(December 2017)

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-0123

Department of the Treasury Internal Revenue Service Reporting Issuer Issuer's employer identification number (EIN) Issuer's name xxxxx3309 MALAGA FINANCIAL CORPORATION 3 Name of contact for additional information Telephone No. of contact Email address of contact JASNA PENICH JPENICH@MALAGABANK.COM 310-375-9000 EXT 2013 Number and street (or P.O. box if mail is not delivered to street address) of contact 6 City, town, or post office, state, and ZIP code of contact PALOS VERDES ESTATES, CA 90274 2514 VIA TEJON Date of action Classification and description **DECEMBER 28, 2018** 5% STOCK DIVIDEND CUSIP number 11 Serial Number(s) 12 Ticker symbol 13 Account number(s) 561046 **MLGF** N/A N/A Organizational Action Attach additional statements if needed. See back of form for additional questions Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action > On November 19, 2018, Malaga Financial Corporation ('Company') announced a 5% stock dividend. The dividend was payable on December 28, 2018 to shareholders of record as of December 14, 2018. Cash in lieu was paid on fractional shares based on the stock's market value at close of business on December 14, 2018 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis > Each shareholder received a 5% increase in the number of shares that they held on December 14, 2018. Company had 6,614,111 shares of record on December 14, 2018. Therefore, as a result of this 5% stock dividend an additional 330,532 shares were issued on December 28, 2018 with the remaining 173.55 fractional shares paid in cash. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ On December 14, 2018, (record date) the market value of the Company's common stock was \$27.00 per share prior to the stock dividend paid. The change in basis to the individual shareholder as a result of this stock dividend would be calculated by taking the adjusted basis of the old stock (that is of the stock on which the dividend was distributed) and allocating it between the old and new stock on the date of distribution. This organizational action would result in a decrease per share basis and an increase in the number of shares held by each taxpayer.

Part II	Organizational Action (continued)	
	e applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ al Revenue Code sections 302 and 307	
	ny resulting loss be recognized? ► ulting loss is recognized on the date of distribution to each shareholder.	
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Provide any other information necessary to implement the adjustment, such as the reportable tax year ► The 5% stock dividend was issued to shareholders of record on December 14, 2018 and payable on December 28, 2018.		
	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best	st of my knowledge and
Sign Here	belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any Signature Date	
пете		
	V	
	Print your name ► JASNA PENICH Title ► EVP/CFO	-
Paid Preparer	Print/Type preparer's name Preparer's signature Date	Check if self-employed
Use Only	Firm's name ▶	Firm's EIN ▶
	Firm's address ▶	Phone no.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054