



CORPORATE POLICY
(As Amended and Restated 09/24/2007)

SUBJECT: CONFLICTS OF INTEREST

Purpose

The Office of Thrift Supervision (OTS) provides guidelines and requirements regarding conflicts of interest. To insure compliance with OTS requirements by Magna Bank and its subsidiaries (collectively, "Magna") and to establish prudent business practices for Magna, the following policy regarding Conflicts of Interest (the "Policy") is issued.

Scope

The following Policy will define and delineate conflicts of interest, establish acceptable business practices, and cover procedures related to the disclosure, reporting, and resolution of potential conflicts of interest. All officers, directors and employees of Magna (collectively, "Associates") are subject to this Policy. (Capitalized terms contained herein are defined in Appendix A to this policy.)

This Policy is to be used in conjunction with, but not necessarily limited to, the Loans to Insiders policy which incorporates the requirement of Regulation O and the Code of Ethics policy in setting standards for personal and business conduct of the Bank's Associates. All Associates are expected to manage their personal and business affairs in a manner consistent with the Bank's basic corporate principles of integrity, trustworthiness, and professionalism in order to maintain the positive community reputation that is essential to the Bank's continued successful operation.

Effective Date

This Policy is effective upon approval by the Board of Directors.

Responsibility and Administration

It is the responsibility of each officer, director and employee to abide by this Policy and to avoid situations which create, or which lead to or could lead to, a conflict of interest or the appearance of a conflict of interest.

The Chief Compliance Officer is responsible for administering this Policy and the Audit Committee of the Board of Directors will review annually Magna's compliance with the Policy.

Guidelines

No officer, director or employee shall, directly or indirectly, engage in conduct that is disloyal, disruptive, competitive, or damaging to Magna. In all cases where a potential conflict of interest exists or where there is an appearance of a conflict of interest, procedures relating to the disclosure and reporting of potential conflicts of interest should be followed.



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When a conflict of interest arises, the party with the conflict, whether a director, officer, or employee of Magna or one who has the power to direct the management or development of policies or otherwise have a fiduciary responsibility to Magna must satisfy certain duties to the institution as follows:

1. Disclose thoroughly to the board all material non-privileged information relevant to the matter. Such information includes, at a minimum, (a) the existence, nature and extent of your interests; and (b) the facts known to you as to the matter or transaction under consideration. Minutes for board meetings in which such disclosures are given should reflect those disclosures.
2. Recuse him/herself from participating in management's or board's discussion or consideration of the matter or transaction.
3. Refrain from advancing the matter. "Advancing the matter" is construed broadly and may include: preparing loan or contractual documents for the transaction, negotiating all or part of the transaction on behalf of Magna; selecting an appraiser for the transaction; communicating in internal discussions at Magna about the transaction with Bank employees; serving as liaison on behalf of Magna with an outside party in furtherance of the matter, and monitoring the transaction for Magna..

The fact that the proposed transaction may ultimately benefit Magna is not an adequate defense for advancing a matter that involves a conflict of interest. Any assessment of whether a transaction is in the best interest of the Bank must be left to officers or directors who do not have a conflict.

4. Refrain from discussions on behalf of Magna with OTS staff or with any other person. Persons independent of the conflict generally should conduct all communications on behalf of the Bank, both internally within the Bank and externally with other parties.

A) Fees and Kickbacks, Gifts, and other Things of Value

No officer, director or employee will solicit for himself/herself or others or accept anything of value in return for any business, service, or confidential information of Magna. Kickbacks and unearned fees for loans made or rejected by Magna are prohibited.

No officer, director or employee of Magna may receive directly or indirectly any fee or compensation for the procurement of any loan (i.e. fees for finding loan applicants) or other service from Magna or any subsidiary of Magna other than normal compensation. Referral fees will not be paid to any officer, director, or employee of Magna for loan applications that reflect the borrowers or guarantors as an immediate family member. Family member is defined as a parent, sibling, spouse, child, or dependent, or any relative sharing the same residence as the officer, director or employee.

Magna has adopted guidelines in recognition that certain benefits may be accepted without resulting in a conflict of interest. The items below are considered exceptions to the general prohibition regarding the acceptance of things of value. Additionally, any item valued in



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excess of two hundred fifty dollars (\$250) that is accepted by a member of Executive Management must be disclosed to the Board of Directors; and, any item over \$250 accepted by any other employee must be disclosed to the Compliance Officer or a member of Executive Management. Within these guidelines, the following are considered acceptable business practices:

- ◆ Acceptance of meals, refreshments, travel arrangements or accommodations, or entertainment in the course of a meeting or other occasion where the purpose is to hold bona fide business discussions or to foster better business relations. The expense must be such that it would be paid for by Magna as a reasonable business expense if not paid for by another party.
- ◆ Acceptance of gifts, gratuities, amenities, or favors bases upon obvious family or personal relationships when the circumstances make it clear that the business of Magna is not the motivating factor.
- ◆ Acceptance of gifts of reasonable value related to commonly recognized events such as a promotion, new job, wedding, retirement, Christmas, bar or bat mitzvah.
- ◆ Acceptance of civic, charitable, educational, or religious organizational awards for recognition of service and accomplishment.
- ◆ Acceptance of advertising or promotional material of reasonable value such as pens, pencils, note pads, key chains, calendars and similar items.
- ◆ Acceptance of discounts or rebates on merchandise or services that do not exceed those available to other customers.

B) Employment

Outside Employment

Employment or affiliation (whether compensated or in an advisory capacity including serving on a board of directors or board of trustees) outside Magna with competitors, vendors, customers, and others may give rise to a conflict of interest. Outside employment requires prior approval from the Chief Executive Officer (“CEO”) before accepting any outside employment. Such employment is prohibited when it could cause the associate to engage in conduct considered disruptive, competitive, or damaging to Magna.

Employment by an Insider

A Magna associate may not work during regular working hours for an Insider (as defined in Appendix A) unless the Insider compensates Magna for the time engaged in such work at wages equal to that prevailing at the time of such employment.



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C) Investments

Investments with competitors, supplies, customers, and others may place an individual in a position that gives rise to a conflict of interest, and therefore all associates should disclose to the CEO any such investment, and all Insiders should disclose to the Board of Directors any such investment. The investment must be ratified by the CEO or the Board, as the case may be. Provided, however, an investment of less than 5% of the outstanding shares in a publicly held company does not have to be disclosed. All associates are prohibited from making investments where such an investment could cause the associate to engage in conduct considered disruptive, competitive, or damaging to Magna.

D) Loans

The Loans to Insiders policy covers procedures related to the approval, making, and reporting of commercial, residential, consumer, and other loans to Insiders. Compliance with such policy is necessary prior to making any loan to an Insider.

E) Real and Personal Property Transactions

Magna may not purchase or lease from, jointly own with, or sell or lease to, any Insider any interest in real or personal property without prior OTS supervisory approval and the approval of a majority of the Board.

F) Deposit Relationships

Magna may not maintain a deposit relationship with any financial institution of which an Insider is a director without prior supervisory approval.

G) Business Transactions

All business dealings between Magna and an Insider must be at an arm's length standard, whereby the terms and circumstances under which the transaction occurs are substantially the same, or at least as favorable, as those prevailing at the time for comparable business dealings with third parties.

Investments by Magna in the securities of any Insider and the purchase of securities under or repurchase agreement from any Insider is prohibited.



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H) Corporate Opportunity.

Any director or officer of the Bank or person that has the power to direct the Bank's management or policies, or otherwise owe a fiduciary duty to the Bank, must not take advantage of corporate opportunities belonging to the Bank.

A corporate opportunity belongs to the Bank if:

- 1) The opportunity is within the corporate powers of the Bank or a subsidiary of the Bank; and
- 2) The opportunity is of present or potential practical advantage to the Bank, either directly or through its subsidiary.

The OTS will not deem that advantage has been taken of a corporate opportunity belonging to the Bank if a disinterested and independent majority of the Bank's board of directors, after receiving a full and fair presentation of the matter, rejected the opportunity as a matter of sound business judgment.

I.) Management Official Interlocks

The Depository Institution Management Interlocks Act ("Interlocks Act") prohibits Magna's Management Officials (see definition in Appendix A hereto) from also serving as a Management Official of another depository institution or depository holding company if either of the following applies:

1. The two unaffiliated depository organizations have offices in the same community.
2. Magna's total assets exceed \$2.5 billion and the unaffiliated depository's total assets exceed \$1.5 billion regardless of the location of the two organizations..

Approval from the Board is required before any Management Official of Magna can become a Management Official for another depository institution.

Certification Of Compliance

- ◆ Upon becoming an employee or director of Magna, the employee or director will be required to certify their acknowledgement of this Policy and compliance with its provisions. (See Exhibit B.)
- ◆ All Insiders are required to complete a certification on an annual basis in which they acknowledge the existence of this Policy and compliance with its provisions. (See Exhibit B.)
- ◆ Any potential conflicts should be disclosed and reported as described below.



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Reporting and Resolution of Potential Conflicts

- ◆ Any associate having questions concerning whether employment, an investment, a loan, a transaction, or other practice poses a potential conflict of interest or appearance of a conflict of interest should disclose such in writing to his or her Department Manager.
- ◆ All disclosed conflicts of interest should be promptly reported by the Department Manager to the Corporate Compliance Officer.
- ◆ The CEO or Board of Directors, as appropriate, will review all reported potential conflicts of interest and make a determination as whether the potential conflict is clearly a violation of regulations and/or whether the potential conflict is detrimental to Magna.
- ◆ In some cases, the CEO may determine that a conflict of interest does not exist or can be avoided. In making such a determination, the CEO will consider such factors as whether or not the practice is damaging to the integrity of Magna; directly or indirectly competitive with Magna's activities, products, markets, etc.; or disruptive to the accomplishment of job duties and Magna's objectives. If appropriate, the CEO will set limiting conditions or provisions to insure continuing compliance with regulations and Magna's Policy and to protect Magna's interests. The CEO, the Audit Committee of the Board or the Board will also provide instructions for monitoring compliance with any limiting conditions or provisions that are established.
- ◆ All potential conflicts of interest involving an Executive Officer or Director should be disclosed in writing to the CEO and, the CEO shall report such conflicts to the Board of Directors.
- ◆ The CEO and/or the Corporate Compliance Officer shall provide a summary of disclosed conflicts of interest and the resolution thereof to the Audit Committee of the Board on an annual basis.
- ◆ Records will be maintained of all disclosures of potential conflicts of interest. These records will include resolutions and any documentation that sets out the limitations and/or provisions that were established by CEO, the Audit Committee of the Board and/or the Board.



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APPENDIX A
TO THE CORPORATE POLICY ON CONFLICTS OF INTEREST

DEFINITIONS

1. **Director**: The term “Director”, as used in the Policy, is herein defined as any Director of Magna Bank, other than an advisory director or director emeritus.
2. **Executive Officer**: The term “Executive Officer”, as used in the Policy, includes only those Executive Officers who participates or has authority to participate in major policymaking functions of Magna, as defined annually by the Board of Directors. A list of Executive Officers is attached hereto, which list will be revised annually.
3. **Insider**: The term “Insider” as used in the Policy, means an Executive Officer (as defined above), Director/trustee; or Principal Shareholder.
4. **Management Official**: The term “Management Official” as used in the Policy, means an employee or officer with management functions (including branch manager); a Director (including an advisory director or honorary director); a trustee of a business organization under the control of trustees; or, any person who has a representative or nominee serving in any such capacity.



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EXECUTIVE OFFICER LIST

Chairman of the Board

Vice Chairman of the Board

President & CEO

Chief Financial Officer

Chief Lending Officer



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EXHIBIT B
TO THE CORPORATE POLICY ON CONFLICT OF INTEREST

ANNUAL CERTIFICATION

All Magna Associates are responsible for reviewing the Magna Bank Code of Ethics and Conflicts of Interests Policies annually and adhering to the guidelines established. As evidence of this review, each Associate is to complete a certification annually that states that they have received, read, understood, and agree to adhere to the guidelines established by the Policies.

Code of Ethics

Reporting of suspected illegal or unethical behavior is a core element of the Company's Code of Ethics (the "Code"). I have examined and understand the Code. I agree to report promptly, in accordance with the Code, any circumstances in the Company's business or operations that may involve a violation of any applicable law, rule or regulation and any other circumstances that may involve a violation of the Code. I confirm that I do not know of any such circumstances not previously reported.

Conflicts of Interest

Disclosing any potential conflicts of interest or where there is an appearance of a conflict of interest is a core element of the Company's Conflicts of Interest Policy (the "Policy"). I have examined and understand the Policy. I agree to disclose, in accordance with the Policy, any potential conflict of interest or appearance of a conflict of interest to my Department Manager, an Executive Manager, or the Corporate Compliance Officer. I confirm that I have attached in writing information regarding any such circumstances or, in the absence of any such attachment, I am confirming that I do not know of any such circumstances not previously reported.

Associate's Signature (Title, if applicable) Date

Print Associate's Name Title