

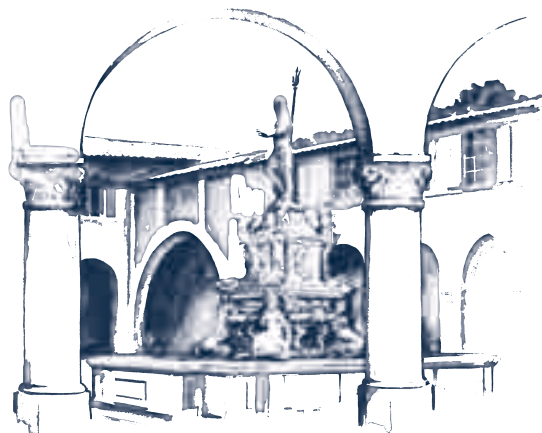
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MALAGA
FINANCIAL CORPORATION

A N N U A L R E P O R T

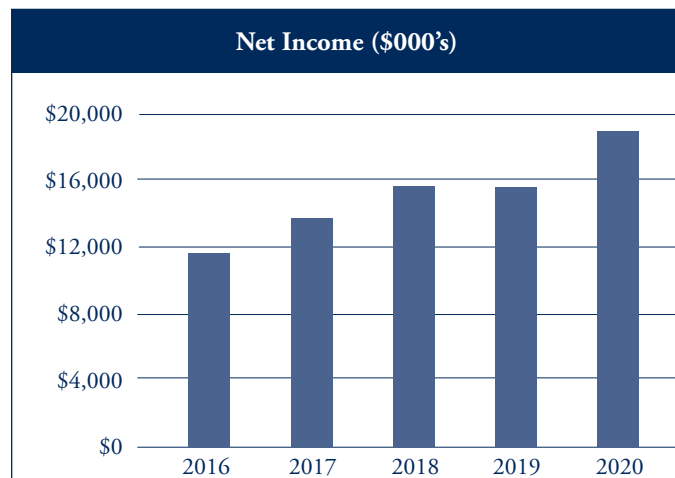
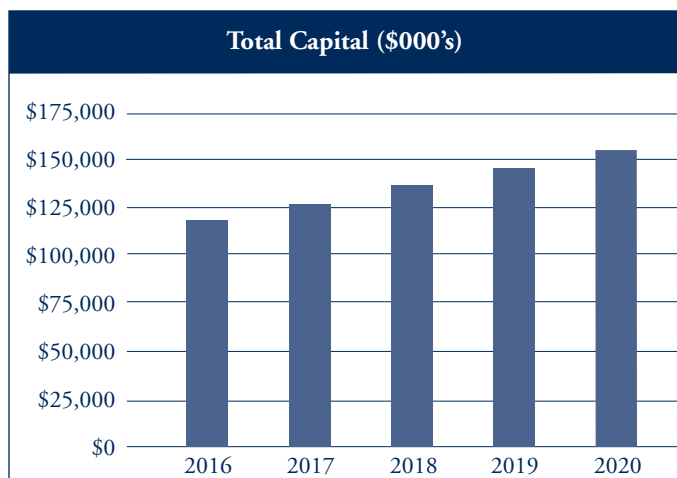


We wish to express our thanks for the opportunity to serve the residents and businesses of Palos Verdes and the surrounding communities for the last thirty-six years. We look forward to continuing to be your local community bank of choice in the years to come.

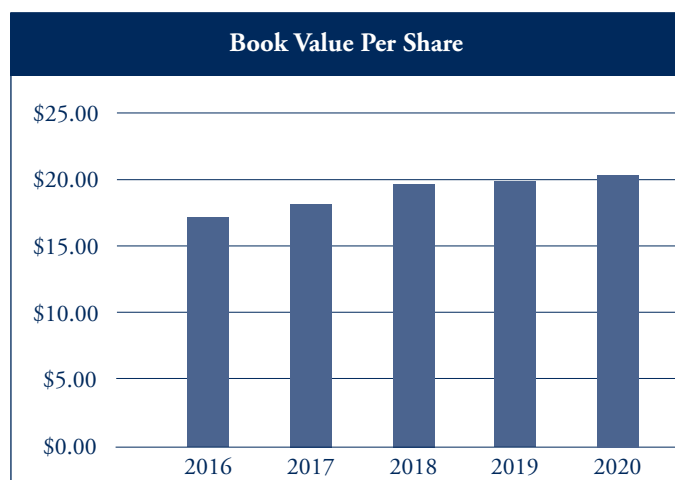
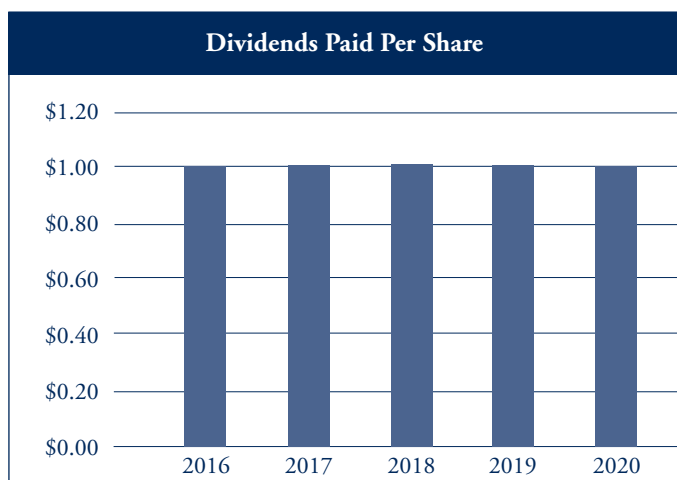


FINANCIAL STRENGTH

Strong and Increasing Capital and Income



Shareholder Value



2020 ACCOMPLISHMENTS

Increased earnings for the 6th consecutive year.

Excellent asset quality.

Strong capital levels.

Quarterly cash dividends for the 66th consecutive quarter and special 5% common stock dividend at year-end 2020.

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 research firms, Bauer Financial.

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

DEAR SHAREHOLDERS AND FRIENDS,

2020 was a year that presented challenges unlike any previously experienced. The pandemic took hold toward the end of the 1st Quarter followed by the severe economic impact in the 2nd Quarter. We continue to struggle with these issues in 2021 and anticipate continuing to do so throughout the remainder of the year. Fortunately, vaccination efforts are well underway and we believe brighter days are ahead. In spite of these extraordinary events, Malaga Financial Corporation posted increased earnings for the 6th 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 \$2,947,000 or 19% from the prior year's record earnings.

Shareholders were rewarded with \$1.00 per share cash dividends during the year in addition to the 4th consecutive year-end 5% common stock dividend. Total cash dividends paid in 2020 increased by \$371,436 compared to the prior year, primarily as a result of the stock dividend issued at year-end 2019.

Competition for quality loans and deposits continued to be significant; however, our increased marketing and origination efforts enabled us to achieve modest growth in our loan portfolio. To address uncertainty in the real estate market, we tightened our underwriting guidelines early in 2020 and continue to adhere to those standards currently. 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 disruption in the market.

Highlights of 2020 are as follows:

- Book value per share increased from \$18.89 to \$20.32 after adjusting for the issuance of the 5% common stock dividend
- Earnings per share of \$2.38 (basic and fully diluted) compared to \$2.01 (basic) and \$2.00 (fully diluted) after adjusting for the issuance of the 5% common stock dividend
- Net income of \$18.3 million
- Return on average equity (ROE) was 12.15%
- Return on average assets (ROA) was 1.43%
- Excellent credit quality with no non-performing assets/foreclosures at year-end
- Capital levels remained stable with a 12.80% core capital ratio and a 22.76% risk-based ratio at year-end 2020, substantially exceeding the minimum "well-capitalized" requirements of 5% and 10%, respectively
- Net loans at December 31, 2020 were \$1.193 billion, up \$53.0 million or 5% from prior year-end

Malaga Bank was awarded the Bauer Financial Inc. premier Top 5-Star rating for the 52nd consecutive quarter as of December 2020. Bauer Financial Inc. is one of the nation's leading independent bank rating and research firms. In July 2020, Malaga Bank was once again awarded the Daily Breeze 29th annual Reader's Choice Award as South Bay's Best Bank.

We expect 2021 to continue to be challenging; however, we believe we are positioned to address the obstacles ahead and anticipate 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 we thank 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, 2020, multifamily mortgage loans represented 86% of our loan portfolio and loans represented 91% of our total assets.

In 2020, 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 \$18.3 million in 2020 compared to net income of \$15.4 million in the previous year, an increase of \$2.9 million or 19%. Earnings per share for 2020 were \$2.38 (basic and fully diluted), compared to \$2.01 (basic) and \$2.00 (fully diluted) in 2019.

Our return on average assets (ROA) was 1.43% in 2020 compared to 1.33% in 2019. Our return on average equity (ROE) was 12.15% in 2020 compared to 10.94% in 2019.

The following table sets forth selected financial data for the past five years:					
	2020	2019	2018	2017	2016
Total assets (000's)	\$1,312,294	\$1,248,210	\$1,087,559	\$1,041,067	\$ 981,376
Stockholders' equity (000's)	\$ 156,380	\$ 145,188	\$ 136,251	\$ 125,986	\$ 117,341
Net income (000's)	\$ 18,335	\$ 15,387	\$ 15,305	\$ 13,500	\$ 11,559
Basic earnings per share*	\$ 2.38	\$ 2.01	\$ 2.01	\$ 1.80	\$ 1.55
Diluted earnings per share*	\$ 2.38	\$ 2.00	\$ 1.99	\$ 1.77	\$ 1.54
Cash dividends paid per share	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
ROA	1.43%	1.33%	1.44%	1.33%	1.16%
ROE	12.15%	10.94%	11.65%	11.12%	10.09%

*Adjusted for the 5% stock dividend on December 29, 2020, December 27, 2019, December 28, 2018 and December 29, 2017.

On December 29, 2020, MFC paid a 5% common stock dividend which increased the number of shares outstanding by 366,239. On December 27, 2019, MFC paid a 5% common stock dividend that increased the number of shares outstanding by 348,321.

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 2020, net interest income totaled \$37,638,000, an increase of \$4,569,000 or 14% from 2019. This increase reflected a \$9.3 million increase in the excess of average interest-earning assets over interest-bearing liabilities and an increase of 0.10% in the interest rate spread to 2.91%. The increase in the interest rate spread was primarily attributable to the decrease in the average cost of funds of 0.29% offset by a decrease in the yield on average interest-earning assets of 0.19%. The overall decrease in yields is due to significant decrease in interest rates in 2020.

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

	2020		2019	
	(000's)		(000's)	
Loans receivable	\$1,164,110	4.08%	\$1,054,684	4.14%
Federal funds sold	73,882	0.40	50,082	2.14
Interest-bearing deposits in banks	3,789	1.64	11,175	2.31
FHLB stock	7,988	5.02	7,170	7.00
Total interest-earning assets	1,249,769	3.86	1,123,111	4.05
Deposits	822,256	0.57	771,718	0.88
FHLB borrowings	287,278	1.94	220,485	2.26
Junior subordinated debentures	13,404	3.12	13,404	4.79
Total interest-bearing liabilities	1,122,938	0.95	1,005,607	1.24
Excess of interest-earning assets over interest-bearing liabilities; interest rate spread	\$ 126,831	2.91%	\$ 117,504	2.81%

PROVISIONS FOR CREDIT LOSSES

We recorded a provision for credit losses of \$162,000 in 2020 versus \$353,000 in 2019. The decrease in the annual provision was due to lower net loan growth of \$54.6 million in 2020 versus \$150.0 million in 2019. There were no charge-offs in 2020 and two charge-offs totaling \$4,600 in 2019.

OTHER OPERATING INCOME

Other operating income, which consists primarily of deposit related fees, decreased \$85,000 from 2019 to 2020.

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 increased \$500,000 or 4% from \$11.8 million in 2019 to \$12.3 million in 2020. This increase was due primarily to increases in deposit insurance premium of \$262,000, a \$62,000 increase in professional services, a \$54,000 increase in general and administrative expenses and a \$92,000 increase in data processing expenses.

At December 31, 2020 and 2019, we employed 73 and 79 full-time equivalent employees, respectively, with an average of 8.42 and 7.8 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 31.17% in 2020 and 33.50% in 2019 continued to be very favorable compared to the efficiency ratios of our peers, insured savings banks having assets greater than \$1 billion, which averaged 65.42% in 2020 and 66.83% in 2019. Another measure of overhead efficiency is the percentage of overhead expense to average assets. Malaga Bank's ratio was 0.94% in 2020 and 1.00% in 2019, which compared favorably with our peer group average of 2.46% and 2.54% in 2020 and 2019, respectively. Malaga Bank had \$17.97 million in average assets per employee at December 31, 2020 as compared to \$15.79 million in average assets per employee at December 31, 2019.

FINANCIAL CONDITION

Total assets increased to \$1.312 billion at December 31, 2020 from \$1.248 billion at December 31, 2019. This \$64 million increase represents a 5% increase over prior year and was centered in growth of the loan portfolio.

LOAN PORTFOLIO

Total net loans at December 31, 2020 were \$1.193 billion, up \$53.0 million or 5% 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, 2020. The weighted-average yield on the loan portfolio was 4.08% for 2020 and 4.14% for 2019. Increased marketing and origination efforts along with strategic pricing enable us to achieve our growth objectives and disciplined credit culture.

CREDIT LOSS RESERVES AND NON-PERFORMING ASSETS

Our allowance for credit losses, including reserves for losses on commitments for lines of credit, totaled \$3.7 million at December 31, 2020 and \$3.5 million at December 31, 2019. As of December 31, 2020 and 2019, there were no loans past due 30 days. Our allowance for credit losses to total loans outstanding was 0.31% at December 31, 2020 and December 31, 2019.

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.

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, 2020 and December 31, 2019 includes in "Other liabilities" a liability of \$3.4 million and \$3.8 million respectively relating to our operating leases and a right of use asset of \$3.4 million and \$3.8 million in "Building, office properties and equipment."

DEPOSITS

Our deposit strategy in 2020 continued to focus on attracting core customer relationships at our branches. Total deposits increased by \$50.3 million to \$853.9 million at December 31, 2020. During the year, non-interest bearing demand deposits increased \$33.6 million to \$160.6 million, lower cost money market and other accounts increased \$53.0 million to \$422.9 million and certificates of deposit decreased \$36.4 million to \$270.4 million. At December 31, 2020, we had outstanding certificates of deposit from the State of California totaling \$60 million bearing interest at a weighted-average rate of 0.14%. Our weighted-average cost of deposits was 0.38% at December 31, 2020 and 0.86% at December 31, 2019.

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, 2020, we had FHLB borrowings totaling \$280.0 million as compared to \$275.0 million at December 31, 2019. Our FHLB borrowings at December 31, 2020 had an average remaining maturity of 44 months and bore interest at a weighted-average rate of 1.94%. At that date, we had approximately \$219 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, 2020 and 2019, MFC had \$13.4 million junior subordinated debentures outstanding bearing interest at a weighted-average rate of 2.51% and 4.20% per annum, respectively. These debentures mature commencing in 2033.

STOCKHOLDERS' EQUITY AND REGULATORY CAPITAL

Our stockholders' equity grew by \$11.2 million or 8% to \$156.4 million at December 31, 2020, from \$145.2 million at December 31, 2019. The increase was due principally to net income of \$18.3 million and cash proceeds from the exercise of stock options of \$193,000, net of \$7.3 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, 2020 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	12.80%	4.00%	5.00%
Total Capital to Risk-Weighted Assets	22.76%	8.00%	10.00%
Common Tier 1 Capital to Risk-Weighted Assets	22.26%	4.50%	6.50%
Tier 1 Capital to Risk-Weighted Assets	22.26%	6.00%	8.00%

STOCKHOLDERS AND STOCK INFORMATION

At December 31, 2020, MFC had 148 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 29, 2020 and December 27, 2019, MFC paid a 5% common stock dividend to its stockholders.

MALAGA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31

	2020	2019
ASSETS		
Cash and due from banks	\$ 11,186,374	\$ 20,073,983
Federal funds sold	79,617,774	59,084,591
Cash and cash equivalents	90,804,148	79,158,574
Interest-bearing deposits in banks	490,000	1,470,000
Loans receivable — Net of allowance for credit loss of \$3,686,000 (2020) and \$3,522,662 (2019)	1,193,369,819	1,139,942,040
Accrued interest receivable	3,619,542	3,543,644
Building, office properties, and equipment — Net	14,584,156	15,237,004
Investment in FHLB stock — At cost	8,059,400	7,830,000
Other assets	1,366,497	1,028,851
TOTAL	\$ 1,312,293,562	\$ 1,248,210,113

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Deposits:

Noninterest-bearing	\$ 160,567,577	\$ 127,034,654
Interest-bearing	693,339,530	676,608,802
Total deposits	853,907,107	803,643,456
FHLB borrowings	280,000,000	275,000,000
Junior subordinated debentures	13,404,000	13,404,000
Accrued interest payable	36,348	297,267
Other liabilities	6,865,213	8,727,141
Deferred tax liability	1,700,555	1,950,173
Total liabilities	1,155,913,223	1,103,022,037

COMMITMENTS AND CONTINGENCIES (Note 5)

STOCKHOLDERS' EQUITY:

Common stock, \$.001 par value — authorized, 20,000,000 shares; outstanding 7,695,651 shares (2020) and 7,318,762 shares (2019)	7,696	7,319
Additional paid-in capital	57,135,399	48,153,308
Retained earnings	99,237,244	97,027,449
Total stockholders' equity	156,380,339	145,188,076
TOTAL	\$ 1,312,293,562	\$ 1,248,210,113

See notes to consolidated financial statements.

MALAGA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31

	2020	2019
INTEREST INCOME:		
Loans	\$ 47,549,347	\$ 43,664,821
Other investments	759,901	1,848,843
Total interest income	48,309,248	45,513,664
INTEREST EXPENSE:		
Deposits	4,673,360	6,812,262
Borrowings	5,578,916	4,989,497
Junior subordinated debentures	418,593	642,576
Total interest expense	10,670,869	12,444,335
NET INTEREST INCOME	37,638,379	33,069,329
PROVISION FOR CREDIT LOSSES	161,836	352,800
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	37,476,543	32,716,529
OTHER OPERATING INCOME	785,062	870,342
OTHER OPERATING EXPENSE:		
Compensation	7,360,059	7,339,834
Office rent and utilities	851,972	836,844
Professional services	241,621	179,259
Data processing	1,143,784	1,051,564
Deposit insurance premiums	325,773	64,277
Depreciation and amortization	357,480	345,745
General and administrative	2,011,015	1,957,359
Total other operating expense	12,291,704	11,774,882
INCOME BEFORE PROVISION FOR INCOME TAXES	25,969,901	21,811,989
PROVISION FOR INCOME TAXES	7,635,400	6,424,700
NET INCOME	\$ 18,334,501	\$ 15,387,289
BASIC EARNINGS PER SHARE	\$ 2.38	\$ 2.01
DILUTED EARNINGS PER SHARE	\$ 2.38	\$ 2.00

See notes to consolidated financial statements.

MALAGA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Number of Shares	Amount			
BALANCE — January 1, 2019	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
Net income	-	-	-	18,334,501	18,334,501
Cash dividends declared	-	-	-	(7,334,970)	(7,334,970)
Stock options exercised	10,650	10	192,722	-	192,732
Stock dividend	366,239	367	8,789,369	(8,789,736)	-
BALANCE — December 31, 2020	7,695,651	\$ 7,696	\$ 57,135,399	\$ 99,237,244	\$ 156,380,339

See notes to consolidated financial statements.

MALAGA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 18,334,501	\$ 15,387,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of deferred loan costs — net of fees	975,032	945,440
Provision for credit losses	161,836	352,800
Depreciation and amortization	357,480	345,745
Deferred income tax (benefit)	(249,618)	-
Net (increase) in accrued interest receivable and other assets	(42,802)	(451,670)
Net (decrease) increase in accrued interest payable and other liabilities	(2,122,847)	1,838,833
Net cash provided by operating activities	17,413,582	18,418,437
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in interest-bearing deposits in banks	980,000	730,000
Net increase in loans receivable	(54,564,647)	(149,964,378)
Purchase of FHLB stock	(229,400)	(1,070,500)
Purchase of premises and equipment	(75,374)	(231,715)
Net cash used in investing activities	(53,889,421)	(150,536,593)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	50,263,651	46,115,871
Proceeds from FHLB borrowings	80,000,000	180,000,000
Repayment of FHLB borrowings	(75,000,000)	(80,000,000)
Dividends paid	(7,334,970)	(6,963,534)
Proceeds from exercise of stock options	192,732	513,020
Net cash provided by financing activities	48,121,413	139,665,357
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,645,574	7,547,201
CASH AND CASH EQUIVALENTS — Beginning of year	79,158,574	71,611,373
CASH AND CASH EQUIVALENTS — End of year	\$ 90,804,148	\$ 79,158,574
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 10,931,788	\$ 12,535,105
Income taxes	\$ 8,160,000	\$ 6,116,000
SUPPLEMENTAL NONCASH DISCLOSURES		
Lease liabilities arising from right-of-use assets	\$ -	\$ 4,118,619
Dividend - common stock issued	\$ 8,789,736	\$ 7,993,967

See notes to consolidated financial statements.

MALAGA FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 (“U.S. GAAP”) 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 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 no longer required to maintain reserve balances with the Federal Reserve Bank under the Federal Reserve Act. The reserve balance was approximately \$9,183,000 at December 31, 2019. As of December 31, 2020 and 2019, 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 single family, multi-family, 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, 2020 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 — Buildings, 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 2017 for its federal filings and 2016 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.

Common 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, 2020 and 2019, 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 29, 2020 and December 27, 2019. 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 weighted average number of shares of common stock outstanding, while diluted EPS is determined by dividing net income by the weighted 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 29, 2020 and December 27, 2019.

Dividends — Dividends are recorded when declared. The Company declared cash dividends of \$1.00 per share of common stock in 2020 and 2019. On November 13, 2020, the Company declared a 5% common stock dividend to shareholders of record at the close of business on December 14, 2020 that was paid on December 29, 2020. 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.

Stock-Based Compensation — Compensation costs relating to stock-based compensation transactions are recognized in the statements of income 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 to estimate the fair value of stock options. 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 stockholders' 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, 2020 and 2019; 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 other operating 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 — 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.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (“Topic 740”). The ASU simplifies the accounting for income taxes by removing certain exceptions and improves the consistent application of U.S. GAAP by clarifying and amending other existing guidance. ASU 2019-012 will be effective for the Company on January 1, 2021 and is not expected to have any material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (“Topic 848”). The ASU provides optional expedients and exceptions for applying U.S. GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. For transactions that are modified because of reference rate reform and that meet certain scope

guidance (i) modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification will be considered “minor” so that any existing unamortized origination fees/costs would carry forward and continue to be amortized, and (ii) modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required for modifications not accounted for as separate contracts. The ASU also provides numerous optional expedients for derivative accounting. The ASU is effective March 12, 2020 through December 31, 2022. An entity may elect to apply ASU 2020-04 for contract modifications as of January 1, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic within the Codification, the amendments in this ASU must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. We anticipate this ASU will simplify any modifications we execute between the selected start date (yet to be determined) and December 31, 2022 that are directly related to LIBOR transition by allowing prospective recognition of the continuation of the contract, rather than extinguishment of the old contract resulting in writing off unamortized fees/costs. We are evaluating the impacts of this ASU and have not yet determined whether this ASU will have material effects on our business operations and consolidated financial statements.

2. LOANS RECEIVABLE

Loans receivable as of December 31, 2020 and 2019 are summarized as follows:

Description	2020	2019
Residential mortgage loans—multi-family	\$ 1,022,012,313	\$ 970,912,784
Residential mortgage loans—single family	107,418,636	112,695,262
Commercial real estate loans	47,436,765	49,718,796
Land loans	575,000	575,000
Business banking loans	11,210,816	933,442
Consumer loans	209,908	203,577
	1,188,863,438	1,135,038,861
Less:		
Allowance for credit losses	(3,686,000)	(3,522,662)
Deferred loan costs—net of fees	8,192,381	8,425,841
	4,506,381	4,903,179
Total	\$ 1,193,369,819	\$ 1,139,942,040

As of December 31, 2020 and 2019, 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 \$1.172 billion and \$1.128 billion, respectively, and loans with fixed rates of interest totaled \$16.7 million and \$6.8 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, 2020 and 2019, real estate loans aggregating \$1.003 billion and \$873.1 million, respectively, were pledged as collateral against FHLB borrowings and real estate loans totaling \$92.7 million and \$180.3 million, respectively, were pledged to secure deposits held by the State of California. In addition, home equity lines of credit totaling \$4.4 million and \$354,000 were pledged as collateral to the Federal Reserve Bank discount window at December 31, 2020 and 2019, respectively.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, as amended, included an allocation of \$659 billion for loans to be issued by financial institutions through the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"). PPP loans are forgivable, in whole or in part, if the proceeds are used for payroll and other permitted purposes in accordance with the requirements of the PPP. These loans carry a fixed rate of 1% and a term of two years (loans made before June 5, 2020) or five years (loans made on or after June 5, 2020), if not forgiven, in whole or in part. Payments are deferred until either the date on which the SBA remits the amount of forgiveness proceeds to the lender or the date that is 10 months after the last day of the covered period if the

borrower does not apply for forgiveness within the 10-month period. Prior to the first round of the PPP program expiring in August 2020, 186 PPP loans were originated totaling \$12.8 million. Fees totaling \$571,000 were collected for these PPP loans. These fees are deferred and amortized into interest income over the contractual period of 24 months or 60 months, as applicable. At December 31, 2020, outstanding PPP loan balances totaled \$10.4 million and deferred fees remaining were \$296,000. The first round of the PPP program expired on August 8, 2020. In December 2020, the Federal government approved another round of PPP loans beginning in January 2021 and expiring on March 31, 2021. The Company is participating in the second round of PPP loans.

Activity in the allowance for credit losses and unfunded loan commitments for the years ended December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Allowance for credit losses:		
Balance — beginning of year	\$ 3,522,662	\$ 3,158,400
Provision for credit losses	163,036	365,300
Recovery (charge-offs), net	302	(1,038)
Balance — end of year	\$ 3,686,000	\$ 3,522,662
Reserve for unfunded loan commitments:		
Balance — beginning of year	\$ 36,200	\$ 48,700
Provision for (recovery of) losses on unfunded loan commitments	(1,200)	(12,500)
Balance — end of year	\$ 35,000	\$ 36,200

A breakdown of the allowance for credit losses as of December 31, 2020 and 2019, by loan type, is as follows:

	Multi-Family	Single Family	Commercial	Land	Business Banking	Consumer	Total
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
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	302	302
Provision for (recovery of) credit losses	168,638	(4,900)	(2,300)	\$ 1,400	-	198	163,036
Balance - December 31, 2020	\$ 3,371,700	\$ 263,300	\$ 47,400	\$ 1,400	\$ 1,000	\$ 1,200	\$ 3,686,000

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, 2020 and 2019.

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, 2020 and 2019 are summarized as follows:

December 31, 2020					
	Pass	Special Mention	Substandard	Doubtful	Total
Residential mortgage loans — multi-family	\$ 1,022,012,313	\$ -	\$ -	\$ -	\$ 1,022,012,313
Residential mortgage loans — single family	107,418,636	-	-	-	107,418,636
Commercial loans	47,436,765	-	-	-	47,436,765
Land loans	575,000	-	-	-	575,000
Business banking loans	11,210,816	-	-	-	11,210,816
Consumer loans	209,908	-	-	-	209,908
Total	\$ 1,188,863,438	\$ -	\$ -	\$ -	\$ 1,188,863,438

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

There were no loans past due 30 days or more as of December 31, 2020 and December 31, 2019. There were no nonaccrual loans at December 31, 2020 and two nonaccrual loans totaling approximately \$547,000 at December 31, 2019.

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 \$439,988 and \$439,852 during the years ended December 31, 2020 and 2019, respectively.

A summary of related-party loan activity for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Beginning balance	\$ 10,112,832	\$ 10,690,146
Credit granted — including renewals	3,494,386	100,000
Repayments	(680,496)	(677,314)
Ending balance	\$ 12,926,722	\$ 10,112,832

3. BUILDINGS, OFFICE PROPERTIES, AND EQUIPMENT

Buildings, office properties, and equipment as of December 31, 2020 and 2019, are summarized as follows:

	2020	2019
Land	\$ 5,930,364	\$ 5,930,364
Building	6,050,534	6,050,534
Building improvements	24,656	16,986
Leasehold improvements	1,361,970	1,359,470
Equipment	1,377,809	1,326,351
Furniture and fixtures	577,752	577,752
Operating lease right of use asset	3,389,368	3,760,110
Construction in progress	6,900	8,337
	18,719,353	19,029,904
Accumulated depreciation and amortization	(4,135,197)	(3,792,900)
Total	\$ 14,584,156	\$ 15,237,004

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was \$357,480 and \$345,745, respectively.

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 \$509,717 and \$503,493 for the years ended December 31, 2020 and 2019, respectively.

Additional information regarding our operating leases is summarized below for the years ended December 31, 2020 and 2019:

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities for operating leases	\$ 509,717	\$ 503,493
ROU assets obtained in exchange for lease liabilities	\$ 3,389,368	\$ 3,760,110
Weighted average remaining lease term in months	96	108
Weighted average discount rate	3.36 %	3.36 %

Future undiscounted lease payments for operating lease with terms of one year or more as of December 31, 2020 are as follows:

Years Ending December 31	
2021	383,393
2022	396,475
2023	410,004
2024	423,994
2025	438,461
Thereafter	1,337,041
Total	\$ 3,389,368

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 \$7.4 million and \$5.5 million and undrawn lines of credit previously granted of approximately \$19.9 million and \$23.8 million at December 31, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019.

Leases — The Company leases office premises under operating leases that expire at various dates through December 31, 2023. Rental expense was \$509,717 and \$503,493 for the years ended December 31, 2020 and 2019, respectively. The projected minimum rental payments under the terms of the leases as of December 31, 2020 are as follows:

Years Ending December 31		
2021	\$	511,266
2022		457,980
2023		298,121
2024		123,336
2025		61,668
Thereafter		-
Total	\$	1,452,371

6. DEPOSITS

Deposit balances and the weighted-average interest rates for each category of deposits as of December 31, 2020 and 2019 are summarized as follows:

	2020		2019	
	Interest Rate	Amount	Interest Rate	Amount
Demand deposits	- %	\$160,567,577	- %	\$127,034,654
NOW accounts	0.11	83,272,901	0.17	73,369,677
Passbooks	0.09	76,674,479	0.16	55,475,954
Money market accounts	0.27	262,957,927	0.70	240,978,914
Certificates of deposit - less than \$250,000	1.01	152,112,954	1.57	125,195,099
Certificates of deposit - \$250,000 and over	0.69	118,321,269	1.70	181,589,158
Total	0.38	\$853,907,107	0.86	\$803,643,456

Certificates of deposit maturities as of December 31, 2020 are summarized as follows:

Years Ending December 31	
2021	\$ 177,920,006
2022	21,814,076
2023	19,075,369
2024	20,990,273
2025	25,634,499
Thereafter	5,000,000
Total	\$ 270,434,223

As of December 31, 2020 and 2019, the Company had certificates of deposit from the State of California Treasurer's Office of \$60 million and \$118 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 \$6.5 million and \$4.1 million at December 31, 2020 and 2019, 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 FHLB of up to 40% of the Company's total assets. Interest is payable monthly at a weighted-average rate of 1.94% as of December 31, 2020. Average FHLB borrowings were \$287.3 million and \$220.5 million at a weighted-average interest rate of 1.94% and 2.26% in 2020 and 2019, 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, 2020 are summarized as follows:

Years Ending December 31	
2021	\$ 15,000,000
2022	15,000,000
2023	40,000,000
2024	95,000,000
2025	65,000,000
Thereafter	50,000,000
Total	\$ 280,000,000

The Company had two letters of credit with FHLB at December 31, 2020. There was a \$10.0 million letter of credit with FHLB as part of the collateral to secure large deposits with the State Treasurer of California. In addition, there was a letter of credit with FHLB of \$4.3 million and \$4.2 million at December 31, 2020 and 2019, respectively, as collateral to secure a large local agency deposit.

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 3.35% and 5.05% per annum at December 31, 2020 and 2019, 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 1.99% and 3.66% per annum at December 31, 2020 and 2019, 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 1.99% and 3.66% per annum at December 31, 2020 and 2019, respectively.

9. INCOME TAXES

A summary of income tax provision for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Current:		
State	\$ 2,829,322	\$ 2,323,595
Federal	5,055,696	4,101,105
Total current	7,885,018	6,424,700
Deferred:		
State	(51,611)	60,563
Federal	(198,007)	(60,563)
Total deferred	(249,618)	-
Total	\$ 7,635,400	\$ 6,424,700

The components of the net deferred liability as of December 31, 2020 and 2019 are as follows:

	2020	2019
FEDERAL		
Deferred tax liabilities:		
Loan fees/costs	\$ (2,083,287)	\$ (2,152,997)
FHLB dividends	(318,975)	(318,975)
Depreciation	(47,978)	(19,856)
Other	(85,202)	(43,177)
Gross deferred tax liability	(2,535,442)	(2,535,005)
Deferred tax assets:		
California franchise tax	773,399	678,035
Depreciation	-	-
Bad debt and loan loss deduction	783,616	672,725
Other	131,402	139,213
Gross deferred tax asset	1,688,417	1,489,973
Net deferred tax liability	\$ (847,025)	\$ (1,045,032)

	2020	2019
STATE		
Deferred tax liabilities:		
Loan fees/costs	\$ (1,075,372)	\$ (1,111,356)
FHLB dividends	(164,652)	(164,652)
Depreciation	-	-
Other	(43,980)	(22,288)
Gross deferred tax liability	(1,284,004)	(1,298,296)
Deferred tax assets:		
California franchise tax	-	-
Depreciation	20,397	33,052
Bad debt and loan loss deduction	404,495	347,254
Other	5,582	12,849
Gross deferred tax asset	430,474	393,155
Net deferred tax liability	\$ (853,530)	\$ (905,141)

A reconciliation of total income tax expense for 2020 and 2019 to the expected tax expense computed by applying the statutory corporate income tax rate to pretax income for the years ended December 31, 2020 and 2019 is as follows:

	2020		2019	
	Amount	Percent	Amount	Percent
Tax expense at statutory rates	\$ 5,453,679	21 %	\$ 4,580,518	21 %
State franchise tax — net of federal benefit	2,194,392	8	1,883,485	9
Other	(12,671)	0	(39,303)	(1)
Total	\$ 7,635,400	29 %	\$ 6,424,700	29 %

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, 2020 and 2019, 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		Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2020:						
Tier 1 capital to average assets	\$ 166,848,826	12.80 %	\$ 52,144,635	4.00 %	\$ 65,180,793	5.00 %
Total capital to risk-weighted assets	170,569,826	22.76	59,956,394	8.00	74,945,492	10.00
Common Tier 1 capital to risk-weighted assets	166,848,826	22.26	33,725,472	4.50	48,714,570	6.50
Tier 1 capital to risk-weighted assets	166,848,826	22.26	44,967,295	6.00	59,956,394	8.00
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

FDIC insured financial institutions are required to maintain a “capital conservation buffer” of 2.50% with respect to each of Tier 1 and total capital to risk weighted assets, which provides for capital levels that exceed the minimum risk based capital adequacy requirements. 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 2020 and 2019, 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.

Stock-based compensation expense was \$0 for 2020 and 2019.

The status of shares subject to options and exercise prices during the year ended December 31, 2020 is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding — beginning of year	114,094	\$ 19.72		\$ 374,228
Granted	-	-		-
Exercised	(11,182)	17.24		(64,408)
Expired	(22,364)	19.37		(81,181)
Outstanding — end of year	80,548	\$ 20.17	0.59	\$ 268,566
Vested and exercisable — year-end	80,548	\$ 20.17	0.59	\$ 268,566
Shares available	376,807			

At December 31, 2020, the range of exercise prices was \$18.29 - \$21.51.

Certain information regarding options for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Weighted-average fair value of stock options granted during the year	\$ -	\$ -
Total intrinsic value of options exercised	64,408	109,981
Tax benefit from options exercised	9,600	4,000
Total fair value of shares vested	-	-

There were no stock options granted for the years ended December 31, 2020 and 2019.

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, 2020 and 2019 is as follows. For the years ended December 31, 2020 and 2019, 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 market price of the Company's common stock for those years.

On December 29, 2020, the Company paid a 5% common stock dividend that increased the number of shares outstanding by 366,239. On December 27, 2019, the Company paid a 5% common stock dividend that increased the number of shares outstanding by 348,321. All per share amounts have been adjusted to reflect a 5% common stock dividend on each of December 29, 2020 and December 27, 2019.

	2020			2019		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Income available to common stockholders	\$ 18,334,501	7,695,651	\$ 2.38	\$ 15,387,289	7,667,015	\$ 2.01
Effect of Dilutive Securities						
Options — common stock equivalents	-	6,206	.00	-	22,998	(0.01)
Diluted EPS						
Income available to common stockholders, plus assumed conversion	\$ 18,334,501	7,701,857	\$ 2.38	\$ 15,387,289	7,690,013	\$ 2.00

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, 2020 and December 31, 2019.

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, 2020 and 2019:

2020					
	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 90,804,000	\$ 90,804,000	\$ 90,804,000	\$ -	\$ -
Interest-bearing deposits in banks	490,000	490,000	-	490,000	-
Loans receivable	1,193,370,000	1,262,881,000	-	-	1,262,881,000
Accrued interest receivable	3,620,000	3,620,000	3,620,000	-	-
Investment in FHLB stock	8,059,000	8,059,000	-	8,059,000	-
Liabilities:					
Deposits	853,907,000	856,545,000	-	856,545,000	-
FHLB borrowings	280,000,000	292,205,000	-	292,205,000	-
Junior subordinated debentures	13,404,000	14,626,000	-	14,626,000	-
Accrued interest payable	36,000	36,000	36,000	-	-

2019					
	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using		
			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	-	-

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 19, 2021, 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

To the Board of Directors and Shareholders
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, 2020 and 2019, 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, 2020 and 2019, 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, 2020, 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 19, 2021, expressed an unmodified opinion.

Moss Adams LLP

Los Angeles, California
February 19, 2021

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

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Ana Straser

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Assistant Vice President
Income Property Lending

Mario Navarrete

Assistant Vice President
Income Property Lending

Brian Beckenhaupt

Loan Production Specialist

John Tellenbach

Senior Vice President
Chief Credit Officer

EXECUTIVE OFFICERS

Randy C. Bowers*

President / Chief Executive Officer

Jasna Penich*

Executive Vice President
Chief Financial Officer

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President / Chief Executive Officer

Jasna Penich*

Executive Vice President
Chief Financial Officer

Donald Lee

Senior Vice President
Risk Officer / BSA Officer

David Iwasaka

Vice President
Controller

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Business Development Officer

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First Vice President
Group Retail Banking Manager

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Vice President
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Retail Banking Manager

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Senior Vice President
Chief Credit Officer

Cathy Jaramillo

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Loan Processing Manager

Nina Brister

Vice President
Loan Service / Funding Manager

John Erikson

Assistant Vice President
CRE Underwriter

*Directors or Officers of MFC and Malaga Bank.

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LOAN CENTER

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MALAGA FINANCIAL CORPORATION

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