

Item 7.01 Regulation FD Disclosure

- (i) On January 30, 2009, Magna will mail the attached letter to each of its stockholders summarizing certain previously undisclosed results of operations for the quarter and year ended December 31, 2008. Pursuant to regulation FD, Selective Disclosure and Insider Trading, Magna Bank hereby files the attached exhibit.

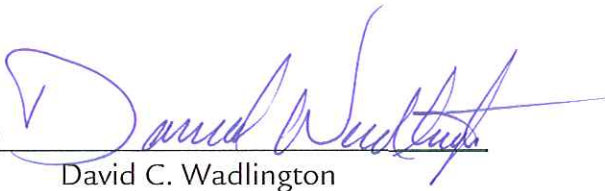
ITEM 9.01 Financial Statements and Exhibits

- (i) Letter to shareholders dated January 30, 2009.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Magna Bank
Dated: January 30, 2009

By 
David C. Wadlington
Chief Financial Officer



January 30, 2009

Dear Shareholder:

Magna Bank's performance continued to be impacted in the fourth quarter by the rapidly deteriorating economy and the turmoil in the capital markets. Significant negative adjustments were recognized during the quarter in the carrying value of securities and loan servicing rights, and the loan loss provision was increased. In this letter we will summarize the fourth quarter adjustments and performance, as well as review performance for 2008.

We will send to you our 2008 Annual Report toward the end of the first quarter, which will include 2008 financial statements and management's discussion and analysis of 2008 financial performance. However, due to the current economic climate, we feel it is important to provide our shareholders with preliminary 2008 financial information at this time. Some of the statements below are considered forward-looking statements, indicated by words such as "should," "believe," and "expect." A number of factors could cause actual results to differ from these forward-looking statements, as discussed in our most recent 10Q and 10K.

Magna's core operations were profitable in the fourth quarter, with after tax net income of approximately \$355,000. However, as detailed below, the Bank recorded a net loss for the quarter and for the year:

- At December 31, 2008, the Bank owned 140 securities with a book value of approximately \$62 million. At that date, in accordance with U.S. accounting standards and with the assistance from three securities valuation firms, a review of the value of all securities was performed. Nine securities whose market value was 20% or more below the book value of the security were identified for value impairment analysis. These securities fell into two categories, Corporate Debt Obligations (CDO's) or non-agency residential mortgage backed securities (RMBS's). The CDO's are backed by Trust Preferred Securities or default protection on portfolios of corporate entities. The RMBS's are backed by residential mortgages. Using a forecast that projects a worsening economy, we determined that collection of our entire investment in seven of these securities was unlikely. Accordingly, Magna recorded a non-cash pretax "other than temporary" impairment charge on seven securities of \$4.1 million, which was 54% of their book value. This recorded loss may be recovered through continued performance of the securities if our forecasts prove to be too severe. To date, these securities continue to perform and have not missed any scheduled interest payments.

- At December 31, 2008, the value of residential mortgage servicing rights totaled \$10.3 million before any charge for impairment. The value of mortgage servicing rights is affected by changes in residential mortgage interest rates, as declining mortgage interest rates generally result in rising prepayment speeds on existing mortgages as they refinance. Residential mortgage rates declined dramatically in the fourth quarter of 2008, resulting in the projected fair value of the mortgage servicing rights being impaired and requiring a non-cash pretax \$1.2 million charge. The impairment charge for our residential mortgage servicing rights can be recovered in the future if projected prepayment speeds slow as a result of rising mortgage interest rates. In a declining mortgage interest rate environment, our residential mortgage loan originations should increase as homeowners refinance existing mortgage loans. We have experienced a significant increase in loan refinance origination activity in the past sixty days. Thus, residential loan production and loan servicing act as a natural hedge for one another, and some of the impairment charge should be offset by increased income from our residential mortgage production group.
- The final significant charge to earnings in the fourth quarter was a pretax \$1.1 million increase in the allowance for possible loan losses. In the quarter, \$300,000 was added to the allowance for specific loans that are not performing and the balance of \$800,000 went to the general allowance for possible future loan losses. In 2008, we provided \$2.5 million to the allowance for possible loan loss reserve, while experiencing loan charge-offs of \$376,000. Allowance for loan losses increased to 1.33% of portfolio loans at December 31, 2008, up from .82% of loans one year earlier. Non-performing loans to total loans grew modestly during the year, but we did experience a growing number of troubled loans at year-end and thus increased the allowance for possible future loan losses.

Primarily as a result of the issues outlined above, Magna Bank lost after taxes \$2.7 million in the fourth quarter of 2008 and incurred an after tax loss for the year of \$4,301,713, or \$.80 per share. The annual operating loss was the first for Magna Bank since our first year of operation in 1999. We are disappointed by the loss in 2008, and are not comforted by the fact many of our competitors are also reporting losses.

The Bank continued to grow in 2008 with total assets at December 31st of \$521 million, an increase of \$53 million for the year. Total loans finished the year at \$398 million, an increase of \$16 million. However, during the second half of the year outstanding loan balances declined slightly. We ended the year with deposits of \$373 million, up \$73 million for the year. Our adjusted loan to deposit ratio at December 31st was 109%, a percentage we are comfortable with in this operating environment.

There were some bright spots in our performance for 2008:

- Despite a poor year for home sales, our residential mortgage group originated 1828 loans, or 95% of the loans originated in 2007;
- Compared to 2007, pre-provision net interest income before loan loss provision grew 15%, while operating expenses declined by 1%;
- The ratio of non-performing assets (loans 90 days or more past due, excluding FHA/VA loans, and foreclosed real estate) to total assets ended the year at a respectable 1.07%, despite the deteriorating economy;
- All capital to asset ratios substantially exceed the minimum requirement to be considered a well capitalized bank; and
- Two new retail branches were opened and exceeded expectations for deposit growth.

Based upon current economic data, we believe we have conservatively valued our loan and securities portfolios. However, we do not see an end to the tumultuous times in the financial markets in 2009. Job loss, income and wealth loss, weakening consumer confidence, limited credit availability, and falling retail sales will hinder the ability of the economy to recover in 2009. We expect conditions may stabilize as the year progresses, but we will remain vigilant in the evaluation of the strength of our balance sheet. Our focus in this environment is to remain a safe, strong bank by preserving capital, maintaining liquidity, prudent lending, controlling expenses, and continuing to serve our communities. While many challenges lie ahead, we are well capitalized, have a quality loan portfolio, and have core earnings we can build upon.

During the fourth quarter, to management's knowledge, 1000 shares of Magna Bank stock were traded. The per-share price of the last trade was \$7.50 per share. Wunderlich Securities in Memphis acts as a broker in the purchase or sale of Magna Bank stock. Should you want to buy or sell Magna stock, the contact person at Wunderlich Securities is Herbert Taylor, and he can be reached at (901) 251-2220 or toll free (800) 726-0557.

Particularly in these challenging times, if you have any questions about the Bank or if I can be of assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Kirk Bailey". The signature is written in a cursive, flowing style.

Kirk Bailey
Chairman & CEO