

**DISCOUNTED CASH FLOW ANALYSIS**  
**MLGF - MALAGA FINANCIAL CORP**  
**AS OF SEPTEMBER 20, 2019**

	HISTORY TTM	PROJECT 2020	PROJECT 2021	PROJECT 2022	PROJECT 2023	PROJECT 2024	HORIZON
Interest Income	42,733,558	44,015,565	45,336,032	46,696,113	48,096,996	49,539,906	49,539,906
Interest Expense	10,325,909	10,635,686	10,954,757	11,283,400	11,621,902	11,970,559	11,970,559
Pre-Provision Net Interest Income	32,407,649	33,379,878	34,381,275	35,412,713	36,475,094	37,569,347	37,569,347
Less: Provisions for Loan Losses (as % of Total Assets)	0.005%	(52,304)	(53,873)	(55,489)	(57,154)	(58,868)	(60,634)
Net Interest Income	32,355,345	33,326,006	34,325,786	35,355,560	36,416,226	37,508,713	37,508,713
Non-Interest Income	857,049	882,760	909,243	936,521	964,616	993,555	993,555
Operating Expenses	12,080,036	12,442,437	12,815,710	13,200,181	13,596,187	14,004,073	14,004,073
Total Operating Expenses	12,080,036	12,442,437	12,815,710	13,200,181	13,596,187	14,004,073	14,004,073
Pre-Tax Income	21,132,358	21,766,329	22,419,319	23,091,899	23,784,656	24,498,195	24,498,195
Tax	29%	(6,128,384)	(6,312,235)	(6,501,603)	(6,696,651)	(6,897,550)	(7,104,477)
Debt-Free Net Income	15,003,974	15,454,094	15,917,717	16,395,248	16,887,105	17,393,719	17,393,719
Horizon Value (Gordon Growth Model) (1)							255,936,145
Partial Period (Pro Rata)		1.00	1.00	1.00	1.00	1.00	
Period (Mid-Point Convention)		0.50	1.50	2.50	3.50	4.50	
Present Value Factor (Mid-Point Convention) (2)	10.00%	0.9535	0.8669	0.7881	0.7164	0.6513	0.6513
Present Value		14,734,900	13,799,026	12,920,906	12,098,667	11,328,752	166,694,490
Sum of Present Values							\$64,882,251
Horizon Value							166,694,490
Aggregate Fair Value from Operations							<b>\$231,576,741</b>
Plus: Excess Capital (Assumes a 10.0% Core Capital Ratio -See 'Industry Specific Ratios')						25,861,865	
Aggregate Fair Value							<b>\$257,438,606</b>
Shares outstanding				6,956,764			

Fair Value Per Share (from Operations)	\$33.29
Fair Value Per Share (from Excess Capital)	\$3.72
<b>Fair Value Per Share, rounded</b>	<b>\$37.01</b>
Current Stock Price, as of September 20, 2019	\$23.25
<b>Projected Upside</b>	<b>59.2%</b>
Projected Upside (Operations Only)	43.2%

**Cost of Equity Build-up**

20 Year Treasuries at Valuation Date	1.99%
Generic Stock Premium	5.00%
Small Stock Premium	5.00%
Industry/Company Specific Risk	-2.00%
Equity Discount Rate, rounded (2)	<u>10.00%</u>

**Cost of Debt**

Company's Cost of Debt	2.4%
Tax Rate	29.0%
After-Tax Cost of Debt, rounded	<u>1.70%</u>

**Weighted Average Cost of Capital**

Equity	10.00%	60%	6.00%
Debt	1.70%	40%	0.68%
WACC, rounded			<u>6.70%</u>
Less: Long Term Growth Rate			<u>3.00%</u>
Debt-free Capitalization Rate, rounded			<u>3.70%</u>

(1) Horizon value calculated using the Gordon Growth Model  $[V_0 = [Cf \times (1 + g)] / (r - g)]$

(2) I use a required return instead of the WACC build-up (which are approximately the same) since WACC is likely well-below a my return hurdle.