



## Madison National Bank Reports Significant Performance Achievements for Second Quarter 2008

### Performance Highlights

- **Company Assets Approach \$200.0 million:** Assets totaled \$196.7 million at June 30, 2008, up \$36.6 million, or 22.9%, from March 31, 2008.
- **Total Deposits Surpass \$137 million:** Total deposits for the quarter and year-to-date periods up \$37.4 million and \$52.3 million, representing annualized quarterly and year-to-date growth of 149.1% and 122.2%.
- **Substantial Deposit Account Growth:** Since beginning operations in March 2007, the Company has added more than 4,000 accounts including 1,000 during the quarter.
- **Record Loan Originations for Second Quarter 2008:** Loan originations for the quarter were a record \$52.8 million and totaled \$94.5 million for the first half of 2008. The loan pipeline at June 30, 2008 was a record \$56.2 million.
- **Continued Net Interest Margin Expansion:** Madison's 2Q 2008 margin of 3.29% is up from 2.97% and 2.02% for the quarters ending March 31, 2008 and December 31, 2007. Margin for June 2008 reaches 3.53%.
- **Capital Strength:** The Company's tier one capital ratio was 14.84% at June 30<sup>th</sup>, significantly above the regulatory minimum for a well capitalized institution.
- **Management Re-affirms Profitability Goals.**

Hauppauge, N.Y. - (Business Wire) . August 12, 2008 . Madison National Bank (Madison, the Company) (stock symbol MNBX,OTCBB), today reported significant performance achievements for the quarter ended June 30, 2008, highlighted by record deposit growth of \$37.4 million and loan originations of \$52.8 million. Evidencing the Company's exceptional growth, total assets increased for the second quarter by \$36.6 million, or 22.9%, to \$196.7 million. Since its official grand opening in March 2007, Madison continues to achieve significant growth by delivering an ultimate combination of personalized customer service and home-based decision making, left void by larger regional and out-of-state institutions and recently merged mega-banks. Importantly, the Company's exceptional growth has been prudently managed and the Bank is well capitalized and poised for future expansion in terms of increasing its asset base and adding additional branches. **The Bank has absolutely no sub-prime or Alt-A loans in its portfolio, nor does the Company hold any securities backed by those types of loans.**

Madison's second quarter operating achievements continue to reflect the strong execution of the Company's overall growth strategies which center around superior retail gathering capabilities and a thorough knowledge of its lending market which recognizes the desirability of prompt local decision making.

### **Substantial Deposit Growth**

The Company's overall deposit growth continues to accelerate with total deposits at June 30, 2008 of \$137.8 million and core deposits of \$57.7 million. Total retail deposits increased \$37.4 million for the quarter, representing annualized growth of 149.1%. On a linked quarter basis, core deposits increased at an annualized rate of 126.8%, or \$13.9 million.

The Company is pleased to report that its Merrick branch has currently accumulated deposits of \$88.1 million since opening in March 2007, and is approaching 10% of the local market share. The Bank's Melville branch, which opened August 2007, currently has a deposit base of \$52.5 million, and possesses a customer base in excess of 1,500 accounts. The early profitability of these branches and their robust growth serves 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. The branch will feature Madison's branding amenities, including award-winning architecture, customer lounge with fireplace, plasma screen TV's, Wi-Fi, and gourmet coffee and popcorn stations. Pending regulatory and municipal approvals, Management expects to open this branch by early 2009.

Management is currently examining numerous opportunities for further de novo branch expansion in its marketplace and expects to continue this highly successful strategy into the foreseeable future. The Company believes that the continuation of this program, combined with Madison's growing reputation for being a foremost leader in customer service, provides the Company with an unequivocal advantage in dealing with existing competition. Madison's continued focus on the deposit franchise will yield a branch network of superior locations, demographics, and performance, and will continue to provide a platform upon which the Bank will build sustained growth for years to come.

Madison's goal is to become the number one deposit accumulator in townships where it possesses a branch location and when measured against the competition, Madison's model of service and convenience provides a clear opportunity to fortify growth. Madison is fast becoming the community bank of choice for Long Island residents and businesses for its dedication to unparalleled service, high quality products and the latest in advanced technology.

### **Record Loan Growth**

Loan originations for the quarter were a record \$52.8 million, up 19.2% from the prior quarter. The loan portfolio grew by \$47.2 million and total gross loans outstanding are \$126.3 million or 64.2% of total assets.

Madison's lending opportunities remain robust as many of the nation's largest lenders continue to experience setbacks from massive subprime losses, 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 historically safe credit quality at rational spreads, greater liquidity and an enhanced interest-rate-risk profile. Multi-family loan originations for the quarter were \$28.9 million bringing the portfolio to \$45.2 million at quarter-end. At June 30, 2008, the average balance of a multi-family loan mortgage loan in the Bank's portfolio was approximately \$1.2 million with a loan-to-value ratio of 70.8%.

The loan pipeline of approved applications for loans not yet closed and loan applications awaiting approval at June 30, 2008, was \$56.2 million, the strongest it has ever been at any quarter-end. At quarter-end \$48.5 million of the loan pipeline was in permanent commercial and multi-family mortgage loans. The Company generally closes most of the loans in the pipeline within 90 days.

Asset quality remains pristine. Madison has insulated itself from the adversities plaguing sub-prime lenders by remaining focused on conservative underwriting standards. The Bank has absolutely no sub-prime 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 \$1,478,000 for the three months ended June 30, 2008, compared to \$891,000 on a linked quarter basis and \$533,000 for the quarter ended December 31, 2007. Of equal importance, is the significant increase in the Company's net interest rate spreads and margins. During the second quarter of 2008, the Bank's net interest rate spread increased 72 basis points to 2.72%, as compared to 2.00% for the first quarter of 2008. The Bank's net interest rate margin experienced similar growth, evidenced by a 32 basis point increase to 3.29% from the first quarter of 2008. For the month of June 2008, the Bank's net interest margin was 3.53%, which reflects the continued repricing of term deposits to lower rates while leveraging capital into favorable lending products and pricing.

The Federal Open Market Committee of the Federal Reserve Bank (FOMC) decreased the overnight lending rate by 25 basis points to 2.00% during the second quarter. Despite this decrease, treasury rates rose during the second quarter with the largest increases in the intermediate terms of the yield curve. Notwithstanding this activity, the current steepness in the yield curve should bode favorably for Madison in terms of reaching its profitability objectives.

In a joint statement, Madison's Executives Daniel L. Murphy and Michael P. Puorro commented, "The current economic environment and competitive landscape continues to create prudent growth opportunities for Madison. Much of our competition has been forced to curtail their growth due to liquidity, asset quality and overall capital concerns. We remain vigilant in our pursuit of high quality assets, possessing both rational pricing and strong credit matrices. We remain focused on achieving our financial goals through strategic growth initiatives and prudent interest rate and credit risk management."

## About Madison National Bank

With assets of \$196.7 million at June 30, 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 residential 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](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.

**MADISON NATIONAL BANK**  
**STATEMENTS OF CONDITION**  
**(Unaudited)**

	June 30, 2008	March 31, 2008	December 31, 2007	June 30, 2007
<b>ASSETS</b>				
Cash and cash equivalents	13,276,903	15,830,980	16,155,047	55,574,647
Debt and Equity Securities available for sale	39,568,734	46,975,212	41,120,354	6,404,282
Securities held to maturity	12,244,703	12,750,952	13,116,517	-
Total securities	<u>51,813,437</u>	<u>59,726,164</u>	<u>54,236,871</u>	<u>6,404,282</u>
Loans, net of deferred loan fees and costs	126,272,817	79,063,772	37,360,596	2,526,487
Less: allowance for loan losses	(885,000)	(600,000)	(275,000)	-
Loans, net	<u>125,387,817</u>	<u>78,463,772</u>	<u>37,085,596</u>	<u>2,526,487</u>
Other assets	6,198,688	6,011,973	7,869,569	4,212,540
Total Assets	<u>\$ 196,676,845</u>	<u>\$ 160,032,889</u>	<u>\$ 115,347,083</u>	<u>\$ 68,717,956</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Total Deposits	137,822,915	100,393,537	85,554,787	35,671,861
Federal Home Loan Bank of N.Y. Advances	29,000,000	30,000,000	-	-
Other liabilities	1,980,710	1,160,338	344,343	2,539,834
Total Liabilities	<u>168,803,625</u>	<u>131,553,875</u>	<u>85,899,130</u>	<u>38,211,695</u>
Total Shareholders' Equity	<u>27,873,220</u>	<u>28,479,014</u>	<u>29,447,953</u>	<u>30,506,261</u>
Total Liabilities and Shareholders' Equity	<u>\$ 196,676,845</u>	<u>\$ 160,032,889</u>	<u>\$ 115,347,083</u>	<u>\$ 68,717,956</u>

**MADISON NATIONAL BANK**  
**QUARTERLY STATEMENTS OF INCOME**  
**(Unaudited)**

	June 30, 2008	March 31, 2008	December 31, 2007	June 30, 2007
Total interest income	2,774,979	1,823,989	1,503,759	669,598
Total interest expense	<u>1,296,689</u>	<u>932,536</u>	<u>970,952</u>	<u>287,100</u>
Net interest income	1,478,290	891,453	532,807	382,498
Provision for loan losses	<u>285,000</u>	<u>325,000</u>	<u>232,500</u>	<u>-</u>
Net interest income after provision for loan losses	1,193,290	566,453	300,307	382,498
Total non-interest income	155,052	13,167	3,987	2,348
Compensation and benefits	683,557	701,026	666,360	505,167
Occupancy and equipment	271,064	272,193	268,938	185,843
Other operating expenses	<u>499,774</u>	<u>376,057</u>	<u>401,750</u>	<u>320,247</u>
Total non-interest expense	1,454,395	1,349,276	1,337,048	1,011,257
Provision for income taxes	<u>6,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u><u>\$ (112,803)</u></u>	<u><u>\$ (769,656)</u></u>	<u><u>\$ (1,032,754)</u></u>	<u><u>\$ (626,411)</u></u>

**MADISON NATIONAL BANK  
PERFORMANCE RATIOS  
(Unaudited)**

	June 30, 2008	March 31, 2008	December 31, 2007	June 30, 2007
<b>Asset Quality:</b>				
Allowance for Loan Losses	\$885,000	\$600,000	\$275,000	\$0
Nonperforming Loans/Total Loans	0.00%	0.00%	0.00%	0.00%
Chargeoffs	\$0.00	\$0.00	\$0.00	\$0.00
Provision For Loan Loss ALL/Loans, Gross	\$285,000 0.70%	\$325,000 0.76%	\$232,500 0.74%	\$0 0.00%
<b>Capital:</b>				
Shares Issued - Basic	3,350,720	3,350,720	3,350,720	3,350,720
Book Value per Share	\$8.32	\$8.50	\$8.79	\$9.15
Tier One Capital Ratio	14.84%	22.36%	25.73%	56.25%
<b>Profitability:</b>				
Yield on Average Earning Assets	6.08%	6.05%	5.66%	5.37%
Cost of Avg. Interest Bearing Liabilities	3.36%	4.05%	4.84%	5.05%
Net Spread	2.72%	2.00%	0.82%	0.32%
Net Margin	3.29%	2.97%	2.02%	2.48%

**Contacts:**

Michael P. Puorro President  
or  
Bonnie Seider, Senior Vice President  
631-348-6999