

CORPORATE EXPENDITURE POLICY

1. Statement of Policy and Purpose

The Board of Directors of Magna Bank (the “Bank”) desire to promote the highest and most prudent standards of behavior in regard to the use of the Bank’s assets and to ensure compliance with Section 111 of the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”) which requires financial institutions receiving assistance under the Troubled Asset Relief Program (“TARP”) to adopt a bank-wide policy regarding excessive or luxury expenditures. This Corporate Expenditure Policy (the “Policy”) was adopted in accordance with the Bank’s board of director’s objectives. The Policy is designed to establish guidelines regarding appropriate expenditures and expenditure authorization with specific attention to excessive or luxury expenditures.

The corporate funds of the Bank are not to be spent in a manner that is extravagant or otherwise create significant risk that could damage the Bank’s reputation with its customers and shareholders in the marketplace; therefore, excessive or luxury expenditures are prohibited. Allowable corporate expenditures should reflect sound and prudent judgment and they require approvals as set out below or if applicable, in accordance with the guidelines established in the Corporate Expenditure Approval Authorization Policy (the “CEAAP”) which is incorporated herein by reference.

2. Scope

All directors, officers, employees, temporary employees, contractors, consultants, or authorized agents of the Bank (collectively, “Associates”) are subject to this Policy. The Policy does not include reasonable payments by the Bank of salary, incentive compensation, commission, employee benefits, or similar types of payment. Additionally, disbursements connected with finance-related transactions (i.e. loan proceeds, customer deposit withdrawals, funds related to liquidity transactions or securities purchases, etc.) are excluded from this Policy.

The following expenditures (to the extent they are not reasonable for staff development, performance incentives, or other similar reasonable activities conducted in the Bank’s normal course of business operations) are covered by this Policy:

- a. Excessive expense for entertainment or events;
- b. Excessive expense for office and facility renovations;
- c. Excessive expense for aviation or other transportation services; or
- d. Excessive expense incurred for other similar items, activities or events which may reasonably be anticipated, to include reimbursement to the Associate for such expense.

This Policy will identify, establish thresholds as appropriate; and/or set out the following:

- i. Types or categories of unacceptable expenditures;
- ii. Types or categories of expenditures which require prior approval;
- iii. Establish approval procedures for expenditures which require prior approval;

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- iv. Establish requirement for the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) to certify that any expenditure requiring prior approval was appropriately obtained.
- v. Establish the requirement for prompt internal reporting of violations of the Policy through the Whistle Blower Hotline (901.259.5460) or to the Chief Compliance & Risk Officer, or the Internal Auditor.
- vi. Establish accountability for adherence to the Policy.

3. Effective Date and Notification

This Policy is effective upon approval by the Board of Directors. A copy of the adopted Policy shall be provided to the Treasury, the Office of Thrift Supervision (the “OTS”) as the Bank’s regulatory agency, and posted on the Bank’s website as a corporate governance document.

4. Policy Administration

The Policy shall be administered by the CEO subject to oversight by the Board of Directors (or a committee thereof). The Policy is to be interpreted in a manner that is consistent with the requirements of TARP currently in effect or as may be amended from time-to-time. Should the Policy be in conflict with the TARP requirements, while the Bank is subject to such requirements, the Policy shall be deemed to be amended to the extent necessary in order to eliminate the conflict.

5. General Policy

Events: In the ordinary course of the business, the Bank may plan or otherwise support and sponsor events for the purpose of business development, staff development, staff recognition or training. Also from time-to-time the Bank may promote charitable or civic endeavors as part of fulfilling its corporate responsibilities. Expenditures for such events and endeavors are intended to be reasonable and not lavish or excessive.

Office Renovations: Expenditures for improvement or updates to the Bank’s offices and facilities are to be consistent with prudent, conservative, and reasonable expense controls.

Transportation Expense: Aviation travel by Associates traveling on Bank business is to be at the most cost effective and efficient manner available. In general, this travel should be at the rates for economy class seats.

Associates are expected to utilize the most cost effective and efficient means of automobile or other forms of ground travel in the conduction of the Bank’s business.

6. Prohibited Expenditures

Events: Bank-sponsored events which are expected to have a total cost in excess of \$25,000 are prohibited whether for charitable, civic, business development, staff development, staff recognition, training, or other similar purposes.

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Office Renovations: In conjunction with the Bank's existing expense controls, any lavish or extraordinary construction materials, furnishings, fixtures, or decorations would not be allowed as part of an office or facility renovation.

Transportation Expense: First class and business class travel is prohibited if there is an incremental cost to the Bank and economy class seats are available. Associates will not be reimbursed for the additional incremental cost that is in excess of the cost of an economy class seat.

There must always be a legitimate business purpose for incurring travel expense. Any such travel expense incurred when there is no legitimate business purpose is prohibited.

7. Expenditures Requiring Prior Approval

All of the permitted expenditures discussed above require approval in accordance with the CEAAP. This Policy supersedes the CEAAP in the area of expenses associated with Events or Office Renovations. Should the anticipated expense for the Event or Office Renovation exceed \$2,500, the prior approval of the CEO is required.

8. Compliance Certification

Annually the Chief Executive Officer and Chief Financial Officer will certify to the Department of the Treasury and the OTS in accordance with the rules for TARP recipients that all Associates have complied with this Policy for the period ending as of the last day of the Bank's prior fiscal year.

9. Reporting of Violations

Violations of this Policy are considered serious and may indicate a misuse of the Bank's assets. An Associate that is concerned that there has been a violation of this Policy may report such suspected violations through the Bank's confidential Whistle Blower Hotline (901.259.5460) which is available 7 days a week, 24 hours a day. The Whistle Blower Hotline is available to Associates that would like to make a confidential anonymous report. Violations communicated through the Whistle Blower Hotline are investigated and reported to the Audit Committee. Magna Bank does not permit retaliation of any kind for good faith reports of violations or misconduct of others. At the conclusion of the investigative process, prompt and effective remedial action is taken if warranted and as appropriate.

Should an Associate be unsure as to whether there has been a violation of this Policy and would like to discuss the situation, the Associate should contact the Chief Compliance & Risk Officer or the Internal Auditor.

10. Accountability and Consequences of Non-Compliance

Failure to comply with this Policy is a serious violation and disciplinary action up to and including termination may result. Failure to report suspected violations or retaliation against a



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person that did submit a report of violation could also result in disciplinary action up to and including termination.

11. Conflicts with Other Policies

Nothing contained in this Policy is intended to limit or restrict other of the Bank's corporate policies. Other policies may be more restrictive, but not less restrictive than this Policy in regard to this subject matter. The provisions of this Policy shall supersede any other of the Bank's policies addressing the same subject matter and such other policy shall be considered to be amended by this Policy.

12. Policy Amendments

Should there be a need to make a material amendment to the Policy within ninety (90) days of the adoption of such amendment by the Bank's board of directors; an amended copy of the Policy shall be provided to the Treasury and the OTS. Such amended Policy shall be posted on the Bank's website.