

MAGNA BANK
AUDIT COMMITTEE CHARTER
(As Amended and Approved July 31, 2007)

Establishment and Purpose

The Board of Directors of Magna Bank (the “Company”) hereby creates the Audit Committee (the “Committee”) to assist the Board of Directors in fulfilling its oversight responsibilities for the:

- financial reporting process,
- system of internal control over financial reporting,
- internal and external audit process (including ensuring the independence of external auditors), and
- Company’s process for monitoring compliance with laws and regulations.

The function of the Committee is oversight; management is responsible for:

- the preparation, presentation and integrity of the Company’s financial statements,
- maintaining appropriate accounting and financial reporting principles, policies and internal controls, and
- developing procedures designed to assure compliance with accounting standards and applicable laws and regulations.

The Audit Committee is responsible for submitting its report to the Board of Directors for inclusion in the Company’s Annual Proxy solicitation.

Authority

The Committee shall have the sole authority to appoint or replace the independent auditor. The independent auditor shall report directly to, and be accountable to, the Committee. The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Retain outside counsel, accountants or others to advise the committee or assist in the conduct of an investigation
- Seek any information it requires from employees, all of whom are directed to cooperate with the committee’s requests, or external parties
- Meet with company officers, external auditors or outside counsel, as necessary

Composition

The Committee will consist of at least three and no more than seven members of the board of directors. The board or its nominating committee will appoint committee members and the committee chair.

Committee members will be independent as defined by applicable regulation. Each Committee member will be financially literate and at least one Committee member shall be deemed to be a financial expert that is independent of management.

Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting,

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in person or via teleconference/videoconference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions excluding management. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of the meetings will be prepared.

Responsibilities

The Committee will carry out the following responsibilities:

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the annual audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors, before filing with regulators, and consider whether they are complete and consistent with the information known to Committee members.

Internal Control

- Consider the effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over annual and interim financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review with management and the internal audit director the charter, plans, activities, staffing and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement or dismissal of the internal audit director.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

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- On a regular basis, meet separately with the director of internal audit to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on all reports.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.
- On a periodic basis (at least annually), meet separately with the external auditor to discuss any matters that the committee or the external auditor believes should be discussed in private.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Board of Directors about committee activities, issues and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors and the Board of Directors.
- Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule.
- Review any other reports the Company issues that relate to Committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors
- Confirm that the Bank's Controller and Internal Auditor maintain an active certified public accountant's license, said license to be maintained in the officer's employment file. An active CPA license shall be accordance with the American Institute of Certified Public Accountants and the license shall be presented annually to the Audit Committee.
- Institute and oversee special investigations as needed.

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- Review and assess the adequacy of the Committee charter annually, requesting board approval for proposed changes.
- Confirm annually that all responsibilities outlined in the charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.