

Panama  
Banks  
Annual Report

# MMG Bank Corporation and Subsidiaries

## National Ratings

MMG Bank Corporation and Subsidiaries	Current Ratings
Long Term	A-(pan)
Short Term	F1(pan)

## Outlook

Stable

## Financial Data

MMG Bank Corporation and Subsidiaries	30 09 10	30 09 09
Total Assets (millions of US\$)	294.8	262.8
Total Equity (millions of US\$)	29.2	26.6
Net Profit or Loss (millions of US\$)	3.1	3.1
ROAA (%)	1.1	1.3
ROAE (%)	11.0	12.6
Equity / Assets (%)	9.9	10.1

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## Related Reports

### Methodology Applied

- ['Methodology for Rating Financial Institutions'](#)

## Rating Rationale

- The ratings assigned to MMG Bank Corporation and Subsidiaries (MMG) are based on the company's low-risk assets as well as its ample liquidity. The ratings also take into consideration MMG's relatively small size, the highly concentrated nature of its operations, and its main asset's significant market risk exposure.
- MMG's most important assets are bank deposits and financial investments, which are well diversified and enjoy high credit ratings and liquidity, representing the main strength underlying the institution's risk profile. Also, its balance sheet's high liquidity level, one of the region's highest, stems from the bank's strategy of having ample coverage for its liabilities; on the other hand, the yield of the bank's assets is relatively low.
- MMG has consolidated its asset management business, with its off-balance-sheet portfolio reaching USD518.9 million, which is 43.2% higher than in Sept. 2009 and 76% higher than on-balance-sheet assets. The off-balance-sheet portfolio has remained sound and stable over time.
- MMG's financial performance has been modest in the last two fiscal years due to tighter margins and decreased operating efficiency in strategic investments. In that regard, the bank is currently reinforcing its operating structure - the benefits of this measure should be seen over the medium term.
- Due to the nature of its business and its relatively small size, the bank's liabilities are highly concentrated. As of September 2010, its 20 largest depositors accounted for 44% of total deposits. However, the risks related to this high concentration are largely mitigated by the high liquidity of the entity's asset.
- The bank's capitalization has remained solid in recent fiscal years, and its equity has benefited from the low risk weight and high quality of its assets.

## Support

- Since Panama has no Central Bank and there is no explicit mechanism for backing the country's banks, it is likely, but not certain, that the government would provide external support for MMG, if needed.

## Key Rating Factors

- Any upgrade in ratings over the longer term would come from greater diversification and business volume, provided that assets and profitability remained solid. A downgrade, on the other hand, would be brought on by an unexpected decline in liquidity or change in the entity's asset structure that resulted in higher market risk.

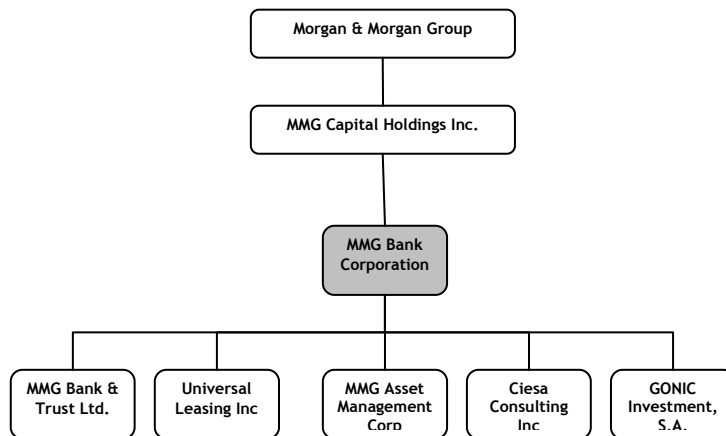
## Profile

MMG Bank Corporation and Subsidiaries is a generally licensed banking institution domiciled in Panama. It is a member of the Morgan and Morgan Group and offers asset management and private banking services. As of September 30, 2010, the bank's total assets amounted to USD294.8 million, with off-balance-sheet financial assets managed by MMG amounting to USD519.8 million.

**Profile**

Founded in 2003 and domiciled in Panama, MMG Bank Corporation and Subsidiaries (MMG) operates under a general banking license and is authorized to carry out banking operations in Panama and abroad. It is also a licensed securities broker and is permitted to provide asset custody services for its clientele through investment agreements. MMG is regulated by the *Superintendencia de Bancos* (Banking Authority) and the *Comisión Nacional de Valores* (the National Securities Commission).

Exhibit 1. Organizational Chart



MMG specializes in asset management, private banking, and investment banking for high-net-worth customers in Panama and the region that do not do business with the large international brokerage firms. The bank is currently a small institution within the Panamanian banking system, with assets of USD294.8 million. However, its off-balance-sheet asset

management portfolio has grown significantly, reaching a customer portfolio balance of USD519.8 million and trusteeships of USD83.8 as of Sept. 2010.

MMG is a subsidiary of MMG Capital Holdings (see Exhibit 1), which, in turn, is a member of the Morgan & Morgan Group, a holding made up of companies that provide banking, fiduciary, and legal services, the latter being the group’s most important line of business. The legal firm has a strong international orientation and focuses its practice on financial, maritime, and fiduciary affairs, among others. MMG offers its services primarily to the holding’s legal clients, relying on its extensive network of agents’ offices. The bank’s customer base is expected to expand over time despite its low marketing profile.

MMG holds full ownership of the following subsidiaries: 1) MMG Bank & Trust Ltd., a company in the banking, financial, and investment business that was established in the Bahamas in 1996 by the Morgan & Morgan group; 2) Universal Leasing Inc., a financial leasing company established in Panama; 3) MMG Asset Management Corp., a licensed securities brokerage firm established in Panama that holds a seat on the Panamanian stock exchange; 4) Ciesa Consulting Inc., a real estate leasing company established in Panama that owns the building that houses the bank’s offices; and 5) Gonic Investment S.A., a company that manages and collects local consumer accounts. It is important to note that the bank and the subsidiary MMG Bank & Trust together account for over 95% of total assets, with an insignificant amount being held by the rest of the subsidiaries.

**Strategy**

MMG offers highly personalized services to high-income regional customers that do not do business with large international brokerage firms. It has established three lines of business: 1) asset management: investment portfolio management and the

purchase, sale, and custody of securities in international markets; 2) investment banking: securities management and placement, financial advising; and 3) financial intermediation: deposits from and loans to selected customers. The first two lines of business are prospectively the most important for the bank's goals, as they are expected to be the primary sources of non-financial income (i.e., commissions) in the future. Consequently, the bank's balance sheet assets decline in importance yearly as the institution's strategy consolidates and its asset management business increases.

### Corporate Government

The highest authority at MMG is its Board of Directors. The Board is comprised of 11 directors, most of whom do not take part in the management of operations but may own equity stakes in the company. The entity's management team is supported by the following committees: Auditing and Risk Management, Executive, Assets and Liabilities, Investments, Loans, and Technology. It should be noted that the Board of Directors has generally opted for the bank to outsource its internal auditing functions to the firm Moore Stephens.

### Presentation of Accounts

MMG's fiscal year runs from October 1 to September 30 of the next year. This report is based on the provided by the financial statements audited by Deloitte Inc. for the fiscal years ending September 2010, 2009, and 2008. The firm PricewaterhouseCoopers audited the financial statements for the fiscal year ending in September 2007 (12 months). All the financial statements were audited with an unqualified opinion.

## Financial Performance

### Operating Environment

Panama was one of Latin America's most successful countries in handling the international financial and economic crisis. Its economy grew by 3.2% in 2009 while most of its neighbors were stagnant or in recession. According to figures from the country's *Controleria General*, the third quarter of 2010 closed with an 8.4% increase in GDP, and the remaining 2010 quarters saw growth of over 5%. This strong economic recovery in Panama is driven by large infrastructure projects, renewed activity in Colón's tax free zone, and foreign investment. Also, Panama's proven macroeconomic stability, improved public finances, and fiscal discipline have all helped to improve the country's credit rating. As a result, in March 2010 Fitch raised the country's international sovereign credit rating to 'BBB-' with a Positive Outlook. Panama's solid economic environment attracts capital investments from neighboring countries that are not as financially sound, thus increasing MMG's opportunities for financial advising and structuring business.

The bank is currently reinforcing and improving its operating platform in order to allow it to make the most of its asset management business and specialized financial services. MMG's financial performance in the last two fiscal years has been modest, reflecting tighter margins and decreased operating efficiency due to strategic investments. However, non-financial revenues have grown consistently in recent years, in line with increased business volume in asset management and investment banking services. At the close of FY10, ROAA and ROAE were 1.1% and 11.0% respectively, the lowest seen in recent years. Performance over the next few years is expected to continue at modest rates, possibly improving as interest rates increase.

### Operating Revenues

For the first time in MMG's history, non-financial income is the bank's largest source of income, accounting for 66.5% of gross revenues (Sept 2009: 49.3%; Sept 2008: 41.7%). While a tightening of the net interest margin is a factor in non-financial revenues' carrying more weight, the consolidation of the asset

management business and of other specialized services has allowed these revenues to rise steadily. Depending on how interest rates evolve, interest revenues could once again exceed non-interest revenues in absolute terms over the coming years, but their relevance will continue to decline, and they will become a variable source of revenue.

The largest percentage of non-financial income is earned through asset management and investment banking commissions; although the latter is currently of lesser importance, it has a favorable outlook. The net interest margin, currently the lowest ever, has shown a significant downward trend in recent years due to fluctuations in interest rates, which have lowered the yield on the entity's principal on-balance-sheet assets.

### Loan Loss Provisions

MMG's high quality credits have enabled the bank to keep loan loss provisions low in the past, with the latter accounting for less than 1.0% of operating earnings before provisions in FY10. With no changes anticipated in the asset structure that could pose a credit risk for the balance sheet, loan loss provisions should remain low in the foreseeable future.

### Operating Expenses and Efficiency

Over the last two years, the bank has strengthened its operating infrastructure through new hiring and investments, curtailing administrative efficiency to some extent. Operating expenses were 61.2% of gross revenues as of September 2010 (Sept 2009: 57.6%) and 1.8% of total assets (Sept. 2009: 1.9%). Fitch expects these investments to be reflected in improved performance over the medium to long term.

### Performance Outlook

Financial performance may see some improvement in 2011 due to higher interest rates, leading to high returns on assets. In general terms, however, improvement will remain modest as non-financial revenues continue to consolidate and the recent operating investments begin to bear fruit. Over the medium to long term, as performance depends exclusively on commissions for specialized financial services, fluctuations in rates and the performance of the balance sheet will be of little importance to the bank. Panama's Positive Outlook and its solid position with respect to most of its neighbors in the region will continue to attract capital to the country and open the door to business opportunities for MMG in financial advising and structuring.

### Risk Management

MMG's risk management strategy, which is considered prudent and appropriate for the risks it faces, has proven effective in recent years. The bank's liquidity management strategy is a key factor in its risk policies, requiring that the bank's balance sheet be comprised primarily of highly liquid assets. Policies call for holding liquid assets (maturing in less than 7 days) to cover at least 50% of demand deposits, overnight deposits, and term deposits of up to 180 days.

The Auditing and Risk Management Committee manages the risks inherent in banking. This committee, which meets monthly and reports its findings directly to the Board of Directors, is made up of Board members who are not involved in the management of the bank. The Assets and Liabilities Committee (ALCO) monitors interest rate, market, and liquidity risks. The third most important risk-management committee is the Investment Committee, which oversees the customer portfolio and approves products for distribution; it is comprised of bank executives. It is important to note that internal policy requires strict background checks on clients and sources of funding to be sure that the client is indeed the end user of the funds.

**Deposits and Investments.** MMG's balance sheet has grown moderately, unlike the increase in its off-balance-sheet assets, a trend that is expected to continue over

the next few years. The primary assets on MMG's balance sheet are bank deposits and financial investments, which together account for 87.9% of total assets as of the end of FY10, a figure that has remained virtually unchanged over the last year (Sept 2009: 88.0%). These assets, with their high diversification, credit rating, and liquidity, are the main strength underpinning the bank's risk profile. Its highly liquid balance sheet, one of the most liquid in the region, stems from the bank's strategy of maintaining ample coverage of its liabilities. However, its asset structure has a relatively low yield, being subject to interest rate fluctuations and with little flexibility to increase profitability.

Bank deposits (30.7% of assets) are held in a large number of financial institutions, both Panamanian and international, with high credit ratings; nearly 97% of the deposits are held in investment-grade banks. The securities investment portfolio (57.2% of assets) has remained stable in recent years, even during the most difficult months of the recent international financial crisis. The entire investment portfolio is held as marketable. Like the deposits, the investments are highly diversified and have high credit ratings. As of September 2010, 92% of the investments were rated at investment grade (66% at 'AAA' on an international scale). The main types of instruments held are liquidity funds (45%), short-term investments (42%), and 1- to 5-year fixed-income investments (9%). Fitch believes that the bank's risk profile is largely correlated to its maintaining an adequate deposit and investment structure, so that any adverse change in the current structure could be reflected in its ratings.

**Loans.** As the bank's strategy views the loan portfolio as a by-product of its business, it carries little weight in the balance sheet and accounted for only 10.5% of total assets as of September 2010. Corporate loans comprised most of the portfolio, which has a risk rating of 'Normal,' with no loans in arrears. Also, 69% of the portfolio is backed by cash deposits at the bank. Due to its small size, the portfolio consists of a small number of borrowers, with the 20 largest clients holding nearly 80.5% of total loans.

**Off-Balance-Sheet Asset Management.** The bank has consolidated its strategy in equity management in recent years, and has built a sizeable portfolio of off-balance-sheet financial assets managed at the expense and risk of its clients. Today, this portfolio is significantly larger than the assets on the balance sheet. As of September 2010, the asset management portfolio amounted to USD518.9 million, 43.2% higher than September 2009 and 76% higher than the total in on-balance-sheet assets. Although asset management commissions are already an important item on the income statement, this business strategy will be fully developed only over the medium term. Fitch is of the opinion that, while the bank is contractually free of any liability should the value of these investments drop, the off-balance-sheet portfolio is exposed to the reputational risk inherent in this type of business. The bank mitigates its risks by strictly controlling its portfolio, and advises its clients as to the risks they are taking and offers products emphasizing funds that are transparent and liquid. Also, a permanent committee has been established to monitor the off-balance-sheet client portfolio, which has given preference to investments in index-replicating funds rather than in individual shares. Commissions are based on the amount of assets being managed and the type of portfolio rather than on performance.

The individual accounts managed in this portfolio are divided into 'Non-Discretionary' (89%) and 'Discretionary' (11%) accounts. Clients with non-discretionary accounts are directly involved in the investment decision-making process, in consultation with the bank, while the bank makes the investment decisions for the discretionary accounts and has designed investment profiles to match each portfolio with clients' investment objectives and their risk preference level. As of September 2010, the off-balance-sheet portfolios were invested primarily in fixed income instruments (81%), equity (9%), and liquidity funds (5%). The portfolio has performed well in recent fiscal years and did not incur significant losses during the recent international financial crisis.

**Market Risk.** The bank's most significant market risk exposure is the volatility of prices to which the majority of its assets are subject. The nature of the portfolio itself, with its highly liquid securities and high credit ratings, is the primary mechanism for mitigating the exposure to price volatility. Fitch believes that this mechanism has proven effective, as the portfolio has remained under control during times of turbulent prices. Also, risks from interest rate fluctuations are mitigated by the fact that most of the bank's balance sheet is comprised of short-term instruments, which allows for relatively rapid adjustment in its assets. A third market risk is foreign currency exposure, with the bank offering services in seven currencies. However, the euro and the Swiss franc are the most frequently used, and they account for a small percentage of the balance sheet. The bank's risk policies dictate that a maximum of 2% of equity may be subject to long foreign currency exposure.

### Funding and Capital

MMG's liabilities are comprised exclusively of client deposits, and are in line with the bank's equity management strategy. Unlike those of commercial banks, these deposits are not the result of the institution's funding needs, with their growth in recent years being related to the increase in the entity's off-balance-sheet portfolio, as these deposit accounts are used to fund clients' investment account transactions or to secure their loan operations with the bank. It is natural for the bank to serve a small number of depositors, given the relative size of the bank and the profile of its clientele. As of September 2010, the 20 largest deposit clients accounted for 44% of total deposits, only slightly less than in 2009 (48%). It should be noted that the deposit portfolio is subject to greater volatility than the banking system's average, since transactions depend on clients' investment decisions. As stated previously, the asset structure has been shaped to handle the bank's concentrated, potentially volatile liabilities. However, deposits should gradually become less concentrated as the bank's business volume expands.

One of the main characteristics of the bank's risk profile is its robust liquidity, unusual for Panama and the region but necessary given MMG's business strategy. As of September 2010, deposits and investments covered 99.5% of total client deposits. In addition, the bank has an excellent maturity-matching rate compared to other regional institutions, which suffer from structural mismatches due to the long-term nature of their assets.

**Capitalization.** The bank has maintained solid capitalization in recent years. Although the capitalization ratio (total equity over total assets) was at 9.9% as of September 2010, when taking into consideration the high quality of the assets and their low risk weight, the capitalization rate increases to 24%, which is outstanding for the region. In addition, the bank's capitalization benefits from being free of illiquid assets. The capital adequacy requirement for the same period was 24.2%. It should be noted that 25% of 2009 earnings was distributed in dividends in 2010; to date, the bank is not expected to distribute dividends for the recently-ended FY10. The equity structure is expected to remain stable over the short term, as the bank's balance sheet is not anticipated to grow significantly and is strengthened solely by internally generated capital.

## MMG Bank Corporation y Subsidiarias

### Income Statement

	30 sep 2010	30 sep 2009	30 sep 2008	30 sep 2007
	Year End	Year End	Year End	Year End
1. Interest Income on Loans	1,774.3	1,984.4	1,878.7	3,965.5
2. Other Interest Income	2,267.3	4,383.8	7,451.3	5,872.8
3. Dividend Income	n.a.	n.a.	n.a.	n.a.
<b>4. Gross Interest and Dividend Income</b>	<b>4,041.6</b>	<b>6,368.2</b>	<b>9,330.0</b>	<b>9,838.3</b>
5. Interest Expense on Customer Deposits	1,279.2	2,259.9	4,327.9	5,863.6
6. Other Interest Expense	0.1	6.5	97.8	n.a.
<b>7. Total Interest Expense</b>	<b>1,279.3</b>	<b>2,266.4</b>	<b>4,425.7</b>	<b>5,863.6</b>
8. Net Interest Income	2,762.3	4,101.8	4,904.3	3,974.7
9. Net Gains (Losses) on Trading and Derivatives	505.7	255.3	-22.0	n.a.
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	n.a.	n.a.
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	n.a.	n.a.
12. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
13. Net Fees and Commissions	4,340.7	3,253.9	3,191.9	1,510.7
14. Other Operating Income	643.8	479.9	338.4	1,792.6
<b>15. Total Non-Interest Operating Income</b>	<b>5,490.2</b>	<b>3,989.1</b>	<b>3,508.3</b>	<b>3,303.3</b>
16. Personnel Expenses	2,598.2	2,279.1	1,422.6	1,149.1
17. Other Operating Expenses	2,450.7	2,378.5	1,912.2	1,635.0
<b>18. Total Non-Interest Expenses</b>	<b>5,048.9</b>	<b>4,657.6</b>	<b>3,334.8</b>	<b>2,784.1</b>
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	n.a.	n.a.
<b>20. Pre-Impairment Operating Profit</b>	<b>3,203.6</b>	<b>3,433.3</b>	<b>5,077.8</b>	<b>4,493.9</b>
21. Loan Impairment Charge	13.6	9.8	59.5	2.2
22. Securities and Other Credit Impairment Charges	0.0	320.8	727.6	n.a.
<b>23. Operating Profit</b>	<b>3,190.0</b>	<b>3,102.7</b>	<b>4,290.7</b>	<b>4,491.7</b>
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.
25. Non-recurring Income	n.a.	n.a.	n.a.	n.a.
26. Non-recurring Expense	n.a.	n.a.	n.a.	n.a.
27. Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.
28. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.
<b>29. Pre-tax Profit</b>	<b>3,190.0</b>	<b>3,102.7</b>	<b>4,290.7</b>	<b>4,491.7</b>
30. Tax expense	108.6	13.5	2.2	2.8
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.
<b>32. Net Income</b>	<b>3,081.4</b>	<b>3,089.2</b>	<b>4,288.5</b>	<b>4,488.9</b>
33. Change in Value of AFS Investments	n.a.	n.a.	n.a.	n.a.
34. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
35. Currency Translation Differences	n.a.	n.a.	n.a.	n.a.
36. Remaining OCI Gains/(losses)	n.a.	n.a.	n.a.	n.a.
<b>37. Fitch Comprehensive Income</b>	<b>3,081.4</b>	<b>3,089.2</b>	<b>4,288.5</b>	<b>4,488.9</b>
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	n.a.	n.a.
39. Memo: Net Income after Allocation to Non-controlling Interests	3,081.4	3,089.2	4,288.5	4,488.9
40. Memo: Common Dividends Relating to the Period	0.0	777.0	0.0	0.0
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	n.a.	n.a.

## MMG Bank Corporation y Subsidiarias

### Balance Sheet

	30 sep 2010	30 sep 2009	30 sep 2008	30 sep 2007
	Year End	Year End	Year End	Year End
<b>Assets</b>				
<b>A. Loans</b>				
1. Residential Mortgage Loans	2,795.8	3,495.8	142.8	0.0
2. Other Mortgage Loans	n.a.	n.a.	n.a.	n.a.
3. Other Consumer/ Retail Loans	3,978.5	2,025.0	3,957.1	3,014.0
4. Corporate & Commercial Loans	22,781.0	20,141.8	21,342.7	21,729.6
5. Other Loans	1,369.0	1,099.7	3,823.5	1,243.4
6. Less: Reserves for Impaired Loans/ NPLs	93.1	79.6	69.8	10.3
<b>7. Net Loans</b>	<b>30,831.2</b>	<b>26,682.7</b>	<b>29,196.3</b>	<b>25,976.7</b>
<b>8. Gross Loans</b>	<b>30,924.3</b>	<b>26,762.3</b>	<b>29,266.1</b>	<b>25,987.0</b>
9. Memo: Impaired Loans included above	0.0	0.0	0.0	0.0
10. Memo: Loans at Fair Value included above	n.a.	n.a.	n.a.	n.a.
<b>B. Other Earning Assets</b>				
1. Loans and Advances to Banks	90,526.4	97,925.5	86,963.4	100,749.5
2. Reverse Repos and Cash Collateral	n.a.	n.a.	n.a.	n.a.
3. Trading Securities and at FV through Income	0.0	0.0	0.0	370.0
4. Derivatives	n.a.	n.a.	n.a.	n.a.
5. Available for Sale Securities	168,561.1	133,443.9	99,417.3	76,055.2
6. Held to Maturity Securities	0.0	500.0	500.0	1,558.9
7. At-equity Investments in Associates	n.a.	n.a.	n.a.	n.a.
8. Other Securities	n.a.	n.a.	n.a.	n.a.
<b>9. Total Securities</b>	<b>168,561.1</b>	<b>133,943.9</b>	<b>99,917.3</b>	<b>77,984.1</b>
10. Memo: Government Securities included Above	n.a.	12,202.0	4,442.7	1,462.2
11. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
12. Investments in Property	n.a.	n.a.	n.a.	n.a.
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.
<b>15. Total Earning Assets</b>	<b>289,918.7</b>	<b>258,552.1</b>	<b>216,077.0</b>	<b>204,710.3</b>
<b>C. Non-Earning Assets</b>				
1. Cash and Due From Banks	233.9	155.7	2,167.4	302.4
2. Memo: Mandatory Reserves included above	n.a.	n.a.	n.a.	n.a.
3. Foreclosed Real Estate	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	1,786.0	1,788.4	1,805.9	1,829.5
5. Goodwill	n.a.	n.a.	n.a.	n.a.
6. Other Intangibles	n.a.	n.a.	n.a.	n.a.
7. Current Tax Assets	n.a.	n.a.	n.a.	n.a.
8. Deferred Tax Assets	0.0	0.0	0.0	0.0
9. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
10. Other Assets	2,905.2	2,327.7	2,158.0	1,700.7
<b>11. Total Assets</b>	<b>294,843.8</b>	<b>262,823.9</b>	<b>222,208.3</b>	<b>208,542.9</b>

## MMG Bank Corporation y Subsidiarias Balance Sheet

	30 sep 2010	30 sep 2009	30 sep 2008	30 sep 2007
	Year End	Year End	Year End	Year End
<b>Liabilities and Equity</b>				
<b>D. Interest-Bearing Liabilities</b>				
1. Customer Deposits - Current	184,217.4	145,869.3	75,802.8	33,449.3
2. Customer Deposits - Savings	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits - Term	76,251.4	84,898.1	118,233.9	153,147.1
<b>4. Total Customer Deposits</b>	<b>260,468.8</b>	<b>230,767.4</b>	<b>194,036.7</b>	<b>186,596.4</b>
5. Deposits from Banks	n.a.	n.a.	n.a.	n.a.
6. Repos and Cash Collateral	n.a.	n.a.	n.a.	n.a.
<b>7. Other Deposits and Short-term Borrowings</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
8. Total Deposits, Money Market and Short-term Funding	260,468.8	230,767.4	194,036.7	186,596.4
9. Senior Debt Maturing after 1 Year	0.0	n.a.	n.a.	1,168.6
10. Subordinated Borrowing	n.a.	n.a.	n.a.	n.a.
11. Other Funding	n.a.	n.a.	n.a.	n.a.
<b>12. Total Long Term Funding</b>	<b>0.0</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,168.6</b>
13. Derivatives	n.a.	n.a.	n.a.	n.a.
14. Trading Liabilities	n.a.	n.a.	n.a.	n.a.
<b>15. Total Funding</b>	<b>260,468.8</b>	<b>230,767.4</b>	<b>194,036.7</b>	<b>187,765.0</b>
<b>E. Non-Interest Bearing Liabilities</b>				
1. Fair Value Portion of Debt	0.0	0.0	0.0	0.0
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	n.a.	n.a.	n.a.	n.a.
4. Current Tax Liabilities	n.a.	n.a.	n.a.	n.a.
5. Deferred Tax Liabilities	0.0	0.0	0.0	0.0
6. Other Deferred Liabilities	n.a.	n.a.	n.a.	n.a.
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	5,172.2	5,419.5	5,821.6	1,288.2
<b>10. Total Liabilities</b>	<b>265,641.0</b>	<b>236,186.9</b>	<b>199,858.3</b>	<b>189,053.2</b>
<b>F. Hybrid Capital</b>				
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	n.a.	n.a.
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	n.a.	n.a.
<b>G. Equity</b>				
1. Common Equity	20,000.0	20,000.0	10,000.0	10,000.0
2. Non-controlling Interest	n.a.	n.a.	n.a.	n.a.
3. Securities Revaluation Reserves	n.a.	n.a.	n.a.	n.a.
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	n.a.	n.a.
5. Fixed Asset Revaluations and Other Accumulated OCI	9,202.8	6,637.0	12,350.0	9,489.7
<b>6. Total Equity</b>	<b>29,202.8</b>	<b>26,637.0</b>	<b>22,350.0</b>	<b>19,489.7</b>
<b>7. Total Liabilities and Equity</b>	<b>294,843.8</b>	<b>262,823.9</b>	<b>222,208.3</b>	<b>208,542.9</b>
8. Memo: Fitch Core Capital	29,202.8	26,637.0	22,350.0	19,489.7
9. Memo: Fitch Eligible Capital	29,202.8	26,637.0	22,350.0	19,489.7

## MMG Bank Corporation y Subsidiarias Summary Analytics

	30 sep 2010	30 sep 2009	30 sep 2008	30 sep 2007
	Year End	Year End	Year End	Year End
<b>A. Interest Ratios</b>				
1. Interest Income on Loans/ Average Gross Loans	6.15	7.08	6.80	10.73
2. Interest Expense on Customer Deposits/ Average Customer Deposits	0.52	1.06	2.27	3.14
3. Interest Income/ Average Earning Assets	1.47	2.68	4.43	4.94
4. Interest Expense/ Average Interest-bearing Liabilities	0.52	1.07	2.32	3.13
5. Net Interest Income/ Average Earning Assets	1.01	1.73	2.33	1.99
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.00	1.72	2.30	1.99
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.01	1.73	2.33	1.99
<b>B. Other Operating Profitability Ratios</b>				
1. Non-Interest Income/ Gross Revenues	66.53	49.30	41.70	45.39
2. Non-Interest Expense/ Gross Revenues	61.18	57.57	39.64	38.25
3. Non-Interest Expense/ Average Assets	1.81	1.92	1.55	1.37
4. Pre-impairment Op. Profit/ Average Equity	11.47	14.02	24.27	36.55
5. Pre-impairment Op. Profit/ Average Total Assets	1.15	1.42	2.36	2.21
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	0.42	9.63	15.50	0.05
7. Operating Profit/ Average Equity	11.43	12.67	20.51	36.53
8. Operating Profit/ Average Total Assets	1.14	1.28	1.99	2.21
9. Taxes/ Pre-tax Profit	3.40	0.44	0.05	0.06
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.64	3.37	5.96	5.88
11. Operating Profit / Risk Weighted Assets	2.63	3.04	5.04	5.87
<b>C. Other Profitability Ratios</b>				
1. Net Income/ Average Total Equity	11.04	12.61	20.50	36.51
2. Net Income/ Average Total Assets	1.11	1.27	1.99	2.21
3. Fitch Comprehensive Income/ Average Total Equity	11.04	12.61	20.50	36.51
4. Fitch Comprehensive Income/ Average Total Assets	1.11	1.27	1.99	2.21
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	0.43	0.56	1.01	1.25
6. Net Income/ Risk Weighted Assets	2.54	3.03	5.04	5.87
7. Fitch Comprehensive Income/ Risk Weighted Assets	2.54	3.03	5.04	5.87
<b>D. Capitalization</b>				
1. Fitch Core Capital/Weighted Risks	24.08	26.13	26.24	25.49
2. Fitch Eligible Capital/ Weighted Risks	24.08	26.13	26.24	25.49
3. Tangible Common Equity/ Tangible Assets	9.90	10.13	10.06	9.35
4. Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
5. Total Regulatory Capital Ratio	22.34	26.02	26.20	24.71
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	9.90	10.13	10.06	9.35
8. Cash Dividends Paid & Declared/ Net Income	0.00	25.15	0.00	0.00
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	0.00	25.15	0.00	0.00
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	10.55	8.68	19.19	23.03
<b>E. Loan Quality</b>				
1. Growth of Total Assets	12.18	18.28	6.55	5.22
2. Growth of Gross Loans	15.55	-8.56	12.62	-45.75
3. Impaired Loans(NPLs)/ Gross Loans	0.00	0.00	0.00	0.00
4. Reserves for Impaired Loans/ Gross loans	0.30	0.30	0.24	0.04
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	n.a.	n.a.	n.a.
6. Impaired Loans less Reserves for Imp Loans/ Equity	-0.32	-0.30	-0.31	-0.05
7. Loan Impairment Charges/ Average Gross Loans	0.05	0.03	0.22	0.01
8. Net Charge-offs/ Average Gross Loans	0.00	0.00	0.00	0.00
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	0.00	0.00	0.00	0.00
<b>F. Funding</b>				
1. Loans/ Customer Deposits	11.87	11.60	15.08	13.93
2. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding excl Derivatives	100.00	100.00	100.00	99.38

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