



Madison National Bank Reports Key Performance Achievements for Fourth Quarter and Calendar Year 2008

Performance Highlights

- **Company Continues Profitability:** Profitable within its first six quarters of operation, the Bank continues to be one of the nation's fastest growing de novo institutions.
- **Company Assets Exceed \$270 million:** Assets totaled \$271.5 million at December 31, 2008, up \$38.8 million, or 16.7%, from September 30, 2008 and \$156.2 million for 2008.
- **Total Deposits Surpass \$200 million:** Total deposit growth for the quarter and year-to-date periods was up \$35.9 million and \$124.0 million, respectively, representing annualized quarterly and year-to-date growth of 82.8% and 145.0%.
- **Merrick Branch Reaches \$100 million Deposit Milestone:** First branch opened by Madison in March 2007 garners \$109.6 million in deposits in less than 2 years.
- **Loan Portfolio Approaches \$200 million:** At quarter-end total gross loans outstanding was \$197.8 million or 72.8% of total assets. Loan originations for the quarter were \$29.9 million and totaled \$169.4 million for 2008.
- **Net Interest Income:** Madison reports 4Q 2008 net interest income of over \$1.9 million and \$6.1 million for the calendar year 2008.
- **Continued Capital Strength:** The Company's tier one capital ratio was 11.17% at December 31st, significantly above the regulatory minimum for a well capitalized institution of 5.00%.

Hauppauge, N.Y. · (Business Wire) · February 26, 2009 · Madison National Bank (Madison, the Company) (stock symbol MNBX,OTCBB), one of the fastest growing de novo banks in the nation, today reported significant performance achievements for the quarter ended December 31, 2008, highlighted by the Company's continued profitability and substantial growth for 2008. Further, the Company reported robust levels of deposit growth and loan originations of \$35.9 million and \$29.9 million for the fourth quarter. Evidencing the Company's exceptional growth, total assets increased for the fourth quarter by \$38.8 million, or 16.7%, to \$271.5 million. **The Bank has absolutely no sub-prime mortgages,**

option ARMS, Fannie or Freddie stock or similar type assets that have been a source of losses to many of our competitors.

Since its grand opening in March 2007, Madison continues to achieve significant growth by delivering an ultimate combination of personalized service, home-based decision making, and commitment to the community. During these challenging economic times, our accomplishments demonstrate the Organization's ability to capitalize on market opportunities, maintain our strategic focus, and utilize our strong capital position to expand our profitable business lines. Importantly, the Company's exceptional growth continues to be prudently managed and the Bank is well capitalized and poised for future expansion in terms of increasing its asset base and adding additional branches. Further, the dramatic changes in our marketplace have resulted in decreased competition for loan products, providing Madison with increased lending opportunities at enhanced spreads.

Deposits Surpass \$200 million

The Company's overall deposit growth continues to accelerate with total deposits at December 31, 2008 of \$209.6 million and core deposits of \$101.2 million. Total deposits increased \$35.9 million for the quarter, representing annualized growth of 82.8%. On a linked quarter basis, core deposits increased at an annualized rate of 72.9%, or \$15.6 million.

The Company is pleased to report that its Merrick branch has currently accumulated deposits of \$109.6 million since opening in March 2007. The company is rapidly approaching the capture of 10% of the local retail deposit dollars in the Merrick marketplace. The Bank's Melville branch, which opened August 2007, currently has a deposit base of \$86.3 million. Combined, these two branches possess a customer base in excess of 5,200 accounts. The early profitability of these branches and their robust growth serve as a testament to management's ability to select superior sites, deliver unparalleled service, and tailor creative financial products and customized solutions backed by the latest in advanced technology. Madison will continue its expansion with the addition of a state-of-the-art, fully integrated, extended service facility to be located on Hempstead Turnpike in Levittown, New York. Pending municipal approvals, management expects to open this branch by late-2009. Additionally, the Company believes that the recently announced consolidation in our marketplace will provide increased opportunities for branch expansion.

Substantial Loan Growth and Originations

Loan growth for the quarter continued to be exceptionally strong. Loan originations for the quarter were \$29.9 million, representing annualized growth of 63.7% in the portfolio. The loan portfolio grew by \$27.1 million and total gross loans outstanding at quarter-end were \$197.8 million or 72.8% of total assets. For the twelve months of 2008, loans have grown by \$160.4 million or 429.3%.

Madison's lending opportunities remain strong as many of the nation's largest lenders continue to experience setbacks from massive subprime losses and liquidity issues, causing them to suspend or significantly curtail major portions of their lending activities. Management believes that this scenario will continue to provide increased lending opportunities on permanent commercial and multi-family mortgages.

Management continues to employ a strategy of concentrating its loan growth in multi-family funding, which provides the Company with traditionally safe credit quality at historically wide credit spreads, greater liquidity and an enhanced interest-rate-risk profile. Multi-family loan originations for the quarter were \$17.3 million, bringing the portfolio to \$98.4 million at quarter-end. At December 31, 2008, the average balance of a multi-family mortgage loan in the Bank's portfolio was approximately \$1.2 million with a loan-to-value ratio of 71.0%.

Our commitment to asset quality remains paramount. It bears repeating, the Bank has absolutely no sub-prime, option ARMS or Alt-A loans in its portfolio, nor does the Company hold any securities backed by those types of loans.

Continued Net Interest Income and Margin Expansion

Net interest income was \$1.9 million for the three months ended December 31, 2008, compared to \$1.8 million on a linked quarter basis and \$1.5 million for the quarter ended June 30, 2008. Management is confident that it will continue to expand net interest income as the Bank continues to leverage its capital into favorable lending products and pricing.

In a joint statement, Madison's executives Daniel L. Murphy and Michael P. Puorro commented, "As the current economic malaise continues, Madison will continue to deliver its unique brand of innovative products coupled with superior service for our customers. We continue to focus on providing our shareholders consistent returns through quarterly profits and strategically leveraging our balance sheet to maximize shareholder value. We at Madison still see opportunities for well capitalized community banks to grow profitably, despite the troubles experienced by other larger institutions. At Madison National Bank, our balance sheet remains sound as a result of prudent lending practices and our stable deposit base built through our ties to the community. We believe we will continue to garner market share and grow organically at a strong pace without compromising asset quality. This growth will continue to come in our traditional product offerings and with our strong commitment to asset quality."

About Madison National Bank

With assets of \$271.5 million at December 31, 2008, 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. As a direct complement to our products and delivery channels, our customers are afforded a personalized walk-up and drive-up facility that enables face-to-face retail services until 8:00 PM on weekdays, availing our client base the luxury of 67 hours of direct service per week. Madison National Bank maintains its corporate offices in Hauppauge, New York and currently operates two branch offices in Merrick and Melville, New York.

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.

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

631-348-6999

MADISON NATIONAL BANK
STATEMENTS OF CONDITION
(Unaudited)

	December 31, <u>2008</u>	September 30, <u>2008</u>	June 30, <u>2008</u>	December 31, <u>2007</u>
ASSETS				
Cash and cash equivalents	12,392,839	9,467,921	13,276,903	16,155,047
Debt and Equity Securities available for sale	30,451,328	27,183,903	39,568,734	41,120,354
Securities held to maturity	<u>19,537,366</u>	<u>19,897,208</u>	<u>12,244,703</u>	<u>13,116,517</u>
Total securities	49,988,694	47,081,111	51,813,437	54,236,871
Loans, net of deferred loan fees and costs	197,752,286	170,602,366	126,272,817	37,360,596
Less: allowance for loan losses	<u>(1,575,000)</u>	<u>(1,200,000)</u>	<u>(885,000)</u>	<u>(275,000)</u>
Loans, net	196,177,286	169,402,366	125,387,817	37,085,596
Other assets	<u>12,976,831</u>	<u>6,788,068</u>	<u>6,198,688</u>	<u>7,869,569</u>
Total Assets	<u><u>\$271,535,650</u></u>	<u><u>\$232,739,466</u></u>	<u><u>\$196,676,845</u></u>	<u><u>\$115,347,083</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Total Deposits	209,577,399	173,632,337	137,822,915	85,554,787
Federal Home Loan Bank of N.Y. Advances	31,000,000	29,000,000	29,000,000	-
Other liabilities	<u>2,601,880</u>	<u>2,272,351</u>	<u>1,980,710</u>	<u>344,343</u>
Total Liabilities	243,179,279	204,904,688	168,803,625	85,899,130
Total Shareholders' Equity	<u>28,356,371</u>	<u>27,834,778</u>	<u>27,873,220</u>	<u>29,447,953</u>
Total Liabilities and Shareholders' Equity	<u><u>\$271,535,650</u></u>	<u><u>\$232,739,466</u></u>	<u><u>\$196,676,845</u></u>	<u><u>\$115,347,083</u></u>

MADISON NATIONAL BANK
STATEMENTS OF INCOME
(Unaudited)

	Fourth Quarter <u>2008</u>	Fourth Quarter <u>2007</u>	Year to Date <u>2008</u>	Year to Date <u>2007</u>
Total interest income	3,749,334	1,503,759	11,584,776	3,756,936
Total interest expense	1,829,241	970,952	5,484,944	2,023,841
Net interest income	1,920,093	532,807	6,099,832	1,733,095
Provision for loan losses	375,000	232,500	1,300,000	275,000
Net interest income after provision for loan losses	1,545,093	300,307	4,799,832	1,458,095
Total non-interest income	233,627	3,987	437,640	11,606
Compensation and benefits	856,385	666,358	3,007,591	2,710,283
Occupancy and equipment	370,700	268,939	1,216,663	859,211
Other operating expenses	453,501	401,751	1,706,800	2,413,933
Total non-interest expense	1,680,586	1,337,048	5,931,054	5,983,427
Provision for income taxes	6,750	-	18,750	-
Net income	<u>\$ 91,385</u>	<u>\$ (1,032,754)</u>	<u>\$ (712,331)</u>	<u>\$ (4,513,726)</u>

QUARTERLY STATEMENTS OF INCOME
(Unaudited)

	December 31, <u>2008</u>	September 30, <u>2008</u>	June 30, <u>2008</u>	December 31, <u>2007</u>
Total interest income	3,749,334	3,236,475	2,774,979	1,503,759
Total interest expense	1,829,241	1,426,479	1,296,689	970,952
Net interest income	1,920,093	1,809,996	1,478,290	532,807
Provision for loan losses	375,000	315,000	285,000	232,500
Net interest income after provision for loan losses	1,545,093	1,494,996	1,193,290	300,307
Total non-interest income	233,627	35,794	155,052	3,987
Compensation and benefits	856,385	766,623	683,557	666,358
Occupancy and equipment	370,700	302,706	271,064	268,939
Other operating expenses	453,501	378,125	499,774	401,751
Total non-interest expense	1,680,586	1,447,454	1,454,395	1,337,048
Provision for income taxes	6,750	5,250	6,750	-
Net income	<u>\$ 91,385</u>	<u>\$ 78,086</u>	<u>\$ (112,803)</u>	<u>\$ (1,032,754)</u>

MADISON NATIONAL BANK
PERFORMANCE RATIOS
(Unaudited)

	December 31, <u>2008</u>	September 30, <u>2008</u>	June 30, <u>2008</u>	December 31, <u>2007</u>
Asset Quality:				
Allowance for Loan Losses	\$1,575,000	\$1,200,000	\$885,000	\$275,000
Nonperforming Loans/Total Loans	1.6%	0.0%	0.0%	0.0%
Charge-offs	\$0.00	\$0.00	\$0.00	\$0.00
Provision For Loan Loss	\$375,000	\$315,000	\$285,000	\$232,500
ALL/Loans, Gross	0.80%	0.70%	0.70%	0.74%
Capital:				
Shares Issued - Basic	3,350,720	3,350,720	3,350,720	3,350,720
Book Value per Share	\$8.46	\$8.21	\$8.32	\$8.79
Tier One Capital Ratio	11.17%	13.29%	14.84%	25.73%
Profitability:				
Yield on Average Earning Assets	6.15%	6.11%	6.08%	5.66%
Cost of Avg. Interest Bearing Liabilities	3.37%	3.25%	3.36%	4.84%
Net Spread	2.78%	2.86%	2.72%	0.82%
Net Margin	3.23%	3.42%	3.29%	2.02%