384,520 compared to the prior year, primarily as a result of the stock dividend issued at year-end 2018.

Competition for quality loans and deposits continued to be extreme; however, our increased marketing and origination efforts enabled us to achieve substantial growth in our loan portfolio while continuing to adhere to our disciplined and conservative underwriting standards. The growth in the loan portfolio provided an increase in net interest income which along with tight control of non-interest expense mitigated the effects of aggressive pricing in the market.

Highlights of 2019 are as follows:

- Book value per share increased from $18.69 to $19.84 after adjusting for the issuance of the 5% common stock dividend
- Earnings per share of $2.11 (basic) and $2.10 (fully diluted) compared to $2.11 (basic) and $2.09 (fully diluted) after adjusting for the issuance of the 5% common stock dividend
- Net income of $15.4 million
- Return on average equity (ROE) was 10.94%
- Return on average assets (ROA) was 1.33%
- Excellent credit quality with no non-performing assets/foreclosures at year-end
- Capital levels remained stable with a 12.70% core capital ratio and a 22.88% risk-based ratio at year-end 2019, substantially exceeding the minimum "well-capitalized" requirements of 5% and 10%, respectively
- Gross loans at December 31, 2019 were $1.135 billion, up $148.1 million or 15% from prior year-end.

Malaga Bank was awarded the Bauer Financial Inc. premier Top 5-Star rating for the 49th consecutive quarter as of December 2019. Bauer Financial Inc. is one of the nation's leading independent bank rating and research firms. In July 2019, Malaga Bank was awarded the Daily Breeze 28th annual Reader's Choice Award as South Bay's Best Bank.

We expect 2020 to continue to present challenges including the uncertainty of an election year and potential volatility in interest rates and the economy. However, we approach the coming year with optimism for the continued success of Malaga Financial Corporation and its subsidiary, Malaga Bank.

On behalf of Malaga Financial Corporation and Malaga Bank, we thank our board of directors, management and staff for their commitment and contributions to our day to day success, and you, our shareholders, for your loyalty, your business, and your investment.

Randy Bowers

Chairman of the Board,
President and
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and financial information are presented to aid in understanding results of operations and financial condition of Malaga Financial Corporation ("MFC") and its consolidated subsidiary, Malaga Bank FSB ("Malaga Bank"). In this discussion, references to the "Company" or "we" or "us" refer to MFC, Malaga Bank and its subsidiary Palos Verdes Financial Corporation.

OVERVIEW

MFC is the holding company for Malaga Bank, and the stock of Malaga Bank is MFC's primary asset. Malaga Bank is a full-service community bank with headquarters located on the Palos Verdes Peninsula in Southern California. It is the largest independent bank headquartered in the South Bay area of Los Angeles.

We originate primarily adjustable rate multifamily (apartment) mortgage loans in Southern California and to a lesser extent 1-4 family residential loans, consumer loans, commercial mortgage loans and commercial loans. At December 31, 2019, multifamily mortgage loans represented 86% of our loan portfolio and loans represented 91% of our total assets.

In 2019, our market area for deposits continued to be concentrated in the areas immediately surrounding our five branch offices in Palos Verdes Estates, Rolling Hills Estates, Torrance and San Pedro, California.

RESULTS OF OPERATIONS

Our net income was $15.4 million in 2019 compared to net income of $15.3 million in the previous year, an increase of $83,000 or 1%. Earnings per share for 2019 were $2.11 (basic) and $2.10 (fully diluted), compared to $2.11 (basic) and $2.09 (fully diluted) in 2018.

Our return on average assets (ROA) was 1.33% in 2019 compared to 1.44% in 2018. Our return on average equity (ROE) was 10.94% in 2019 compared to 11.65% in 2018.

The following table sets forth selected financial data for the past five years:

	2019	2018	2017	2016	2015
Total assets (000's)	$1,248,210	$1,087,559	$1,041,067	$ 981,376	$ 984,382
Stockholders' equity (000's)	$ 145,188	$ 136,251	$ 125,986	$ 117,341	$ 111,007
Net income (000's)	$ 15,387	$ 15,305	$ 13,500	$ 11,559	$ 11,406
Basic earnings per share*	$ 2.11	$ 2.11	$ 1.89	$ 1.63	$ 1.62
Diluted earnings per share*	$ 2.10	$ 2.09	$ 1.86	$ 1.61	$ 1.61
Cash dividends paid per share	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ .90
ROA	1.33%	1.44%	1.33%	1.16%	1.16%
ROE	10.94%	11.65%	11.12%	10.09%	10.55%

*Adjusted for the 5% stock dividend on December 27, 2019, December 28, 2018 and December 29, 2017.

On December 27, 2019, MFC paid a 5% common stock dividend which increased the number of shares outstanding by 348,321. On December 28, 2018, MFC paid a 5% common stock dividend that increased the number of shares outstanding by 330,532.

NET INTEREST INCOME

Net interest income is the primary component of our income. The chief determinants of net interest income are the dollar amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on these assets and liabilities. The greater the excess of average interest-earning assets over average interest-bearing liabilities, the more beneficial the impact on net interest income.

For 2019, net interest income totaled $33,069,000, an increase of $493,000 or 2% from 2018. This increase reflected a $6.4 million increase in the excess of average interest-earning assets over interest-bearing liabilities offset by a decrease of 0.26% in the interest rate spread to 2.81%. The decrease in the interest rate spread was primarily attributable to an increase in the average cost of funds of 0.35% offset by an increase in the yield on average interest-earning assets of 0.09%. Our cost of funds increased because we funded our growth in assets principally with FHLB borrowings, which have a higher cost than deposits, and to a lesser extent interest-bearing deposits.

The following table sets forth the weighted-average balances, yields earned and rates paid with respect to the major components of our interest-earning assets and interest-bearing liabilities, and net interest rate spread, for the periods indicated:

WEIGHTED-AVERAGE BALANCES AND RATES

	2019		2018	
	(000's)		(000's)	
Loans receivable	$1,054,684	4.14%	$ 965,624	4.05%
Federal funds sold	50,082	2.14	44,021	1.91
Interest-bearing deposits in banks	11,175	2.31	12,196	1.97
FHLB stock	7,170	7.00	6,656	8.66
Total interest-earning assets	1,123,111	4.05	1,028,497	3.96
Deposits	771,718	0.88	753,117	0.61
FHLB borrowings	220,485	2.26	150,907	1.98
Junior subordinated debentures	13,404	4.79	13,404	4.51
Total interest-bearing liabilities	1,005,607	1.24	917,428	0.89
Excess of interest-earning assets over interest-bearing liabilities; interest rate spread	$ 117,504	2.81%	$ 111,069	3.07%

PROVISIONS FOR CREDIT LOSSES

We recorded a provision for credit losses of $353,000 in 2019 versus $49,000 in 2018. The increase in the provision was due to a $148.1 million increase in net loans. There were two charge-offs totaling $4,600 in 2019 and two charge-offs totaling $8,200 in 2018.

OTHER OPERATING INCOME

Other operating income, which consists primarily of deposit related fees, increased $48,000 from 2018 to 2019.

OTHER OPERATING EXPENSES

The main components of other operating expenses or "overhead" are compensation, office rent and utilities, regulatory assessments and general and administrative expenses. Operating expenses decreased $179,000 or 2% from $12.0 million in 2018 to $11.8 million in 2019. This decrease was due primarily to a deposit insurance premium credit of $230,000, a $49,000 decrease in office rent and utilities, and a $44,000 decrease in general and administrative expenses offset by a $121,000 increase in data processing and a $40,000 increase in depreciation expense.

At December 31, 2019 and 2018, we employed 79 and 80 full-time equivalent employees, respectively, with an average of 7.8 and 7.4 years of service, respectively. The tenure and experience of our employees continue to be a major part of our successful and efficient operations.

Banks measure their ability to manage overhead through an efficiency ratio expressed as total overhead expenses as a percentage of net interest income and other operating income. Malaga Bank's efficiency ratios of 33.50% in 2019 and 34.67% in 2018 continued to be very favorable compared to the efficiency ratios of our peers, insured savings banks having assets greater than $1 billion, which averaged 64.03% in 2019 and 62.93% in 2018. Another measure of overhead efficiency is the percentage of overhead expense to average assets. Malaga Bank's ratio was 1.00% in 2019 and 1.12% in 2018, which compared favorably with our peer group average of 2.58% and 2.56% in 2019 and 2018, respectively. Malaga Bank had $14.5 million in average assets per employee at December 31, 2019 as compared to $12.9 million in average assets per employee at December 31, 2018.

FINANCIAL CONDITION

Total assets increased to $1.248 billion at December 31, 2019 from $1.088 billion at December 31, 2018. This $160.7 million increase was significantly more than our annual increase in assets in the past several years. The increase in assets was centered in growth of the loan portfolio.

LOAN PORTFOLIO

Total gross loans at December 31, 2019 were $1.135 billion, up $148.1 million or 15% from the prior year-end. Our primary lending emphasis continued to be multifamily mortgage loans, which comprised 86% of our loan portfolio at December 31, 2019. The weighted-average yield on the loan portfolio was 4.14% at December 31, 2019 and 4.05% at December 31, 2018. Increased marketing and origination efforts along with strategic pricing enable us to achieve our growth objectives and disciplined credit culture. The execution of this growth plan was essential to mitigate the compression of net interest margin and meet our profitability goal.

CREDIT LOSS RESERVES AND NON-PERFORMING ASSETS

Our allowance for credit losses, including reserves for losses on commitments for lines of credit, totaled $3.6 million at December 31, 2019 and $3.2 million at December 31, 2018. As of December 31, 2019 and 2018, there were no loans past due. Our allowance for credit losses to total loans outstanding was 0.31% at December 31, 2019 and 0.32% at December 31, 2018.

Management's determination of the adequacy of the allowance for credit losses requires the use of judgment and estimates that may change in the future. Some factors considered by management in determining the adequacy of the allowance include: detailed reviews of individual loans; gross and net charge-offs in the current year; historical loss levels; past due and non-accruing loans; collateral values of properties securing loans; types of loans and risk profiles; and management's analysis of current economic conditions and the resulting impact on the loan portfolio. Changes in the factors used by management to determine the adequacy of the allowance, or the availability of new information, could cause the allowance for credit losses to be increased or decreased. In addition, bank regulatory agencies, as a part of their examination process, may require that additions be made to the allowance for credit losses based on their judgment and estimates.

BUILDING

In May 2018 we purchased the land and building that house our main branch and administrative offices in Malaga Cove Plaza Shopping Center for $7.1 million. This purchase resulted in an increase in our building and property assets, while decreasing our rent expense.

OPERATING LEASES

As a result of changes in accounting rules, effective as of January 1, 2019, we were required to record the present value operating leases, such as the leases for our offices, as liabilities, with a corresponding asset known as a "right of use" asset representing our right to occupy the offices. Accordingly, our balance sheet at December 31, 2019 includes in "Other liabilities" a liability of $3.8 million relating to our operating leases and a right of use asset of $3.8 million in "Building, office properties and equipment", which asset and liability were not included on our balance sheet at December 31, 2018.

DEPOSITS

Our deposit strategy in 2019 continued to focus on attracting core customer relationships at our branches. Total deposits increased by $46.1 million to $803.6 million at December 31, 2019. During the year, non-interest bearing demand deposits increased $10.6 million to $127.0 million, lower cost money market and other accounts increased $412,000 to $369.8 million and certificates of deposit increased $35.1 million to $306.8 million. At December 31, 2019, we had outstanding certificates of deposit from the State of California totaling $118 million bearing interest at a weighted-average rate of 1.60%. Our weighted-average cost of deposits was 0.86% at December 31, 2019 and 0.77% at December 31, 2018.

FHLB BORROWINGS

Another major source of funding for us is advances from the Federal Home Loan Bank of San Francisco ("FHLB"). As of December 31, 2019, we had FHLB borrowings totaling $275.0 million as compared to $175.0 million at December 31, 2018. Our FHLB borrowings at December 31, 2019 had an average remaining maturity of 40 months and bore interest at a weighted-average rate of 2.07%. At that date, we had approximately $213 million of unused FHLB borrowing capacity.

JUNIOR SUBORDINATED DEBENTURES

From time to time MFC has issued junior subordinated debentures related to issuance of trust-preferred securities by business trusts MFC has formed in order to generate regulatory capital. This capital has a relatively low cost as interest payments on the debentures are deductible for income tax purposes. At December 31, 2019 and 2018, MFC had $13.4 million junior subordinated debentures outstanding bearing interest at a weighted-average rate of 4.20% and 5.08% per annum, respectively. These debentures mature commencing in 2033.

STOCKHOLDERS' EQUITY AND REGULATORY CAPITAL

Our stockholders' equity grew by $8.9 million or 7% to $145.2 million at December 31, 2019, from $136.3 million at December 31, 2018. The increase was due principally to net income of $15.4 million and cash proceeds from the exercise of stock options of $500,000, net of $7.0 million of dividends paid to our stockholders.

Malaga Bank continues to be "well capitalized" under applicable regulations. The following table compares Malaga Bank's actual capital ratios at December 31, 2019 to those required by regulatory agencies for capital adequacy and well capitalized classification purposes:

	Malaga Bank	Minimum Capital Requirements	Well Capitalized Requirements
Tier 1 Capital to Average Assets	12.70%	4.00%	5.00%
Total Capital to Risk-Weighted Assets	22.88%	8.00%	10.00%
Common Tier 1 Capital to Risk-Weighted Assets	22.37%	4.50%	6.50%
Tier 1 Capital to Risk-Weighted Assets	22.37%	6.00%	8.00%

STOCKHOLDERS AND STOCK INFORMATION

At December 31, 2019, MFC had 151 stockholders of record. Many of our stockholders purchased stock in connection with the organization of Malaga Bank. MFC's common stock is traded in the OTC PINK market under the symbol MLGF.

On December 27, 2019 and December 28, 2018, MFC paid a 5% common stock dividend to its stockholders.

CONSOLIDATED BALANCE SHEETS

	AS OF DECEMBER 31	
	2019	**2018**
ASSETS		
Cash and due from banks	**$ 20,073,983**	$ 21,836,855
Federal funds sold	**59,084,591**	49,774,518
Cash and cash equivalents	**79,158,574**	71,611,373
Interest-bearing deposits in banks	**1,470,000**	2,200,000
Loans receivable — Net of allowance for credit loss of $3,522,662 (2019) and $3,158,400 (2018)	**1,139,942,040**	991,275,902
Accrued interest receivable	**3,543,644**	3,033,025
Building, office properties, and equipment — Net	**15,237,004**	11,590,924
Investment in FHLB stock — At cost	**7,830,000**	6,759,500
Other assets	**1,028,851**	1,087,800
TOTAL	**$ 1,248,210,113**	$ 1,087,558,524

	2019	**2018**
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-bearing	**$ 127,034,654**	$ 116,415,880
Interest-bearing	**676,608,802**	641,111,705
Total deposits	**803,643,456**	757,527,585
FHLB borrowings	**275,000,000**	175,000,000
Junior subordinated debentures	**13,404,000**	13,404,000
Accrued interest payable	**297,267**	388,037
Other liabilities	**8,727,141**	3,037,428
Deferred tax liability	**1,950,173**	1,950,173
Total liabilities	**1,103,022,037**	951,307,223
COMMITMENTS AND CONTINGENCIES (Note 5)		
STOCKHOLDERS' EQUITY:		
Common stock, $.001 par value — authorized, 20,000,000 shares; outstanding 7,318,762 shares (2019) and 6,944,643 shares (2018)	**7,319**	6,945
Additional paid-in capital	**48,153,308**	39,646,695
Retained earnings	**97,027,449**	96,597,661
Total stockholders' equity	**145,188,076**	136,251,301
TOTAL	**$ 1,248,210,113**	$ 1,087,558,524

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31

	2019	2018
INTEREST INCOME:		
Loans	**$ 43,664,821**	$ 39,068,208
Other investments	**1,848,843**	1,667,350
Total interest income	**45,513,664**	40,735,558
INTEREST EXPENSE:		
Deposits	**6,812,262**	4,567,149
Borrowings	**4,989,497**	2,987,325
Junior subordinated debentures	**642,576**	604,435
Total interest expense	**12,444,335**	8,158,909
NET INTEREST INCOME	**33,069,329**	32,576,649
PROVISION FOR CREDIT LOSSES	**352,800**	48,931
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**32,716,529**	32,527,718
OTHER OPERATING INCOME	**870,342**	822,049
OTHER OPERATING EXPENSE:		
Compensation	**7,339,834**	7,334,182
Office rent and utilities	**836,844**	885,384
Professional services	**179,259**	202,494
Data processing	**1,051,564**	930,533
Deposit insurance premiums	**64,277**	294,183
Depreciation and amortization	**345,745**	305,971
General and administrative	**1,957,359**	2,001,289
Total other operating expense	**11,774,882**	11,954,036
INCOME BEFORE PROVISION FOR INCOME TAXES	**21,811,989**	21,395,731
PROVISION FOR INCOME TAXES	**6,424,700**	6,091,000
NET INCOME	**$ 15,387,289**	$ 15,304,731
BASIC EARNINGS PER SHARE	**$ 2.11**	$ 2.11
DILUTED EARNINGS PER SHARE	**$ 2.10**	$ 2.09

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Common Stock				
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
BALANCE — January 1, 2018	6,529,131	$ 6,529	$ 29,173,411	$ 96,806,167	$ 125,986,107
Net income	-	-	-	15,304,731	15,304,731
Cash dividends declared	-	-	-	(6,588,872)	(6,588,872)
Stock options exercised	84,980	85	1,549,250	-	1,549,335
Stock dividend	330,532	331	8,924,034	(8,924,365)	-
BALANCE — December 31, 2018	6,944,643	6,945	39,646,695	96,597,661	136,251,301
Net income	-	-	-	15,387,289	15,387,289
Cash dividends declared	-	-	-	(6,963,534)	(6,963,534)
Stock options exercised	25,798	26	512,994	-	513,020
Stock dividend	348,321	348	7,993,619	(7,993,967)	-
BALANCE — December 31, 2019	7,318,762	$ 7,319	$ 48,153,308	$ 97,027,449	$ 145,188,076

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 15,387,289**	$ 15,304,731
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of deferred loan costs — net of fees	**945,440**	999,381
Provision for credit losses	**352,800**	48,931
Depreciation and amortization	**345,745**	305,971
Deferred income tax expense (benefit)	**-**	(120,217)
Loss on sale of premises and equipment	**-**	7,483
Net (increase) decrease in accrued interest receivable and other assets	**(451,670)**	640,616
Net increase (decrease) in accrued interest payable and other liabilities	**1,838,833**	(1,701,900)
Net cash provided by operating activities	**18,418,437**	15,484,996
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in interest-bearing deposits in banks	**730,000**	975,000
Net increase in loans receivable	**(149,964,378)**	(38,518,667)
Purchase of FHLB stock	**(1,070,500)**	(337,100)
Purchase of premises and equipment	**(231,715)**	(7,224,652)
Net cash used in investing activities	**(150,536,593)**	(45,105,419)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	**46,115,871**	2,048,646
Proceeds from FHLB borrowings	**180,000,000**	100,000,000
Repayment of FHLB borrowings	**(80,000,000)**	(64,000,000)
Dividends paid	**(6,963,534)**	(6,588,872)
Proceeds from exercise of stock options	**513,020**	1,549,335
Net cash provided by financing activities	**139,665,357**	33,009,109
NET CHANGE IN CASH AND CASH EQUIVALENTS	**7,547,201**	3,388,686
CASH AND CASH EQUIVALENTS — Beginning of year	**71,611,373**	68,222,687
CASH AND CASH EQUIVALENTS — End of year	**$ 79,158,574**	$ 71,611,373
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	**$ 12,535,105**	$ 8,134,049
Income taxes	**$ 6,116,000**	$ 5,818,000
SUPPLEMENTAL NONCASH DISCLOSURES		
Lease liabilities arising from right-of-use assets	**$ 4,118,619**	$ -
Dividend - common stock issued	**$ 7,993,967**	$ 8,924,365

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Presentation — The consolidated financial statements include the accounts of Malaga Financial Corporation ("MFC") and its wholly owned subsidiary, Malaga Bank FSB (the "Bank") (collectively, the "Company"). MFC was formed in 2002 to operate as a holding company for the Bank. In 2003, MFC and the Bank completed a holding company reorganization in which MFC acquired all of the outstanding capital stock of the Bank and the shareholders of the Bank became shareholders of MFC. The Company organized Palos Verdes Financial Corporation ("PVFC"), a service corporation, for the acquisition, ownership, development, improvement and management of real property. PVFC is a wholly owned subsidiary of the Bank. PVFC's primary assets are the land and building of the main branch in Palos Verdes Estates and the branch in Torrance. All intercompany balances and transactions have been eliminated in consolidation.

In June 2003, MFC issued $5,155,000 of junior subordinated debentures to PVP Statutory Trust I and in January 2005, MFC issued $2,578,000 of junior subordinated debentures to PVP Statutory Trust II and $5,671,000 of junior subordinated debentures to PVP Statutory Trust III (the "Trusts"). The Company follows generally accepted accounting principles in the United States of America which determine when variable interest entities should be consolidated and determined that the Trusts should not be consolidated. As a result, the consolidated balance sheets include $13,404,000 as junior subordinated debentures. Also included in other assets in the consolidated balance sheet is $404,000 of investments in the Trusts, which is reported using the cost method.

Nature of Operations — The Company's primary operations are related to traditional banking activities, including the acceptance of deposits and the lending and investing of money. The Company's customers consist of individuals and small-to-midsize businesses located primarily in the Palos Verdes Peninsula and adjoining areas of Los Angeles and Orange Counties, California. The Company operates through six locations, five branches and one loan center, including its headquarters located in the city of Palos Verdes Estates, California.

Use of Estimates in the Preparation of Consolidated Financial Statements — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include estimates of the allowance for loan losses and fair value determinations.

Cash and Cash Equivalents — Cash and cash equivalents include cash and due from banks and overnight federal funds sold, all of which have original maturities of less than 90 days at the time of purchase. The Company is required to maintain reserve balances with the Federal Reserve Bank under the Federal Reserve Act. The reserve balance was approximately $9,183,000 and $9,374,000 at December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Company had cash deposits at other financial institutions in excess of the FDIC insured limits. However, the Company places these deposits with major financial institutions and monitors the financial condition of these institutions, and management believes the risk of loss to be minimal.

Interest-Bearing Deposits in Banks — Interest-bearing deposits in banks mature within one year and are carried at cost.

Loans Receivable — Loans receivable are stated at unpaid principal balances, plus premiums on purchased loans, less the allowance for loan losses and unamortized deferred loan origination fees and costs. Premiums on loans are amortized to interest income using the interest method over the remaining period to contractual maturity. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the

cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Impaired loans are measured based on the present value of expected future cash flows discounted at the loans' effective interest rates, the loans' estimated market value, or the fair value of the collateral if the loans are collateral dependent. If the fair value of an impaired loan is less than the carrying value, a specific allowance is included in the allowance for credit losses. Impairment is measured on a loan-by-loan basis for multi-family, construction, and commercial loans. Large groups of smaller balance homogenous loans are collectively evaluated for impairment.

Loans are reported as troubled debt restructurings when the Company grants a concession to a borrower experiencing financial difficulties that it would not otherwise consider. As a result of these concessions, restructured loans are impaired as the Company will not collect all amounts due, both principal and interest, in accordance with the terms of the original loan agreement. Impairment reserves on non-collateral dependent restructured loans are measured by comparing the present value of expected future cash flows on the restructured loans discounted at the interest rate of the original loan agreement to the loan's carrying value. These impairment reserves are recognized as a specific component to be provided for in the allowance for credit losses.

Loan origination fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans. Other loan fees and charges, representing service costs for prepayment of loans, for delinquent payments, or for miscellaneous loan services, are recorded as income when collected.

The Company's lending is concentrated in surrounding areas of Los Angeles and Orange Counties, and substantially all of the Company's loans have adjustable interest rates.

Allowance for Credit Losses — Management's periodic evaluation of the adequacy of the allowance for credit losses is based on the Company's past loan loss experience, known and inherent risks in the loan portfolio, adverse situations that may affect borrowers' ability to repay, estimated values of underlying collateral, and current economic conditions. The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Although management believes that the level of the allowance as of December 31, 2019 is adequate to absorb known and inherent risks in the loan portfolio, no assurances can be given that adverse future economic conditions will not lead to higher amounts of problem loans, provisions for loan losses, or charge-offs.

Buildings, Office Properties, and Equipment — Building, leasehold improvements, office properties, and equipment are carried at cost, less accumulated depreciation and amortization. The cost of the building is depreciated using the straight-line method over 39 years. Office properties and equipment are depreciated using the straight-line method over the estimated useful lives of the assets (three to seven years). The cost of leasehold improvements is being amortized using the straight-line method over the terms of the related leases or the estimated lives of the improvements, whichever is shorter.

Impairment of Long-Lived Assets — Long-lived assets are reviewed at least annually for impairment. When impairment is indicated, the amount of impairment is the excess of the asset's net book value over its fair value. Furthermore, long-lived assets to be disposed of are reported at the lower of historical cost or fair value, less cost to sell.

Federal Home Loan Bank ("FHLB") Stock — The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors. FHLB stock is carried at cost, classified as a restricted security, and both cash and stock dividends are reported as income when earned. An impairment analysis of FHLB stock is performed annually or when events or circumstances indicate possibility of impairment.

Income Taxes — The Company utilizes the liability method in accounting for income taxes. Deferred tax assets or liabilities shown on the balance sheets reflect the tax effects of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in

tax rates for deferred tax assets and liabilities is recognized in income in the period that includes the enacted date.

The Company recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company reviews and evaluates tax positions in its major jurisdictions and determines whether or not there are uncertain tax positions that require financial statement recognition. Based on this review, the Company has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of such guidance for any of the Company's open tax years. The Company files income tax returns in the U.S. federal jurisdiction and in California. The Company is no longer subject to income tax examinations by taxing authorities for years before 2016 for its federal filings and 2015 for its California filings. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state taxes.

Financial Instruments — In the ordinary course of business, the Company has entered into off-balance sheet agreements consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or the related fees are incurred or received.

Capital Stock — The Company's authorized capital stock consists of 20 million shares of common stock and 2,000,000 shares of preferred stock. As of December 31, 2019 and 2018, only common stock was issued and outstanding. All per share amounts have been adjusted to reflect a 5% common stock dividend on each of December 27, 2019 and December 28, 2018. Each common share entitles the holder to one vote on each matter voted on by the shareholders. There are no dividend or liquidation preferences, participation rights, call prices or dates, conversion prices or rates, sinking fund requirements, or unusual voting rights associated with the common shares.

Earnings Per Share ("EPS") — Basic EPS is determined by dividing net income by the average number of shares of common stock outstanding, while diluted EPS is determined by dividing net income by the average number of shares of common stock outstanding, adjusted for the dilutive effect of common stock equivalents. All per share amounts have been adjusted to reflect a 5% common stock dividend on each of December 27, 2019 and December 28, 2018.

Dividends — Dividends are recorded when declared. The Company declared cash dividends of $1.00 per share of common stock in 2019 and 2018. On November 15, 2019, the Company declared a 5% common stock dividend to shareholders of record at the close of business on December 13, 2019 that was paid on December 27, 2019. On November 19, 2018, the Company declared a 5% common stock dividend to shareholders of record at the close of business on December 14, 2018 that was paid on December 28, 2018.

Stock-Based Compensation — Compensation costs relating to stock-based compensation transactions are recognized in the statements of operations based upon the grant-date fair value of the stock-based compensation granted by the Company. The effect of stock-based accounting rules is to require entities to measure the cost of director and employee services received in exchange for stock-based compensation and to recognize the cost over the period the director or employee is required to provide services for the award. The Company uses the Black-Scholes option-pricing model. Forfeitures are accounted for when they occur.

Comprehensive Income — Accounting principles require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in shareholders' equity from non-owner sources, such as unrealized gains and losses on available-for-sale securities or defined benefit pension liability adjustments, among other items, are reported within comprehensive income and shown as a separate component of the equity section in the consolidated balance sheets. The Company does not have any other comprehensive income items for the years ended December 31, 2019 and 2018; therefore, total comprehensive income equals net income.

Revenue Recognition— Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of our revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as our loans and letters of credit, as these activities are subject to other U.S. GAAP discussed elsewhere within our disclosures. Descriptions of our revenue-generating activities that are within the scope of ASC 606, which are presented in our income statements as components of non-

interest income are as follows:

- Service charges on deposit accounts - these represent general service fees for monthly account maintenance and activity- or transaction- based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Recent Accounting Pronouncements — On January 1, 2019, the Company adopted ASU No. 2016-02, Leases (Topic 842) and subsequent amendments thereto, which requires the Company to recognize most leases on the balance sheet. The Company adopted the standard under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including:

- Carry over of historical lease determination and lease classification conclusions
- Carry over of historical initial direct cost balances for existing leases
- Accounting for lease and non-lease components in contracts in which the Company is a lessee as a single lease component

The Company has several lease agreements, such as branch locations, which are considered operating leases, and therefore, were not previously recognized on the Company's consolidated balance sheet. The new guidance requires these lease agreements to be recognized on the consolidated balance sheet as a right-of-use asset and a corresponding lease liability.

Adoption of the leasing standard resulted in the recognition of operating right-of-use assets of $4.1 million and operating lease liabilities of $4.1 million as of January 1, 2019. These amounts were determined based on the present value of remaining minimum lease payments, discounted using the Company's incremental borrowing rate as of the date of adoption. There was no material impact to the timing of expense or income recognition in the Company's consolidated statement of operations. Prior periods were not restated and continue to be presented under legacy U.S. GAAP. Disclosures under the Company's leasing activities are presented in Note 4 – Leases.

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for certain financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates, but will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has deferred the effective date of this ASU to fiscal years beginning on or after December 15, 2022, including interim periods within those fiscal years for public business entities. The Company is currently evaluating the impact of ASU No. 2016-13 on its consolidated financial statements.

2. LOANS RECEIVABLE

Loans receivable as of December 31, 2019 and 2018 are summarized as follows:

Description	2019	2018
Residential mortgage loans–multi-family	**$ 970,912,784**	$ 819,539,147
Residential mortgage loans–single family	**112,695,262**	120,946,500
Commercial real estate loans	**49,718,796**	43,362,456
Land loans	**575,000**	-
Business banking loans	**933,442**	2,820,077
Consumer loans	**203,577**	257,436
	1,135,038,861	986,925,616
Less:		
Allowance for credit losses	**(3,522,662)**	(3,158,400)
Deferred loan costs–net of fees	**8,425,841**	7,508,686
	4,903,179	4,350,286
Total	**$ 1,139,942,040**	$ 991,275,902

As of December 31, 2019 and 2018, loans with adjustable rates of interest (including loans with an initial fixed rate for 1 to 10 years that subsequently convert to adjustable rate) totaled $1.128 billion and $983.6 million, respectively, and loans with fixed rates of interest totaled $6.8 million and $3.3 million, respectively. Adjustable-rate loans are generally indexed to the FHLB's Eleventh District Cost of Funds Index, the 12-Month Constant Maturity Index, the London InterBank Offered Rate (LIBOR), or the prime rate and are subject to limitations on the timing and extent of adjustment. Most adjustable-rate loans adjust within six months of changes in the index rate.

At December 31, 2019 and 2018, real estate loans aggregating $873.1 million and $769.8 million, respectively, were pledged as collateral against FHLB borrowings and real estate loans totaling $180.3 million and $137.1 million, respectively, were pledged to secure deposits held by the State of California. In addition, home equity lines of credit totaling $354,000 and $397,000 were pledged as collateral to the Federal Reserve Bank discount window at December 31, 2019 and 2018, respectively.

Activity in the allowance for credit losses and unfunded loan commitments for the years ended December 31, 2019 and 2018 is summarized as follows:

	2019	2018
Allowance for credit losses:		
Balance — beginning of year	**$ 3,158,400**	$ 3,111,100
Provision for credit losses	**365,300**	53,431
Charge-offs, net	**(1,038)**	(6,131)
Balance — end of year	**$ 3,522,662**	$ 3,158,400
Reserve for unfunded loan commitments:		
Balance — beginning of year	**$ 48,700**	$ 53,200
Provision for (recovery of) losses on unfunded loan commitments	**(12,500)**	(4,500)
Balance — end of year	**$ 36,200**	$ 48,700

A breakdown of the allowance for credit losses as of December 31, 2019 and 2018, by loan type, is as follows:

	Multi-Family	Single Family	Commercial	Construction	Land	Business Banking	Consumer	Total
Balance - December 31, 2017	$ 2,701,100	$ 327,800	$ 44,100	$ 32,300	$ 1,500	$ 2,900	$ 1,400	**$ 3,111,100**
Charge-offs	-	-	-	-	-	-	(8,188)	**(8,188)**
Recoveries	-	-	-	-	-	-	2,057	**2,057**
Provision for (recovery of) credit losses	84,200	(16,600)	12,300	(32,300)	(1,500)	1,000	6,331	**53,431**
Balance - December 31, 2018	$ 2,785,300	$ 311,200	$ 56,400	$ -	$ -	$ 3,900	$ 1,600	**$ 3,158,400**
Charge-offs	-	-	-	-	-	-	(4,596)	**(4,596)**
Recoveries	-	-	-	-	-	-	3,558	**3,558**
Provision for (recovery of) credit losses	417,762	(43,000)	(6,700)	-	-	(2,900)	138	**365,300**
Balance - December 31, 2019	$ 3,203,062	$ 268,200	$ 49,700	$ -	$ -	$ 1,000	$ 700	**$ 3,522,662**

The reserve for unfunded loan commitments is primarily related to undisbursed funds on lines of credit. The Company evaluates credit risk associated with the loan portfolio at the same time it evaluates credit risk associated with the unfunded loan commitments. However, the reserves necessary for the commitments are reported separately in other liabilities in the accompanying consolidated balance sheets and not as part of the allowance for credit losses as presented above.

There were no loans considered to be impaired for the years ended December 31, 2019 and December 31, 2018.

The Company manages asset quality and controls credit risk through diversification of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. The Company's senior management team is charged with monitoring asset quality, establishing credit policies and procedures, and enforcing the consistent application of these policies and procedures across the Company. Reviews of non-performing loans, past due loans, and larger credits are intended to identify potential charges to the allowance for credit losses and to determine the adequacy of the allowance, and are conducted on an ongoing basis. These reviews consider risk factors such as the financial strength of the borrowers, value of the applicable collateral, loan loss experience, estimated loan losses, growth in the loan portfolio, prevailing economic conditions, and other factors, which are collectively evaluated in order to determine if adjustments are necessary to the historical losses of each portfolio segment, the baseline for determining the allowance for credit losses.

The Company uses several credit quality indicators to manage credit risk. The Company's primary credit quality indicators are derived from an internal credit risk rating system that categorizes loans into pass, special mention, or classified categories. A credit risk rating is applied individually to each loan that has significant or unique credit characteristics that benefit from a case-by-case evaluation. The following are the definitions of the categories of the Company's internal credit risk rating:

- Pass: Loans in all classes that comprise the commercial and consumer portfolio segments that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.
- Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.
- Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.
- Doubtful/Loss: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work towards strengthening of the asset, classification as a loss (and immediate charge off) is deferred until more exact status may be determined. In certain circumstances, a doubtful rating will be temporary, while the Company is awaiting an updated collateral valuation. In these cases, once the collateral is valued and appropriate margin applied, the remaining un-collateralized portion will be charged off. The remaining balance, properly margined, may then be upgraded to substandard but must remain on non-accrual. A loss rating is assigned to loans considered un-collectible and of such little value that the continuance as an active Company asset is not warranted. This rating does not mean that the loan has no recovery or salvage value but rather that the loan should be charged off now, even though partial or full recovery may be possible in the future.

Loans with classification of pass, special mention, substandard, and doubtful as of December 31, 2019 and 2018 are summarized as follows:

December 31, 2019					
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Residential mortgage loans — multi-family	$ 970,912,784	$ -	$ -	$ -	**$ 970,912,784**
Residential mortgage loans — single family	112,148,299	-	546,963	-	**112,695,262**
Commercial loans	49,718,796	-	-	-	**49,718,796**
Land loans	575,000	-	-	-	**575,000**
Business banking loans	933,442	-	-	-	**933,442**
Consumer loans	203,577	-	-	-	**203,577**
Total	$ 1,134,491,898	$ -	$ 546,963	$ -	**$ 1,135,038,861**

December 31, 2018					
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Residential mortgage loans — multi-family	$ 819,156,424	$ 382,723	$ -	$ -	**$ 819,539,147**
Residential mortgage loans — single family	120,946,500	-	-	-	**120,946,500**
Commercial loans	43,362,456	-	-	-	**43,362,456**
Land loans	-	-	-	-	**-**
Business banking loans	2,820,077	-	-	-	**2,820,077**
Consumer loans	257,436	-	-	-	**257,436**
Total	$ 986,542,893	$ 382,723	$ -	$ -	**$ 986,925,616**

There were no loans past due as of December 31, 2019 and December 31, 2018. There were two nonaccrual loans totaling approximately $547,000 at December 31, 2019 and no nonaccrual loans at December 31, 2018.

In the ordinary course of business, the Company has granted loans to certain executive officers and directors and the companies with which they are associated. In management's opinion, such loans and commitments to lend were made under terms and prevailing interest rates that are consistent with the Company's normal lending policies. Interest income from loans to executive officers and directors was $439,852 and $434,112 during the years ended December 31, 2019 and 2018, respectively

A summary of related-party loan activity for the years ended December 31, 2019 and 2018 is as follows:

	2019	**2018**
Beginning balance	**$ 10,690,146**	$ 10,689,093
Credit granted — including renewals	**100,000**	806,912
Repayments	**(677,314)**	(805,859)
Ending balance	**$ 10,112,832**	$ 10,690,146

3. BUILDINGS, OFFICE PROPERTIES, AND EQUIPMENT

Buildings, office properties, and equipment as of December 31, 2019 and 2018, are summarized as follows:

	2019	**2018**
Land	**$ 5,930,364**	$ 5,930,364
Building	**6,050,534**	6,050,534
Building improvements	**16,986**	-
Leasehold improvements	**1,359,470**	1,389,396
Equipment	**1,326,351**	1,471,260
Furniture and fixtures	**577,752**	667,486
Operating lease right of use asset	**3,760,110**	-
Construction in progress	**8,337**	1,152
	19,029,904	15,510,192
Accumulated depreciation and amortization	**(3,792,900)**	(3,919,268)
Total	**$ 15,237,004**	$ 11,590,924

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, was $345,745 and $305,971, respectively.

In May 2018, PVFC, a wholly owned subsidiary of the Bank, purchased the land and building which house the Company's main branch and administrative offices in Palos Verdes Estates for $7.1 million.

4. LEASES

The Bank has an operating lease for its Rolling Hills Estates office, San Pedro office, and Torrance Skypark office. The right-of-use ("ROU") asset and operating lease liability are recorded in fixed assets and other liabilities, respectively, in the consolidated statements of financial condition.

The ROU asset represents our right to use an underlying asset during the lease term. Operating lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized based on the present value of the remaining lease payments using a discount rate that represents our incremental borrowing rate at the date of implementation of the new accounting standard.

Each of the three operating leases has one 5-year extension option at the then fair market rate. As these extension options are reasonably certain of exercise, they are included in the lease term. The Bank recorded an initial $4.1 million ROU asset and operating lease liability at January 1, 2019. The Bank has no finance leases.

The Bank recorded operating lease expense costs of $503,493 and $542,111 for the years ended December 31, 2019 and 2018, respectively.

Additional information regarding our operating leases is summarized below for the year ended December 31, 2019:

Cash paid for amounts included in the measurement of lease liabilites for operating leases	$ 503,493
ROU assets obtained in exchange for lease liabilities	$ 3,760,110
Weighted average remaining lease term in months	108
Weighted average discount rate	3.36 %

Future undiscounted lease payments for operating lease with terms of one year or more as of December 31, 2019 are as follows:

Years Ending December 31	
2020	370,742
2021	383,393
2022	396,475
2023	410,003
2024	423,994
Thereafter	1,775,503
Total	$ 3,760,110

5. COMMITMENTS AND CONTINGENCIES

***Off-Balance-Sheet Financial Instruments* —** The Company is a party to financial instruments with off balance-sheet risk, in the normal course of business, to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and financial guarantees. The Company's maximum exposure to credit loss under standby letters of credit, financial guarantees, and commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Company requires collateral to support financial instruments when it is deemed necessary. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but generally includes real estate or deposits held in the Company.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Some of the commitments are expected to expire without being drawn upon; the total commitment amounts do not necessarily represent future cash requirements. The Company had commitments to originate loans of $5.5 million and $15.9 million and undrawn lines of credit previously granted of approximately $23.8 million and $26.3 million at December 31, 2019 and 2018, respectively.

From time to time, the Company enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims and other obligations customarily indemnified in the ordinary course of the Company's business. The terms of such obligations vary, and generally a maximum obligation is not explicitly stated. Therefore, the overall maximum amount of the obligations cannot be reasonably estimated. The most significant of these contracts relate to certain agreements with the Company's officers and directors under which the Company may be required to indemnify such persons for liabilities arising out of their performance of services for the Company. Historically, the Company has not been subject to indemnification claims and no liabilities have been recorded for these obligations on the balance sheet as of December 31, 2019 and 2018.

Collateralized standby letters of credit and financial guarantees written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Management does not anticipate any material losses as a result of these transactions. There were no loan commitments collateralized by standby letters of credit and financial guarantees written at December 31, 2019 and 2018.

Leases — The Company leases office premises under operating leases that expire at various dates through December 31, 2023. Rental expense was $503,493 and $542,111 for the years ended December 31, 2019 and 2018, respectively. The projected minimum rental payments under the terms of the leases as of December 31, 2019 are as follows:

Years Ending December 31	
2020	$ 505,073
2021	505,073
2022	453,335
2023	298,121
2024	123,336
Thereafter	61,668
Total	$ 1,946,606

6. DEPOSITS

Deposit balances and the weighted-average interest rates for each category of deposits as of December 31, 2019 and 2018 are summarized as follows:

	2019		2018	
	Interest Rate	Amount	Interest Rate	Amount
Demand deposits	**- %**	**$ 127,034,654**	- %	$ 116,415,880
NOW accounts	**0.17**	**73,369,677**	0.16	76,164,392
Passbooks	**0.16**	**55,475,954**	0.17	66,015,344
Money market accounts	**0.70**	**240,978,914**	0.46	227,232,509
Certificates of deposit - less than $250,000	**1.55**	**115,195,099**	1.26	121,987,026
Certificates of deposit - $250,000 and over	**1.70**	**191,589,158**	2.03	149,712,434
Total	**0.86**	**$ 803,643,456**	0.77	$ 757,527,585

Certificates of deposit maturities as of December 31, 2019 are summarized as follows:

Years Ending December 31	
2020	$ 236,498,383
2021	16,926,687
2022	13,862,440
2023	18,187,846
2024	21,308,901
Total	$ 306,784,257

As of December 31, 2019 and 2018, the Company had certificates of deposit from the State of California Treasurer's Office of $118 million and $90 million, respectively.

In the ordinary course of business and as part of its normal banking activities, the Company has received deposits from certain directors, major shareholders and officers as well as entities with which these individuals are associated. These related parties had deposits at the Company of $4.1 million and $4.4 million at December 31, 2019 and 2018, respectively. Management believes these transactions were made on substantially the same terms, conditions, and prevailing interest rates as comparable transactions with other customers.

7. FHLB BORROWINGS

A primary additional funding source for the Company is a credit line with the FHLB of San Francisco ("FHLB") of up to 40% of the Company's total assets. Interest is payable monthly at a weighted-average rate of 2.07% as of December 31, 2019. Average FHLB borrowings were $220.5 million and $150.9 million at a weighted-average interest rate of 2.26% and 1.98% in 2019 and 2018, respectively. The FHLB borrowings are collateralized by real estate loans (see Note 2) and the capital stock of the FHLB owned by the Company.

Maturities of FHLB borrowings as of December 31, 2019 are summarized as follows:

Years Ending December 31	
2020	$ 70,000,000
2021	10,000,000
2022	15,000,000
2023	40,000,000
2024	95,000,000
Thereafter	45,000,000
Total	$ 275,000,000

The company had a $4.2 million letter of credit with FHLB as collateral to secure a large local agency deposit at December 31, 2019 and 2018.

8. JUNIOR SUBORDINATED DEBENTURES

MFC has from time to time issued junior subordinated debentures related to concurrent issuances of trust-preferred securities by business trusts formed by MFC in order to generate regulatory capital for the Bank. This capital has a relatively low cost as interest payments on the debentures are deductible for income tax purposes. PVP Statutory Trust I, II, and III were formed by the Company for the sole purpose of issuing trust-preferred securities. For financial reporting purposes, the Trusts are not consolidated and the junior subordinated debentures held by the Trusts, issued and guaranteed by the Company, are reflected within the Company's consolidated balance sheets. MFC's investment in the common trust securities of the trusts is included in other assets on its balance sheets. MFC has unconditionally guaranteed distributions on, and payments on liquidation and redemption of, all of these trust-preferred securities.

In June 2003, MFC issued $5,155,000 of junior subordinated debentures to PVP Statutory Trust I. This trust purchased the debentures with the proceeds of the sale of its common trust securities to MFC for $155,000 and trust-preferred securities in a private placement for $5,000,000. The debentures and trust-preferred securities have generally identical terms, including that they mature in June 2033, are redeemable at par at MFC's option, and require quarterly distributions/interest payments at a variable rate that adjusts quarterly at the three-month LIBOR rate plus 3.10%. The interest rate on the debentures was 5.05% and 5.92% per annum at December 31, 2019 and 2018, respectively.

In January 2005, MFC issued $2,578,000 of junior subordinated debentures to PVP Statutory Trust II. This trust purchased the debentures with the proceeds of the sale of its common trust securities to MFC for $78,000 and trust-preferred securities in a private placement for $2,500,000. The debentures and trust-preferred securities have generally identical terms, including that they mature in March 2035, are redeemable at par at MFC's option and require quarterly distributions/interest payments at a rate that adjusts quarterly at the three-month LIBOR rate plus 1.77%. The interest rate on the debentures was 3.66% and 4.56% per annum at December 31, 2019 and 2018, respectively.

In January 2005, MFC issued $5,671,000 of junior subordinated debentures to PVP Statutory Trust III. This trust purchased the debentures with the proceeds of the sale of its common trust securities to MFC for $171,000 and trust-preferred securities in a private placement for $5,500,000. The debentures and trust-preferred securities have generally identical terms, including that they mature in March 2035, are redeemable at par at MFC's option and require quarterly distributions/interest payments at a variable rate that adjusts quarterly at the three-month LIBOR rate plus 1.77%. The interest rate on the debentures was 3.66% and 4.56% per annum at December 31, 2019 and 2018, respectively.

9. INCOME TAXES

A summary of income tax provision for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Current:		
State	**$ 2,323,595**	$ 2,276,407
Federal	**4,101,105**	3,934,810
Total current	**6,424,700**	6,211,217
Deferred:		
State	**60,563**	(32,754)
Federal	**(60,563)**	(87,463)
Total deferred	**-**	(120,217)
Total	**$ 6,424,700**	$ 6,091,000

The components of the net deferred liability as of December 31, 2019 and 2018 are as follows:

	2019	2018
FEDERAL		
Deferred tax liabilities:		
Loan fees/costs	**$ (2,152,997)**	$ (2,021,140)
FHLB dividends	**(318,975)**	(318,975)
Depreciation	**(19,856)**	(17,551)
Other	**(43,177)**	(83,191)
Gross deferred tax liability	**(2,535,005)**	(2,440,857)
Deferred tax assets:		
California franchise tax	**678,035**	655,407
Depreciation	**-**	-
Bad debt and loan loss deduction	**672,725**	679,422
Other	**139,213**	433
Gross deferred tax asset	**1,489,973**	1,335,262
Net deferred tax liability	**$ (1,045,032)**	$ (1,105,595)

	2019	2018
STATE		
Deferred tax liabilities:		
Loan fees/costs	**$ (1,111,356)**	$ (1,043,293)
FHLB dividends	**(164,652)**	(164,652)
Depreciation	**-**	-
Other	**(22,288)**	(42,942)
Gross deferred tax liability	**(1,298,296)**	(1,250,887)
Deferred tax assets:		
California franchise tax	**-**	-
Depreciation	**33,052**	41,443
Bad debt and loan loss deduction	**347,254**	350,711
Other	**12,849**	14,155
Gross deferred tax asset	**393,155**	406,309
Net deferred tax liability	**$ (905,141)**	$ (844,578)

A reconciliation of total income tax expense for 2019 and 2018 to the expected tax expense computed by applying the statutory corporate income tax rate to pretax income for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Amount	Percent	Amount	Percent
Tax expense at statutory rates	**$ 4,580,518**	**21 %**	$ 4,493,103	21 %
State franchise tax — net of federal benefit	**1,883,485**	**9**	1,772,486	8
Other	**(39,303)**	**(1)**	(174,589)	(1)
Total	**$ 6,424,700**	**29 %**	$ 6,091,000	28 %

10. REGULATORY CAPITAL

MFC and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on MFC's and the Bank's financial statements. Under capital adequacy guidelines, MFC and the Bank must meet specific capital adequacy guidelines that involve quantitative measures of MFC's and the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. MFC's and the Bank's capital classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require MFC and the Bank to maintain minimum amounts and ratios (set forth in the following table) of Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1, common equity Tier 1 and total capital (as defined) to risk-weighted assets (as defined). Management believes, as of December 31, 2019 and 2018, that MFC and the Bank met all regulatory capital requirements to which they were subject.

The Bank has been notified by the Office of the Comptroller of the Currency that, as of its most recent regulatory examination, the Bank is regarded as "well capitalized" under the regulatory framework for prompt corrective action. Such determination has been made based on the Bank's Tier 1, common equity Tier 1, total capital and leverage ratios. There have been no conditions or events since this notification that management believes would change the Bank's categorization as well capitalized under the ratios listed below.

MFC's and the Bank's capital amounts and ratios are substantially the same. The Bank's actual and required capital amounts and ratios are as follows:

	Actual		For Capital Adequacy Purposes		Applicable Federal Regulatory Requirements to be Categorized as Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019:						
Tier 1 capital to average assets	$ 156,101,746	12.70 %	$ 49,171,341	4.00 %	$ 61,464,177	5.00 %
Total capital to risk-weighted assets	159,660,608	22.88	55,827,838	8.00	69,784,797	10.00
Common Tier 1 capital to risk-weighted assets	156,101,746	22.37	31,403,159	4.50	45,360,118	6.50
Tier 1 capital to risk-weighted assets	156,101,746	22.37	41,870,878	6.00	55,827,838	8.00
As of December 31, 2018:						
Tier 1 capital to average assets	$ 146,644,974	13.64 %	$ 43,008,235	4.00 %	$ 53,760,294	5.00 %
Total capital to risk-weighted assets	149,852,073	25.22	47,527,266	8.00	59,409,083	10.00
Common Tier 1 capital to risk-weighted assets	146,644,974	24.68	26,734,087	4.50	38,615,904	6.50
Tier 1 capital to risk-weighted assets	146,644,974	24.68	35,645,450	6.00	47,527,266	8.00

Since 2016, FDIC insured financial institutions have been required to maintain a "capital conservation buffer" which started at 0.625% in 2016, and increased to 1.25% in 2017, 1.875% in 2018 and 2.50% in 2019 and thereafter. If a financial institution's capital conservation buffer is less than the specified amount of the institution's risk weighted assets at the end of any quarter, the institution will be subject to restrictions on certain activities including payment of cash dividends, stock repurchases, and discretionary bonuses to executive officers. During 2019 and 2018, the Bank's capital conservation buffer exceeded the specified percentage of risk weighted assets.

Regulations of the FDIC do not permit the Bank to pay cash dividends on its common stock if the Bank is, or would be following the payment of the cash dividend, not in compliance with its regulatory capital requirements.

11. STOCK OPTION PLANS

MFC has one stock option plan, the 2017 Stock Option Plan ("2017 Plan"). The 2017 Plan authorizes MFC to issue to officers, directors, employees, and consultants of the Company up to 358,863 shares of common stock upon exercise of options. The exercise price of each option granted under the 2017 Plan may not be less than the fair market value of the common stock on the date of grant and the term of any option may not exceed 10 years. The 2017 Plan expires on December 31, 2026.

MFC had two stock option plans, the 2003 Stock Option Plan ("2003 Plan") and the 2007 Director Stock Option Plan ("2007 Director Plan"). The 2003 Plan authorized MFC to issue to officers, directors, employees, and consultants of the Company up to 402,987 shares of the common stock upon exercise of options. The exercise price of options granted under the 2003 Plan could not be less than the fair market value of the common stock on the date of grant and the term of any option could not exceed 10 years. The 2003 Stock Option Plan was replaced by the 2017 Plan in June 2017.

Under the 2007 Director Plan, MFC could issue up to 694,575 shares of common stock pursuant to automatic grants to each director on January 1 of each year of an option to purchase 10,650 shares of common stock. The exercise price of each option granted under the 2007 Director Plan was the fair market value of the common stock on the date the option was granted. Each option granted under the 2007 Director Plan vested one year from the date the option was granted and expired five years from the date of grant, subject to earlier termination if the optionee ceases to be a director. No options could be granted under the 2007 Director Plan after January 1, 2017. The 2007 Director Plan was replaced by the 2017 Plan in June 2017.

Stock-based compensation expense was $0 for 2019 and 2018.

The status of shares subject to options and exercise prices during the year ended December 31, 2019 is as follows:

	Number of Options	Weighted–Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding — beginning of year	146,400	$ 20.07		$ 428,952
Granted	-	-		-
Exercised	(27,087)	18.94		(109,973)
Expired	(10,650)	16.45		(69,732)
Outstanding — end of year	108,663	$ 20.71	1.32	$ 248,973
Vested and exercisable — year-end	108,663	$ 20.71	1.32	$ 248,973
Shares available	358,863			

At December 31, 2019, the range of exercise prices was $18.10 - $22.58.

Certain information regarding options for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Weighted-average fair value of stock options granted during the year	$ -	$ -
Total intrinsic value of options exercised	109,981	770,619
Tax benefit from options exercised	4,000	259,000
Total fair value of shares vested	-	143,422

There were no stock options granted for the years ended December 31, 2019 and 2018.

12. EARNINGS PER SHARE ("EPS")

A reconciliation of the numerator and denominator of the basic and diluted EPS computation for the years ended December 31, 2019 and 2018 is as follows. For the years ended December 31, 2019 and 2018, the dilutive effect of all options outstanding is included in the determination of diluted EPS since there were no options outstanding with an exercise price which exceeded the average marketprice of the Company's common stock for those years.

On December 27, 2019, the Company paid a 5% common stock dividend that increased the number of shares outstanding by 348,321. On December 28, 2018, the Company paid a 5% common stock dividend that increased the number of shares outstanding by 330,532.

	2019			2018		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Income available to common stockholders	$ 15,387,289	7,302,140	$ 2.11	$ 15,304,731	7,249,755	$ 2.11
Effect of Dilutive Securities						
Options — common stock equivalents	-	16,887	(0.01)	-	60,587	(0.02)
Diluted EPS						
Income available to common stockholders, plus assumed conversion	$ 15,387,289	7,319,027	$ 2.10	$ 15,304,731	7,310,342	$ 2.09

13. ESTIMATED FAIR VALUE INFORMATION

ASC Topic 820 provides a framework for measuring fair value under U.S. GAAP. This standard applies to all financial assets and liabilities that are being measured and reported at fair value on a recurring and nonrecurring basis.

As defined in ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company may use various methods, including market and income approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The hierarchy ranks the quality and reliability of the information used to determine fair values. The hierarchy gives the highest priority to quoted prices available in active markets and the lowest priority to data lacking transparency. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 — Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be derived from or corroborated by observable market data by correlation or other means.

Level 3 — Significant unobservable inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There were no impaired loans at December 31, 2019 and December 31, 2018.

Financial assets and liabilities recorded at carrying value have estimated fair value amounts determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. In some cases, book value is a reasonable estimate of fair value due to the relative short period of time between origination of the instrument and its expected realization. The valuation of loans receivable held for investment was impacted by the adoption of ASU 2016-01. In accordance with ASU 2016-01, the fair value of loans held for investment is estimated using discounted cash flow analysis. The discount rates used to determine fair value use interest rate spreads that reflect factors such as liquidity, credit and nonperformance risk of the loans. Loans are considered a Level 3 classification. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts as of December 31, 2019 and 2018:

2019					
			Fair Value Measurement Using		
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 79,159,000	$ 79,159,000	$ 79,159,000	$ -	$ -
Interest-bearing deposits in banks	1,470,000	1,470,000	-	1,470,000	-
Loans receivable	1,139,942,000	1,158,021,000	-	-	1,158,021,000
Accrued interest receivable	3,544,000	3,544,000	3,544,000	-	-
Investment in FHLB stock	7,830,000	7,830,000	-	7,830,000	-
Liabilities:					
Deposits	803,643,000	804,443,000	-	804,443,000	-
FHLB borrowings	275,000,000	276,101,000	-	276,101,000	-
Junior subordinated debentures	13,404,000	15,624,000	-	15,624,000	-
Accrued interest payable	297,000	297,000	297,000	-	-

2018					
			Fair Value Measurement Using		
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 71,611,000	$ 71,611,000	$ 71,611,000	$ -	$ -
Interest-bearing deposits in banks	2,200,000	2,200,000	-	2,200,000	-
Loans receivable	991,276,000	998,696,000	-	-	998,696,000
Accrued interest receivable	3,033,000	3,033,000	3,033,000	-	-
Investment in FHLB stock	6,760,000	6,760,000	-	6,760,000	-
Liabilities:					
Deposits	757,528,000	755,386,000	-	755,386,000	-
FHLB borrowings	175,000,000	173,252,000	-	173,252,000	-
Junior subordinated debentures	13,404,000	15,431,000	-	15,431,000	-
Accrued interest payable	388,000	388,000	388,000	-	-

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 20, 2020, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that required disclosure in the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of
Malaga Financial Corporation and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Malaga Financial Corporation and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 Malaga Financial Corporation and its subsidiary as of December 31, 2019 and 2018, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Malaga Financial Corporation and its subsidiary's internal control over financial reporting as of December 31, 2019, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated February 20, 2020, expressed an unmodified opinion.

Moss Adams LLP

Los Angeles, California
February 20, 2020

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

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Chairman of the Board

Jerry A. Donahue*
Corporate Secretary

Raymond L. Craemer, M.D.*

Leo K. C. Lee*

Richard A. Oas, M.D.*

Jasna Penich*

Andrew C. T. Sheng, D.M.D.*

Doug Wible*

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President / Chief Executive Officer

Jasna Penich*
Executive Vice President
Chief Financial Officer

Mel Hashimoto
Vice President
Controller

Donald Lee
Vice President
BSA Officer/Risk Specialist

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Vice President
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Maureen Bray
Assistant Vice President
Creative Marketing Director

Sheree Carroll
Assistant Vice President
Security Officer

Gayle CdeBaca
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Branch Administrator

Rose Mary Callahan
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Naher Elramly
Vice President
Branch Services Manager

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Retail Banking Manager

Helen Stoddart
Assistant Vice President
Retail Banking Manager

Ana Straser
Assistant Vice President
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Income Property Loan Officer

Mark Smith
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Business Banking

John Tellenbach
Senior Vice President
Chief Credit Officer

Nina Brister
Vice President
Loan Service / Funding Manager

Cathy Jaramillo
Vice President
Loan Processing Manager

*Directors or Officers of MFC and Malaga Bank.

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MALAGA FINANCIAL CORPORATION

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