



## Madison National Bancorp, Inc. Reports Second Quarter 2011 Results

### Performance Highlights

- **Solid Earnings:** Net income for the second quarter was \$142,000, or \$.03 per share, compared with net income of \$184,000, or \$.05 per share, for the first quarter of 2011. On a year-to-date basis, net income is up by \$896,000 compared to year-to-date 2010.
- **Continued Capital Strength:** The Bank's Tier 1 leverage capital ratio and Tier 1 risk based capital ratio were 10.74% and 13.34% at June 30th, up 15.1% and 20.5% from the prior year quarter, significantly above the levels required to qualify as "well capitalized" for regulatory capital purposes.
- **Allowance for Loan Losses:** The allowance for loan loss of \$4.5 million at June 30, 2011 represents 1.91% of gross loans compared to \$5.0 million, or 2.06% of gross loans at quarter end March 2011.
- **Strong Deposit Growth:** Retail deposit growth for the quarter was \$22.7 million or 43.10% on an annualized basis.

Melville, N.Y. — (Business Wire) – August 16, 2011 – Madison National Bancorp, Inc. ("Madison", "the Company")(stock symbol MNBZ,OTCBB), the parent company of Madison National Bank, today reported its financial results for the quarter ended June 30, 2011, highlighted by the Company's balance sheet growth and continued capital strength.

### **Solid Quarterly Earnings**

Net income for the quarter ended June 30, 2011 was \$142,000, or \$.03 per share compared to net income of \$184,000 or \$.05 per share on a linked quarter basis. During the most recent four quarters the Bank earned \$773,000, or \$.20 per share. Further, on a year-to-date basis, net income has increased by \$896,000. The Bank's book-value per-share of \$8.54 at June 30, 2011, represents an increase of \$.08 from March 31, 2011 and \$.31 from June 30, 2010.

### **Continued Capital Strength**

The Bank's Tier 1 leverage capital ratio for the quarter ended June 2011 was 10.74% and represents an increase of 15 basis points from the quarter ended March 2011. The Bank's Tier 1 risk based capital ratio for the quarter ended June 2011 was 13.34%, representing an increase of 27 basis points from the quarter ended March 2011. On a year over year basis, the Bank's Tier 1 leverage capital ratio increased 15.1% or 141 basis points from 9.33% to 10.74%, and the Tier 1 risk based capital ratio increased 20.5% or 227 basis points from 11.07% to 13.34%.

## **Balance Sheet**

Total assets as of June 30, 2011 increased by \$27.3 million, or 9.16%, as compared to March 31, 2011, totaling \$325.2 million at such date. From March 31, 2011 to June 30, 2011, cash and cash equivalents increased by \$13.7 million, total securities increased by \$20.2 million, and net loans decreased by \$5.5 million. During this period, funding liabilities increased by \$22.7 million primarily due to increases in money market accounts and certificates of deposit.

From June 30, 2010 to June 30, 2011, total assets increased by \$20.2 million, or 6.6%. The increase in assets on a year-over-year basis was due to growth in the retail banking franchise. The company's overall average cost of interest bearing liabilities decreased from 1.99% for the quarter ended June 2010 to 1.66% for the current quarter. More importantly, the cost of deposits for the 2nd quarter of 2011 decreased to 1.38% from 1.67% for the same quarter of 2010.

## **Loan Portfolio and Asset Quality**

Non-accrual loans and leases totaled \$8.7 million or 3.7% of total loans and leases outstanding at June 30, 2011 compared to \$8.1 million or 3.3% at March 31, 2011. During the second quarter of 2011, the Bank recorded provision for loan losses totaling \$150,000 and charge-offs of \$608,000. The Bank continues to be proactive in managing its loan portfolio and aggressively addressing any issues arising during this difficult credit cycle. At June 30, 2011, the allowance for loan losses was \$4.5 million or 1.91% of gross loans.

On August 4, 2011, the Bank announced that it had agreed to extend its merger agreement with FNBNY Bancorp, Inc. Under the terms of the original merger agreement, executed on October 21, 2010, FNBNY will acquire Madison National Bancorp, Inc., and its banking subsidiary, Madison National Bank, for cash consideration of \$9.09 per share, as adjusted for certain net loan losses and mark-to-market adjustments for non-performing loans after June 30, 2010 and prior to closing to the extent such losses and adjustments exceed the Bank's existing loan loss reserve, subject to a minimum per share price of \$8.18.

The parties extended the merger agreement for a period of up to an additional six (6) months to complete the transaction. Pursuant to the amended agreement, Madison will receive an extension payment of \$500,000 for each calendar month that the agreement is extended by FNBNY during the six month extension period. The final two payments during the extension period, if necessary, will be held in escrow. Accordingly, any extension payments during the first four months of the extension period will be recorded as income by Madison. In the event Madison does not receive an extension payment when due or the transaction is not closed by January 31, 2012, Madison will have the right to terminate the agreement. However, the amendment does not change the cash consideration to be received by shareholders under the merger agreement, or provide for any payment to shareholders in the event the agreement is terminated.

The merger remains subject to regulatory approval and the approval of Madison's stockholders. FNBNY has filed the necessary regulatory applications, which have been formally accepted by the regulators and are currently being processed. Madison has not yet scheduled its stockholder meeting to vote on the merger and will announce the date, time and place of the meeting in the

future. The amendment and original merger agreement are available for review in the Investor Relations section of Madison's website at: [www.madisonnational.com](http://www.madisonnational.com).

### **About Madison National Bank**

With assets of \$325.2 million at June 30, 2011, Madison National Bank is a locally owned and operated commercial bank, focusing on highly personalized and efficient services and products, responsive to local needs. Management and the Board of Directors is comprised of a select group of successful local businessmen and women who are committed to the success of the Company by knowing and understanding Long Island's financial needs and opportunities. Backed by state-of-the-art technology, Madison offers a full range of modern financial services. Madison employs a complete suite of consumer and commercial banking products and services, including multifamily and commercial mortgages, construction loans, home equity lines of credit, business loans and lines of credit. Madison also offers 24-hour ATM service with no fees attached, free checking with interest, telephone banking, the most advanced technologies in internet banking for our consumer and business customers, safe deposit boxes and much more. Madison National Bank maintains its corporate offices in Melville, New York and currently operates three New York branch offices in Merrick, Melville, and Massapequa.

Madison National Bank is a member of the Federal Deposit Insurance Corporation and is an Equal Housing/Equal Opportunity Lender. For further information, call 631-348-6999 or visit the Company's website at [www.madisonnational.com](http://www.madisonnational.com).

### **Forward-Looking Statements**

This release may contain certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and may be identified by the use of such words as "may," "believe," "expect," "anticipate," "should," "plan," "estimate," "predict," "continue," and "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to the financial condition, results of operations and business of Madison National Bank. Any or all of the forward-looking statements in this release and in any other public statements made by Madison National Bank may turn out to be incorrect. They can be affected by inaccurate assumptions Madison National Bank might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Madison National Bank does not intend to update any of the forward-looking statements after the date of this release or to conform these statements to actual events.

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Bonnie Seider, Senior Vice President

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**MADISON NATIONAL BANCORP, INC.**  
**STATEMENTS OF CONDITION**  
**(Unaudited)**

	<u>6/30/11</u>	<u>3/31/11</u>	<u>6/30/10</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,916,534	\$ 10,226,401	\$ 30,299,548
Debt and Equity Securities available for sale	58,359,602	38,157,951	3,790,500
Securities held to maturity	-	-	14,440,305
Total securities	<u>58,359,602</u>	<u>38,157,951</u>	<u>18,230,805</u>
Loans held for sale	-	8,922,269	-
Loans, net of deferred loan fees and costs	236,099,835	233,094,245	249,244,399
Less: allowance for loan losses	<u>(4,511,965)</u>	<u>(4,970,415)</u>	<u>(5,028,514)</u>
Loans, net	<u>231,587,870</u>	<u>228,123,830</u>	<u>244,215,885</u>
Premises and equipment, net	6,000,337	5,792,708	6,133,188
Other assets	5,380,815	6,716,402	6,213,292
Total Assets	<u>\$ 325,245,158</u>	<u>\$ 297,939,561</u>	<u>\$ 305,092,718</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits:			
Demand and NOW deposit accounts	\$ 22,605,432	\$ 22,253,470	\$ 25,584,024
Money market accounts	76,498,412	66,748,126	52,961,402
Savings accounts	17,308,675	17,355,960	22,844,081
Certificates of deposit	117,176,277	104,503,899	113,183,556
Brokered deposits	<u>11,961,037</u>	<u>11,952,997</u>	<u>5,968,027</u>
Total Deposits	<u>245,549,833</u>	<u>222,814,452</u>	<u>220,541,090</u>
Federal Home Loan Bank Advances	40,000,000	40,000,000	53,500,000
Other Liabilities	<u>4,760,604</u>	<u>849,760</u>	<u>699,318</u>
Total Liabilities	<u>290,310,437</u>	<u>263,664,212</u>	<u>274,740,408</u>
Total Shareholders' Equity	34,934,721	34,275,349	30,352,310
Total Liabilities and Shareholders' Equity	<u>\$ 325,245,158</u>	<u>\$ 297,939,561</u>	<u>\$ 305,092,718</u>

**MADISON NATIONAL BANCORP, INC.**  
**STATEMENTS OF INCOME**  
**(Unaudited)**

	Quarter Ended 6/30/11	Quarter Ended 6/30/10	Year to Date 6/30/11	Year to Date 6/30/10
Total interest income	\$ 3,787,287	\$ 4,077,538	\$ 7,803,623	\$ 8,500,523
Total interest expense	1,118,243	1,310,132	2,286,219	2,680,365
Net interest income	2,669,044	2,767,406	5,517,404	5,820,158
Provision for loan losses	150,000	0	550,000	2,200,000
Net interest income after provision for loan loss	2,519,044	2,767,406	4,967,404	3,620,158
Total non-interest income	171,305	102,363	497,371	374,034
Compensation and benefits	1,076,083	1,189,495	2,244,081	2,386,033
Occupancy and equipment	509,804	485,802	1,024,146	949,992
FDIC Assessment	144,977	130,174	264,427	233,557
Other operating expenses	687,865	661,195	1,305,632	1,254,530
Total non-interest expense	2,418,729	2,466,666	4,838,286	4,824,112
Income Before Taxes	271,620	403,103	626,489	(829,920)
Provision for income taxes	129,895	194,802	300,614	(259,924)
Net income	141,725	\$ 208,301	\$ 325,875	\$ (569,996)

	Quarter Ended 6/30/11	Quarter Ended 3/31/11	Quarter Ended 12/31/10	Quarter Ended 9/30/10
Total interest income	\$ 3,787,287	\$ 4,016,336	\$ 4,008,247	\$ 4,001,066
Total interest expense	1,118,243	1,167,976	1,176,452	1,279,357
Net interest income	2,669,044	2,848,360	2,831,795	2,721,709
Provision for loan losses	150,000	400,000	500,000	0
Net interest income after provision for loan loss	2,519,044	2,448,360	2,331,795	2,721,709
Total non-interest income	171,305	326,066	648,618	116,120
Compensation and benefits	1,076,083	1,167,998	1,063,898	1,053,964
Occupancy and equipment	509,804	514,342	474,895	487,382
FDIC Assessment	144,977	119,450	127,980	133,286
Other operating expenses	687,865	617,767	876,473	654,907
Total non-interest expense	2,418,729	2,419,557	2,543,246	2,329,539
Income Before Taxes	271,620	354,869	437,167	508,290
Provision for income taxes	129,895	170,719	275,007	223,794
Net income	\$ 141,725	\$ 184,150	\$ 162,160	\$ 284,496
Basic Earnings per Share	\$ 0.03	\$ 0.05	\$ 0.04	\$ 0.08
Diluted Earnings per Share	\$ 0.03	\$ 0.05	\$ 0.04	\$ 0.08

**MADISON NATIONAL BANCORP, INC.**  
**STATEMENTS OF CONDITION**  
**(Unaudited)**

	<u>6/30/11</u>	<u>3/31/11</u>	<u>6/30/10</u>
<b>Asset Quality</b>			
Allowance for Loan Losses	\$ 4,511,965	\$ 4,970,415	\$ 5,028,514
Nonperforming Loans	8,684,890	8,057,239	12,433,850
Nonperforming Loans/Total Loans	3.7%	3.3%	5.0%
Charge-offs (Recoveries)	\$ 608,451	\$ 561,128	\$ 79,486
Provision for Loan Loss	150,000	400,000	0
ALL/Loans, Gross	1.91%	2.06%	2.02%
<b>Capital</b>			
Shares Issue - Basic	4,090,788	4,050,320	3,685,800
Book Value per Share	\$ 8.54	\$ 8.46	\$ 8.23
Tier 1 Capital Ratio	10.74%	10.59%	9.33%
Tier 1 Risk Based Capital Ratio	13.34%	13.07%	11.07%
	<u>Quarter Ended</u>	<u>Quarter Ended</u>	<u>Quarter Ended</u>
	<u>6/30/11</u>	<u>3/31/11</u>	<u>6/30/10</u>
<b>Profitability</b>			
Yield on Average Earning Assets	4.92%	5.39%	5.70%
Cost of Avg. Interest Bearing Liabilities	1.66%	1.78%	1.99%
Net Spread	3.26%	3.61%	3.71%
Net Margin	3.51%	3.88%	3.92%