

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name <u>MALAGA FINANCIAL CORPORATION</u>	2 Issuer's employer identification number (EIN) <u>72-1553309</u>		
3 Name of contact for additional information <u>JASNA PENICH</u>	4 Telephone No. of contact <u>310-375-9000 EXT 2013</u>	5 Email address of contact <u>JPENICH@MALAGABANK.COM</u>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <u>2514 VIA TEJON</u>	7 City, town, or post office, state, and ZIP code of contact <u>PALOS VERDES ESTATES, CA 90274</u>		
8 Date of action <u>DECEMBER 27, 2019</u>	9 Classification and description <u>5% STOCK DIVIDEND</u>		
10 CUSIP number <u>561046</u>	11 Serial Number(s) <u>N/A</u>	12 Ticker symbol <u>MLGF</u>	13 Account number(s) <u>N/A</u>

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 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 15, 2019, Malaga Financial Corporation ('Company') announced a 5% stock dividend. The dividend was payable on December 27, 2019 to shareholders of record as of December 13, 2019. Cash in lieu was paid on fractional shares based on the stock's market value at close of business on December 13, 2019.

15 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 13, 2019. Company had 6,970,441 shares of record on December 13, 2019. Therefore, as a result of this 5% stock dividend an additional 348,321 shares were issued on December 27, 2019 with the remaining 201.05 fractional shares paid in cash.

16 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 13, 2019, (record date) the market value of the Company's common stock was \$22.95 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)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ►
Internal Revenue Code sections 302 and 307

Blank lines for listing Internal Revenue Code sections.

18 Can any resulting loss be recognized? ►
No resulting loss is recognized on the date of distribution to each shareholder.

Blank lines for providing information regarding resulting loss.

19 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 13, 2019 and payable on December 27, 2019.

Blank lines for providing other necessary information.

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.				
	Signature ►	<i>Jasna Penich</i>		Date ►	
Paid Preparer Use Only	Print your name ►	JASNA PENICH		Title ►	EVP/CFO
	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ►				Firm's EIN ►
	Firm's address ►				Phone no.