



Dear Shareholder:

Magna Bank is pleased to report that for the quarter ending March 31, 2010 net income totaled \$324,446. Net income available to common shareholders after the payment of the dividend on the preferred shares owned by the U. S. Treasury was \$155,593.

Net interest income for the quarter improved by 6% over the same period in 2009. Non-interest income declined by 32% compared to the same period in 2009, primarily as a result of residential first mortgage loan originations declining by 53%. January and February residential loan origination volume was unusually weak, with refinance activity slowing dramatically. However, March originations bounced back to a more historically typical level of production. Non-interest expense for the first quarter declined by 12% compared to the same period one year earlier, primarily as a result of reduced commission expense on fewer residential mortgage loan originations.

Loans outstanding grew in the first quarter by \$7 million, and deposits increased by \$12 million. Total assets at March 31, 2010 were \$448 million, up 3% from year-end 2009.

Capital levels at March 31 remained very strong with equity to assets of 12.03%. Equity includes the preferred shares representing the investment of the U. S. Treasury in Magna Bank. It is our intent to gradually repay the Treasury investment, while still remaining well capitalized.

Non-performing assets, excluding FHA/VA insured loans, were 1.52% at quarter end, down from 1.70% at December 31, 2009. Our allowance for possible loan losses as a percentage of loans at March 31, again excluding FHA/VA insured loans, was 1.70%, up from 1.65% at December 31, 2009. We continue to proactively monitor our assets for impairment.

To our knowledge, there were 1025 shares of Magna Bank stock traded in the first quarter. The last trade handled by Wunderlich Securities was at a price of \$6.50 per share. Common book value per share at March 31 was \$7.88.

We gained approval in the first quarter to participate in the U. S. government insured Small Business Lending (SBA) program. Marty Ferguson joined our commercial lending group as a vice-president in the first quarter. Marty brings to Magna 20 years experience in SBA and small business lending. We plan to offer to small and mid-size businesses in the Memphis area SBA loans in addition to traditional commercial loan and cash management services.

We discussed in our annual report and proxy statement that some Memphis based community banks have been negatively impacted by the lingering effects of the recession. Given this fact, Magna's board of directors and executive management will be actively evaluating merger and acquisition opportunities with other community banks in the Memphis area in 2010. While opportunities will be evaluated, there is no assurance that an acceptable transaction will present itself in 2010.

If you have any questions about this report please contact me.

Sincerely,

Kirk Bailey

Chairman & CEO