MMG Bank Corporation

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB–
Short-Term IDR	F3
Viability Rating	bbb–
Support Rating	5
Support Rating Floor	NF

Local Currency

Long-Term	AA(pan)
Short-Term	F1+(pan)
Unsecured Debt National Short-Term	F1+(pan)

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable

Financial Data

MMG Bank Corporation

(USD Mil.)	9/30/18	9/30/17
Total Assets	661.8	651.8
Total Equity	72.8	71.4
Operating Profit	14.7	13.9
Net Income	13.2	12.5
Fitch Comprehensive Income	12.0	13.6
Operating ROAA (%)	2.25	2.04
Operating ROAE (%)	21.14	20.6
Fitch Core Capital/ Risk Weighted Assets (%)	25.72	20.60
Tangible Common Equity/ Tangible Assets (%)	10.7	10.5

Related Research

Panama (February 2017)

Fitch Ratings 2019 Outlook; Latin American Banks (December 5, 2018)

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Key Rating Drivers

Small Franchise but Strong Niche: MMG Bank Corporation (MMG) is a small bank relative to the Panamanian banking system. However, within its niche, it holds an important franchise that has allowed it to steadily increase its assets under management (AUM) and to maintain strong profitability and asset quality metrics throughout the economic cycles.

High Liquidity: MMG's liquidity is robust and one if its greatest strengths, as its asset mix is designed to mitigate the liquidity risk arising from the transactional nature of its deposits and high concentration. The high concentrations of its deposits can be attributed to its strong focus on its niche; however, there have been noticeable improvements over recent years.

Strong Asset Quality: MMG's asset quality is superior to the Panamanian system's average. Its investment portfolio comprises investment-grade financial instruments and exhibits good geographic diversification, which also contributes to the bank's solid performance. The loan portfolio does not register delinquencies of more than 90 days, which has had an important impact on net profits.

Robust Profitability: Despite decreased profitability indicators as of September 2018, MMG continues to be one of the most profitable banks within the Panamanian market and continues to compare favorably with its peers and the system average. Its profitability is based on a high level of income diversification, most of which comes from the commissions received for asset management and businesses that derive from it. As of September 2018, the core metric profitability of operating profit over risk-weighted assets registered a 5.35%.

Solid Equity Position: MMG's Fitch Core Capital indicator of 25.7% as of September 2018 compares favorably within the Panamanian market and is adequate in relation to the balance sheet's main risks despite having decreased due to regulatory changes. Fitch believes that the bank's capitalization will remain at similar levels in the rating horizon and is robust enough to absorb unexpected losses and support the set growth targets.

Rating Sensitivities

Reduced Concentrations: MMG's ratings could be upgraded in the medium term if there is a relevant strengthening of its franchise and business model, as this would be accompanied by a reduction of concentrations of assets and liabilities over time, while maintaining its quality of good assets, high profitability and robust equity position.

Weaker on or Off-Balance Sheet Assets: Any change in the bank's asset quality or possible losses derived from its managed equity portfolio will be monitored, since it could lead to reputation risk that might affect the deceleration or reduction of the business, which could lead to a downgrade of the ratings.

Operating Environment

On Feb. 16, 2018, Fitch affirmed Panama's Long-Term Foreign and Local Currency IDRs at 'BBB'. The Rating Outlook remains Stable. Panama remains one of the most dynamic economies in Latin America despite weaker economic activity through 2018. Early estimates point to growth below 4% in 1H18, reflecting a slowdown of key sectors including construction, affected by a prolonged strike in April/May. We expect strong economic recovery in 2019, with a rate above 5% given the temporary nature of the shock to the construction sector and robust exports from a new copper mine slated to start production later this year.

According to Fitch's criteria, the operating environment assessment is the result of the combination of two core metrics: GDP per capita and the World Bank's Ease of Doing Business ranking (EDB). Fitch believes these ratios have the greatest explanatory power in determining the ability of banks to generate business volumes with acceptable levels of risk. In 2018, the Panama's GDP per capita has been above of the median of the countries rated in the 'BBB' rating category, but not the same behavior exhibited EDB as of 2017.

Fitch assigns a 'bbb–' score for the Panamanian bank's operating environment, taking into account the less developed financial market compared to countries with similar ratings, a banking regulatory framework improving but with lags behind the region's best regulated markets, as well as the economic performance, macro stability, among others.

Fitch expects the benign environment for the banking industry to continue. The economic environment will allow banks to maintain good asset quality, despite the upward trend in +90 days past-due loans. The impaired loans ratio for the sector will probably remain in the range of 1.6% to 2.2% of total loans. In 2018, Fitch expects that domestic loan growth will reach one digit, similar to that of 2017 (6.0%). In Fitch's opinion, the banking system is now better prepared to handle the deterioration of large loans given the experience gained with high-profile cases.

Panama is strengthening and introducing regulatory changes that will bring the country closer to the Latin American best practices. On the other hand, a stricter regulatory framework that entails higher costs for banks, together with lower credit growth, could boost consolidation in the banking industry. In addition to the application of the International Financial Reporting Standard 9 (IFRS 9), other regulatory changes are being effective in 2018 or will be implemented in 2019, as the liquidity coverage ratio of Basel III, new capital requirements for trading securities as well as new requirements for operational risk.

Company Profile

Relevant Franchise Within Its Niche

MMG is a subsidiary of MMG Capital Holdings. MMG also owns three subsidiaries: MMG Bank & Trust Ltd., an offshore bank in the Bahamas and MMG together represent over 95% of the consolidated assets of MMG Capital Holdings. On March 2018, MMG completed the liquidation of Universal Leasing Inc., a small leasing operation that was never considered economically relevant.

MMG is a bank with a general license that specializes in wealth management, private banking and investment banking, catering to both local and international high-net-worth clients. MMG also owns a brokerage license, having the authorization to act as a trustee for its clients' financial assets through investment agreements.

The bank is small relative to the Panamanian banking system, representing 0.39% of the system's total assets and 0.43% of deposits as of August 2018. However, it has a much more relevant presence within the asset management niche. As of the same date, MMG was the

Related Criteria

Bank Rating Criteria (October 2018)

National Scale Ratings Criteria (July 2018) fourth largest investment bank in Panama by business volume within the total market and the third largest one within the primary one.

The bank's total AUM have consistently increased over the past few year (up 3.32% in 2018 from YE17), as have its revenues through various economic cycles. The bank has also achieved greater revenue diversification, which has improved its risk profile and can be attributed to its strong franchise within its market niche, which is supported by its strong long-term relationships with its clients.

MMG's business model is based on providing financial advice to its clients in order to protect their wealth and help them reach their financial goals. This is achieved through various business lines: wealth management, asset management, investment banking and international banking. During the past few years, the bank has managed to increase its revenue diversification further. This includes increasing its credit portfolio to 38% of its total assets, doing so by sticking to its conservative strategy and only offering these services to existing clients. Additionally, the bank now offers credit card services and also created a pension fund management branch.

This high product and services diversification has allowed the bank to have an atypical balance sheet compared to its immediate peers in the Panamanian market, which contribute strongly to its profitability levels that distinguish it from its peers. Most of the bank's revenues come from fees and commissions, which stem primarily from the entity's off-balance sheet wealth management business.

Management and Strategy

The entity boasts a solid management team with ample and in-depth knowledge of the industry, target segments and the entity itself. MMG's corporate culture and identity are considered strong, with low turnover in its key management positions. Fitch believes that MMG's corporate governance is efficient and effective, reflected in the accomplishment of its established goals, the improvement of financial metrics and its annual results. A significant portion of the members of its board of directors belong to Morgan & Morgan's legal branch. As of June 2018, the bank opened a new position for an experienced corporate credit director to manage the bank's growing credit portfolio.

The board of directors is the bank's maximum authority, comprised of nine members, two of which are independent and three executives from the bank. The executive president and the auditing, risk, credit, and compensation & prevention of money laundering committees depend on the board of directors. The auditing, risk and compensation & prevention of money laundering committees are chaired by the board's independent directors.

Fitch believes that MMG's strategy of offering financial products and services that are geared toward high net-worth clients is effective, supported by advanced technology that allows for high efficiency in managing its investment, credit and deposit portfolios and enabled the bank to penetrate de pension fund management market sector. The bank has historically been able to consistently improve its financial metrics and meet the majority of its business objectives throughout different economic cycles.

Despite of Panama's economic slowdown during 2018, the bank was able to increase its net income 5.7% from its 2017 year-end result and grow its loan portfolio by USD24.4 million and investment portfolio by USD27.8 million. For 2019, the bank aspires to increase its loan portfolio by roughly 6% and its deposit base by 6.5%. In addition, MMG will continue to focus on optimizing its operating efficiency and projects to improve it roughly 4% and end up with an increase in net income of 4.7% by YE19.

Risk Appetite

Adequate Risk Policies and Controls

MMG's risk policies and controls are consistent with the best practices of the local banking system and are reflected in its good asset quality. The bank's policies are well defined and its control systems are continuously updated for its interbank assets, as well as its investment, loan and off-balance sheet wealth management portfolios.

Risk management is carried out by various administrative committees, including the Asset-Liability (ALCO), Credit and Investment Committees, among others. These, in turn, are supervised by the Auditing, Risk and Prevention of Money Laundering Committees, as well as the board of directors.

For the off-balance-sheet portfolio, MMG's internal policies call for thorough quantitative and qualitative analyses of the financial instruments available in the market, in order to offer adequate advice to clients and build portfolios with a reasonable amount of risk. This allows the company to manage both operating and reputational risks associated with this business line.

MMG's total asset growth has historically been superior to that of the Panamanian banking system. However, as of September 2018, its total assets increased 1.53% with respect to the previous year's expansion, in line with the slowdown experienced in the operating environment. Nevertheless, the company's credit portfolio expanded by 10.8%, in line with its target. Fitch expects the bank to continue on its current growth path, supported by its ample capital levels.

Fitch considers the issuer's risk management and internal policies to be good. Its main risk exposure stems from its investment portfolio, which represents 45.8% of the total balance sheet. Therefore, the principal risk faced by the bank is market risk, particularly interest rate risk, due to the large share of investment securities within its portfolio. The bank adequately mitigates this risk through conservative policies and a high turnover in financial instruments, resulting in low sensitivity of its investment portfolio to fluctuations in interest rates and market prices.

The main risk asset management is exposed to reputational risk, a common attribute within the niche of investment banks. The bank's clients trust in their ability and ethics to increase the value of their equity, so a deterioration in the managed portfolio or scandal that affects the reputation and credibility of MMG could have a strong impact on the bank's business and business continuity. However, the agency believes that MMG has successfully mitigated this risk to date, thanks to its transparent investment policies, the robust relationships it has established and the solid reputation it has developed.

The exposure to credit risk is managed by the credit committee and the assets and liabilities committee (ALCO), through periodic analysis of the capacity of current and potential borrowers to meet their obligations and the analysis of the investment portfolio. Both committees are duly authorized to evaluate and recommend changes to the credit limits to the board of directors when appropriate.

With respect to operational risk, the bank focuses on four main sectors to mitigate the risk of human error, technology and external events. These are human resources, processes, technology and external events that the bank has established hiring policies, insurance policies, training programs, review of processes and business and technological continuity plans, among others, to contain and mitigate the operational risk.

Over the past six years, non-realized gains (losses) from investments available for sale represented less than 1% of equity. The sensitivity tests performed by the bank provide a robust risk management tool. Of the total investment portfolio, roughly 70% will mature within less than a year.

In terms of its low foreign currency exposure, which is low, the bank offers services in 12 currencies, mostly in euros and pounds sterling. According to its risk policies, total foreign currency exposure cannot exceed 2% of equity, or 1% for a single currency. As of September 2018, the bank had an open foreign currency position equivalent to 0.21% of equity.

Financial Profile

Asset Quality

High Asset Quality

The quality of MMG's assets is high and higher than the system average and that of its peers. The structure of these is consistent with the private banking and asset management approach. MMG's investment portfolio is characterized by its wide geographic diversification and by solid credit quality issuers. At the same date, investments are concentrated mainly in Panama, which represents 38% of the total portfolio diversification. In addition to this, the bank only had investments in investment-grade institutions within its 20 largest exposures. Seventy-two percent of its investments are investment grade and 27% are rated 'AAA' on an international scale. Diversification by type of financial instrument is low, since 60% of the investment portfolio consists of fixed income. However, this is deliberate given its prudent risk policies.

The bank's loan portfolio has expanded considerably in recent years in line with its business strategy. However, the risk exposure of this portfolio is low due to its conservative policies and high quality, which compares favorably with its peers and the Panamanian financial system. As of September 2018, the portfolio continues to be maintained with no loan with arrears greater than 90 days. The high quality of the loan portfolio comes, in large part, from offering these products to its clients with whom it already has established strong relationships.

The bank only offers credit services to its existing customers and by September 2018 represented 38% of total assets. The main increase in the portfolio was in loans secured with cash and mortgages with 48% of the guaranteed portfolio with cash deposits. Commercial loans represent the majority of the total portfolio with 55.1%, followed by consumption of 23.2% and mortgage loans 6.9%.

Due to the conservative approach of only serving its existing customers, the portfolio has a low degree of atomization and high geographic concentration. The loans are mainly concentrated in Panama (2017: 55.8%) while its secondary focus is the rest of Latin America (2017: 31.5%). The 20 largest debtors accounted for 63% of total loans and 1.1x of the bank's total equity. Their loans are all covered by collaterals and only the largest debtor represents more than 10% of the bank's Fitch Core Capital (13.4% as of September 2018). However, the bank has decreased this concentration (67% as of September 2017) and is likely to continue to do so as the portfolio continues to expand. Additionally, this risk is mitigated significantly thanks to good hedges of collateral.

Fitch estimates that the loan portfolio will continue its moderate growth but will not represent an important risk within the balance sheet of the bank on the short to medium term.

The practice of AUM is the bank's highest volume business line and the one that contributes most to the bank's income. These increased 3.32% from YE17 to the end of 2018 and constitute 60% of fixed income instruments. Of the $2,612 million of AUM, 73.9% of these belong to private clients, while others also include institutional and discretionary mandates. The composition of fixed-income off-balance sheet is comprised mostly of corporate products. These represented 51% at YE18, followed by fixed income funds (20%) and government bonds (15%). The 20 largest investors represent a low concentration of the bank's total revenues. As of September 2018, these were equivalent to roughly 10% of revenues.

Fitch does not foresee drastic changes in the structure of the bank's balance sheet over the rating horizon and considers its asset quality will continue to be one of its main strengths. The asset management line will continue to be the bank's main service that generates the largest volume and revenue. The agency expects that MMG will continue to try to increase its credit portfolio to non-excessive growth without drastically increasing credit risk given the market niche and its conservative policies of serving only existing clients. Fitch believes that the bank will continue to exhibit higher asset quality than its peers and the banking system in Panama.

Earnings and Profitability

High Operating Profitability

MMG profitability levels register levels above the system average and compare favorably with their peers. As of September 2018, the bank still registers high profitability metrics with a ROAA of 2.03% and an ROAE of 19.07%. MMG's core metric of operating profits over risk-weighted assets was 5.35% as of the same date.

The bank is characterized by its high income diversification that benefits its risk profile thanks to the low concentration in a single market segment. However, being an investment bank by nature, its main source of funding comes from commissions for services with the area of asset management and portfolio being the most profitable while investment banking and banking services also represent an important portion. As of September 2018, fee income represented 53% of the bank's total revenues and these cover all general administrative expenses.

At the same date, interest income represented 44.7% of the bank's total revenues. The loan portfolio experienced an expansion of 10% during 2018 and represented 62.4% of the total interest income while the interest on investment was 37.6%. Additionally, recurring commissions have consistently increased over the years and, by YE18, these represented 41% of total gross commission income. The recurring commissions come from the services of custody, administration and management of investment portfolios and bank charges.

The operational efficiency is remarkable. This compares favorably with the local system. The net interest margin (NIM) has improved and registered 1.92% at the end of the year. Fitch anticipates that MMG's high profitability levels will be maintained thanks to the constant growth of its turnover. The bank's main source of income will continue to be commissions from the management of off-balance sheet assets but will continue to be supported by the growing contribution of its loan portfolio.

Capitalization and Leverage

Solid Capitalization

Fitch believes that MMG's capitalization is robust and adequate to continue supporting its growth, providing sufficient unexpected loss absorption capacity. MMG's FCC over risk-weighted assets experienced an improvement as of September 2018, benefiting from the economic slowdown in Panama, which caused a lesser expansion of its total assets. It registered a 25.7%, which is a historically high level for the bank comparing well over the system's average and most of its local peers.

Fitch believes that MMG's capital metrics will remain strong during the short to medium term despite its relatively aggressive dividend payout ratio (above 60% as of YE18). This will be achieved through maintaining good internal generation of capital and solid asset quality. Therefore, capital injections from shareholders are not expected to take place during this period.

Funding and Liquidity

Robust Liquidity

Client deposits continue to be the main source of funding. As of September 2018, deposits equal 85.4% of total funding and 83.8% of liabilities. These are mainly made up of short-term deposits and investment accounts. Together, they account for 59% of total deposits with the rest of 40.9% corresponding to long-term deposits.

Due to its business turnaround and relative size, the liability structure is concentrated in a small number of clients. The 20 largest depositors accounted for 20% as of September 2018, a percentage that the agency considers moderate; however, that concentration has been decreasing over the years. For 2017, these represented 25% of total deposits, a figure that had already considerably dropped considering that the concentration had reached 58% in 2008. Fitch believes that the bank will be able to continue reducing concentration levels slowly given the market niche in which it operates.

The bank's liquidity is high and compares favorably with the rest of its peers. As of September 2018, liquid assets cover 80.7% of total deposits and 60.2% of assets.

MMG also counts with credit lines from four correspondent banks, which consist of Banco Nacional de Panama, UBS, Morgan Stanley and Bank J. Safra Sarasin. The total amount from the credit lines adds up to USD22.2 million with interest rates ranging from 3.51% to 4.40%. The matching of asset and liabilities is managed conservatively. The bank's internal policies require up to 30% of the deposits captured on demand and overnights in liquid assets, as well as any negative mismatch between assets and liabilities with available facilities and/or assets that may be settled in more than 48 hours. MMG requires these levels of liquidity and conservative policies due to the nature of the bank; the asset mix is designed to mitigate liquidity risk, which Fitch believes is successful.

Support and Debt Ratings

Fitch does not assign a Support Rating Floor and has no expectation of sovereign support. This view reflects the significant size of the banking system relative to the sovereign's capacity to provide support, the lack of Panama's track record of providing support and MMG's relative lack of systemic importance. The bank's senior debt is unsecured; therefore, its ratings are aligned to MMG's national short-term rating.

MMG Bank Corporation — Income Statement

($000, Years Ended Sept. 30)	2018	2017	2016	2015	2014
Interest Income on Loans	12,316.4	8,696.9	6,193.7	3,161.7	2,128.8
Other Interest Income	7,433.1	7,081.2	7,800.4	6,447.0	4,875.1
Dividend Income	N.A.	N.A.	N.A.	N.A.	N.A.
Gross Interest and Dividend Income	**19,749.5**	**15,778.1**	**13,994.1**	**9,608.7**	**7,003.9**
Interest Expense on Customer Deposits	6,841.5	4,288.0	2,801.3	1,414.1	996.0
Other Interest Expense	657.8	0.0	0.0	0.0	N.A.
Total Interest Expense	**7,499.3**	**4,288.0**	**2,801.3**	**1,414.1**	**996.0**
Net Interest Income	**12,250.2**	**11,490.1**	**11,192.8**	**8,194.6**	**6,007.9**
Net Fees and Commissions	14,361.4	13,363.3	12,799.5	12,220.3	10,116.8
Net Gains (Losses) on Trading and Derivatives	**0.0**	N.A.	N.A.	N.A.	N.A.
Net Gains (Losses) on Assets and Liabilities at FV	**(4.1)**	N.A.	N.A.	N.A.	N.A.
Net Gains (Losses) on Other Securities	**480.4**	885.1	1,056.5	601.6	776.0
Net Insurance Income	**0.0**	N.A.	N.A.	N.A.	N.A.
Other Operating Income	**325.6**	604.2	633.3	885.5	826.0
Total Non-Interest Operating Income	**15,163.3**	**14,852.6**	**14,489.3**	**13,707.4**	**11,718.8**
Total Operating Income	**27,413.5**	**26,342.7**	**25,682.1**	**21,902.0**	**17,726.7**
Personnel Expenses	**7,087.4**	6,563.4	5,428.4	4,796.1	3,969.5
Other Operating Expenses	**5,582.4**	5,851.2	5,434.1	4,158.8	3,256.3
Total Non-Interest Expenses	**12,669.8**	**12,414.6**	**10,862.5**	**8,954.9**	**7,225.8**
Equity-accounted Profit/(Loss) — Operating	**0.0**	N.A.	N.A.	N.A.	N.A.
Pre-Impairment Operating Profit	**14,743.7**	**13,928.1**	**14,819.6**	**12,947.1**	**10,500.9**
Loan Impairment Charge	**64.1**	31.3	62.6	50.4	0.0
Securities and Other Credit Impairment Charges	**0.0**	N.A.	N.A.	N.A.	N.A.
Operating Profit	**14,679.6**	**13,896.8**	**14,757.0**	**12,896.7**	**10,500.9**
Equity-accounted Profit/(Loss) — Non-operating	**0.0**	N.A.	N.A.	N.A.	N.A.
Goodwill Impairment	**0.0**	N.A.	N.A.	N.A.	N.A.
Non-recurring Income	**0.0**	N.A.	N.A.	N.A.	N.A.
Non-recurring Expense	**0.0**	N.A.	N.A.	N.A.	N.A.
Change in Fair Value of Own Debt	**0.0**	N.A.	N.A.	N.A.	N.A.
Other Non-operating Income and Expenses	**0.0**	N.A.	N.A.	N.A.	N.A.
Pre-tax Profit	**14,679.6**	**13,896.8**	**14,757.0**	**12,896.7**	**10,500.9**
Tax Expense	**1,441.9**	1,376.5	1,421.9	1,390.4	1,031.3
Profit/Loss from Discontinued Operations	**0.0**	N.A.	N.A.	N.A.	N.A.
Net Income	**13,237.7**	**12,520.3**	**13,335.1**	**11,506.3**	**9,469.6**
Change in Value of AFS Investments	**(781.0)**	1,658.0	2,671.1	(1,721.0)	1,264.7
Revaluation of Fixed Assets	**0.0**	N.A.	N.A.	N.A.	N.A.
Currency Translation Differences	**0.0**	N.A.	N.A.	N.A.	N.A.
Remaining OCI Gains/(Losses)	**(480.4)**	(575.8)	(1,056.5)	(601.6)	(776.0)
Fitch Comprehensive Income	**11,976.3**	**13,602.5**	**14,949.7**	**9,183.7**	**9,958.3**
Memo: Profit Allocation to Non-controlling Interests	**11.6**	173.1	0.0	N.A.	N.A.
Memo: Net Income after Allocation to Non-controlling Interests	**13,226.1**	12,347.2	13,335.1	11,506.3	9,469.6
Memo: Common Dividends Relating to the Period	**8,666.0**	N.A.	6,666.7	4,312.8	3,234.3
Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	**N.A.**	N.A.	N.A.	N.A.	N.A.

N.A. – Not available.
Source: MMG Bank Corporation.

MMG Bank Corporation — Balance Sheet

($000, Years Ended Sept. 30)	2018	2017	2016	2015	2014
Assets					
Loans					
Residential Mortgage Loans	17,235.8	16,987.7	3,661.3	15,206.1	8,377.7
Other Mortgage Loans	0.0	N.A.	N.A.	N.A.	N.A.
Other Consumer/Retail Loans	58,285.2	37,969.2	27,771.5	27,386.3	5,248.1
Corporate & Commercial Loans	138,131.0	143,604.1	96,432.7	51,673.6	18,892.0
Other Loans	37,211.1	27,812.9	19,391.3	23,402.8	4,717.5
Less: Reserves for Impaired Loans	208.4	144.3	112.9	50.4	0.0
Net Loans	**250,654.7**	**226,229.6**	**147,143.9**	**117,618.4**	**37,235.3**
Gross Loans	**250,863.1**	**226,373.9**	**147,256.8**	**117,668.8**	**37,235.3**
Memo: Impaired Loans Included Above	0.0	0.0	0.0	0.0	0.0
Memo: Specific Loan Loss Allowances	N.A.	N.A.	N.A.	N.A.	N.A.
Other Earning Assets					
Loans and Advances to Banks	94,523.7	136,189.3	183,866.7	143,203.7	170,354.7
Reverse Repos and Securities Borrowing	0.0	N.A.	N.A.	N.A.	N.A.
Derivatives	0.0	N.A.	N.A.	N.A.	N.A.
Trading Securities and at FV Through Income	4,738.5	9,355.8	0.0	N.A.	N.A.
Available for Sale Securities	298,291.4	265,890.0	363,396.8	372,740.9	342,426.3
Held to Maturity Securities	0.0	N.A.	N.A.	N.A.	N.A.
Other Securities	0.0	N.A.	N.A.	N.A.	N.A.
Total Securities	303,029.9	**275,245.8**	**363,396.8**	**372,740.9**	**342,426.3**
Memo: Government Securities Included Above	109,274.5	76,316.4	55,199.0	62,331.3	85,603.9
Memo: Total Securities Pledged	N.A.	N.A.	N.A.	N.A.	N.A.
Equity Investments in Associates	0.0	N.A.	N.A.	N.A.	N.A.
Investments in Property	0.0	N.A.	N.A.	N.A.	N.A.
Insurance Assets	0.0	N.A.	N.A.	N.A.	N.A.
Other Earning Assets	0.0	N.A.	N.A.	N.A.	N.A.
Total Earning Assets	648,208.3	**637,664.7**	**694,407.4**	**633,563.0**	**550,016.3**
Non-Earning Assets					
Cash and Due From Banks	663.7	569.7	316.8	329.6	370.9
Memo: Mandatory Reserves Included Above	N.A.	N.A.	N.A.	N.A.	N.A.
Foreclosed Assets	0.0	N.A.	N.A.	N.A.	N.A.
Fixed Assets	6,208.2	6,939.1	7,608.1	9,483.9	8,346.7
Goodwill	0.0	N.A.	0.0	0.0	0.0
Other Intangibles	1,572.8	1,590.1	1,635.8	0.0	0.0
Current Tax Assets	1,767.1	1,609.0	0.0	0.0	N.A.
Deferred Tax Assets	0.0	N.A.	N.A.	N.A.	N.A.
Discontinued Operations	0.0	N.A.	N.A.	N.A.	N.A.
Other Assets	3,354.7	3,444.4	5,239.0	4,096.0	3,767.3
Total Assets	**661,774.8**	**651,817.0**	**709,207.1**	**647,472.5**	**562,501.2**

N.A. – Not available. *Continued on next page.*
Source: MMG Bank Corporation.

MMG Bank Corporation — Balance Sheet (Continued)

($000, Years Ended Sept. 30)	2018	2017	2016	2015	2014
Liabilities and Equity					
Interest-Bearing Liabilities					
Total Customer Deposits	493,677.5	526,840.8	610,856.6	568,060.6	477,962.4
Deposits from Banks	39,518.3	29,657.9	25,004.4	15,423.9	26,857.7
Repos and Securities Lending	0.0	7,136.3	1,639.8	1,459.1	0.0
Commercial Paper and Short-term Borrowings	21,747.2	9,000.0	0.0	0.0	N.A.
Customer Deposits and Short-term Funding	554,943.0	**572,635.0**	**637,500.8**	**584,943.6**	**504,820.1**
Senior Unsecured Debt	23,399.7	0.0	N.A.	N.A.	N.A.
Subordinated Borrowing	0.0	N.A.	N.A.	N.A.	N.A.
Covered Bonds	0.0	N.A.	N.A.	N.A.	N.A.
Other Long-term Funding	0.0	N.A.	N.A.	N.A.	N.A.
Total Long-term Funding	23,399.7	**0.0**	**N.A.**	**N.A.**	**N.A.**
Memo: o/w Matures in Less Than 1 Year	5,007.1	N.A.	N.A.	N.A.	N.A.
Trading Liabilities	0.0	N.A.	N.A.	N.A.	N.A.
Total Funding	578,342.7	**572,635.0**	**637,500.8**	**584,943.6**	**504,820.1**
Derivatives	0.0	N.A.	N.A.	N.A.	N.A.
Total Funding and Derivatives	578,342.7	**572,635.0**	**637,500.8**	**584,943.6**	**504,820.1**
Non-Interest Bearing Liabilities					
Fair Value Portion of Debt	N.A.	N.A.	N.A.	N.A.	N.A.
Credit Impairment Reserves	N.A.	N.A.	N.A.	N.A.	N.A.
Reserves for Pensions and Other	N.A.	N.A.	N.A.	N.A.	N.A.
Current Tax Liabilities	1,441.9	1,412.5	1,422.2	1,440.3	987.4
Deferred Tax Liabilities	N.A.	N.A.	0.0	0.0	0.0
Other Deferred Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.
Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.
Insurance Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.
Other Liabilities	9,218.6	6,295.8	6,932.9	6,020.4	6,496.4
Total Liabilities	589,003.2	**580,343.3**	**645,855.9**	**592,404.3**	**512,303.9**
Hybrid Capital					
Preferred Shares and Hybrid Capital Accounted for as Debt	N.A.	N.A.	N.A.	N.A.	N.A.
Preferred Shares and Hybrid Capital Accounted for as Equity	N.A.	N.A.	N.A.	N.A.	N.A.
Equity					
Common Equity	71,854.3	67,501.3	63,716.8	57,048.4	49,854.9
Non-controlling Interest	1,462.0	3,255.7	0.0	N.A.	N.A.
Securities Revaluation Reserves	(544.7)	716.7	(365.6)	(1,980.2)	342.4
Foreign Exchange Revaluation Reserves	0.0	N.A.	N.A.	N.A.	N.A.
Fixed Asset Revaluations and Other Accumulated OCI	0.0	N.A.	N.A.	N.A.	N.A.
Total Equity	72,771.6	71,473.7	63,351.2	55,068.2	50,197.3
Memo: Equity plus Preferred Shares and Hybrid Capital Accounted for as Equity	72,771.6	71,473.7	63,351.2	55,068.2	50,197.3
Total Liabilities and Equity	661,774.8	651,817.0	709,207.1	647,472.5	562,501.2
Memo: Fitch Core Capital	70,599.9	68,274.6	59,896.6	55,068.2	50,197.3

N.A. – Not available.
Source: MMG Bank Corporation.

MMG Bank Corporation — Summary Analytics

(%, Years Ended Sept. 30)	2018	2017	2016	2015	2014
Interest Ratios					
Interest Income/Average Earning Assets	3.09	2.37	2.15	1.60	1.46
Interest Income on Loans/Average Gross Loans	5.12	4.66	4.74	4.13	5.36
Interest Expense on Customer Deposits/Average Customer Deposits	1.33	0.75	0.48	0.26	0.24
Interest Expense/Average Interest-bearing Liabilities	1.31	0.71	0.47	0.26	0.23
Net Interest Income/Average Earning Assets	1.92	1.73	1.72	1.37	1.25
Net Interest Income Less Loan Impairment Charges/Average Earning Assets	1.91	1.72	1.71	1.36	1.25
Net Interest Income Less Preferred Stock Dividend/Average Earning Assets	1.92	1.73	1.72	1.37	1.25
Other Operating Profitability Ratios					
Operating Profit/Risk Weighted Assets	5.35	4.21	3.98	5.51	4.71
Non-Interest Expense/Gross Revenues	46.22	47.13	42.30	40.89	40.76
Loans and Securities Impairment Charges/Pre-impairment Operating Profit	0.43	0.22	0.42	0.39	0.00
Operating Profit/Average Total Assets	2.25	2.04	2.22	2.10	2.14
Non-Interest Income/Gross Revenues	55.31	56.38	56.42	62.59	66.11
Non-Interest Expense/Average Total Assets	1.94	1.82	1.63	1.46	1.47
Pre-impairment Operating Profit/Average Equity	21.23	20.66	26.18	24.85	22.48
Pre-impairment Operating Profit/Average Total Assets	2.26	2.05	2.23	2.11	2.14
Operating Profit/Average Equity	21.14	20.61	26.07	24.75	22.48
Other Profitability Ratios	19.07				
Net Income/Average Total Equity	2.03	18.57	23.56	22.09	20.27
Net Income/Average Total Assets	17.25	1.84	2.01	1.87	1.93
Fitch Comprehensive Income/Average Total Equity	1.84	20.18	26.41	17.63	21.32
Fitch Comprehensive Income/Average Total Assets	9.82	2.00	2.25	1.50	2.03
Taxes/Pre-tax Profit	4.82	9.91	9.64	10.78	9.82
Net Income/Risk Weighted Assets		3.79	3.59	4.92	4.25
Capitalization					
FCC/FCC-Adjusted Risk Weighted Assets	25.72	20.68	16.14	23.55	22.51
Tangible Common Equity/Tangible Assets	10.70	10.53	8.49	8.51	8.92
Equity/Total Assets	11.00	10.97	8.93	8.51	8.92
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 1 Capital Ratio	24.70	19.12	16.02	23.80	N.A.
Total Capital Ratio	26.00	19.99	16.61	24.39	22.00
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	(0.30)	(0.21)	(0.19)	(0.09)	0.00
Impaired Loans Less Reserves for Impaired Loans/Equity	(0.29)	(0.20)	(0.18)	(0.09)	0.00
Cash Dividends Paid & Declared/Net Income	65.46	N.A.	49.99	37.48	34.15
Risk Weighted Assets/Total Assets	41.48	50.64	52.32	36.12	39.65
Risk Weighted Assets — Standardized/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.	N.A.
Risk Weighted Assets — Advanced Method/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.	N.A.
Loan Quality					
Impaired Loans/Gross Loans	0.00	0.00	0.00	0.00	0.00
Growth of Gross Loans	10.82	53.73	25.15	216.01	(11.61)
Reserves for Impaired Loans/Impaired Loans	N.A.	N.A.	N.A.	N.A.	N.A.
Loan Impairment Charges/Average Gross Loans	0.03	0.02	0.05	0.07	0.00
Growth of Total Assets	1.53	(8.09)	9.53	15.11	34.00
Reserves for Impaired Loans/Gross Loans	0.08	0.06	0.08	0.04	0.00
Net Charge-offs/Average Gross Loans	0.00	N.A.	N.A.	0.00	0.00
Impaired Loans + Foreclosed Assets/Gross Loans + Foreclosed Assets	0.00	0.00	0.00	0.00	0.00
Funding and Liquidity					
Loans/Customer Deposits	50.82	42.97	24.11	20.71	7.79
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Funding (Excluding Derivatives)	85.36	92.00	95.82	97.11	94.68
Interbank Assets/Interbank Liabilities	239.19	459.20	735.34	928.45	634.29
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Growth of Total Customer Deposits	(6.29)	(13.75)	7.53	18.85	29.46

N.A. – Not available.
Source: MMG Bank Corporation.

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.