



Madison National Bancorp, Inc. Reports Second Quarter 2009 Results Highlighted by Significant Performance Achievements

Performance Highlights

- **Record Earnings:** Net income for the second quarter was \$2.7 million or \$.73 per share compared with net income of \$202,000 or \$.05 per share for the first quarter 2009, and a loss of \$113,000 for the second quarter of 2008.
- **Balance Sheet Growth:** Assets totaled \$286.9 million at June 30, 2009, up \$90.3 million, or 45.9%, from June 30, 2008.
- **Continued Capital Strength:** The Bank's tier one capital ratio was 10.96% at June 30th, significantly above the regulatory minimum for a well capitalized institution of 5.00%.
- **Net Interest Margin Expands:** Net interest margin expanded to 3.68% from 3.29% in the second quarter of 2008 and from 3.36% in the first quarter of 2009.
- **Net Interest Income Growth:** Madison reports second quarter 2009 net interest income of \$2.5 million, an increase of 14.6%, compared to \$2.2 million for the first quarter of 2009.
- **Stock Dividend Declaration:** The Board of Directors declared a 10% stock dividend which was paid on June 30, 2009 to shareholders of record at the close of business on June 18, 2009.
- **Madison Applies to OCC for New Branch:** The Bank has applied to the Office of the Comptroller of the Currency for a new branch to be located in Massapequa, NY.

Hauppauge, N.Y. — (Business Wire) – July 23, 2009 – Madison National Bancorp, Inc. ("Madison", "the Company")(stock symbol MNBZ,OTCBB), the parent company of Madison National Bank, today reported significant performance achievements for the quarter ended June 30, 2009, highlighted by the Company's increasing profitability, continued capital strength, and expanding interest margins.

Record Quarterly Earnings

Net income for the quarter ended June 30, 2009 was \$2.7 million, or \$.73 per share compared to \$202,000 or \$.05 per share on a linked quarter basis and a net loss of \$113,000 for the same period in 2008. The results for this quarter include a net operating loss tax recapture of \$2.4 million or \$.65 per share and an expense of \$135,000 or \$.04 per share related to the FDIC special assessment charged to all banks. The company has reported positive net income for four consecutive quarters since first achieving the profitability milestone after only five full quarters of operation. This is significantly ahead of the national average of approximately three years to attain profitability for a De Novo bank.

In a joint statement, Madison's Co-Chairmen, Daniel L. Murphy and Michael P. Puorro stated, "The Company has now reported profits to its shareholders for a full year and will continue to seek prudent opportunities to leverage our capital through franchise expansion. Further, we are pleased to announce that in keeping with our objective of value creation, during the quarter we paid a 10% stock dividend to shareholders of record on June 18, 2009."

Balance Sheet Growth

Total assets for the quarter grew by \$8.3 million or 3.0% to \$286.9 million. On a year-over-year basis, total assets grew by \$90.3 million, or 45.9%. This included growth of \$11.5 million, or 5.2%, in the loan portfolio for the second quarter of 2009. The loan portfolio grew by \$104.4 million, or 82.7%, from the same period the prior year.

Funding for asset growth during the quarter was from the sale of securities classified as available for sale and from longer term borrowings from the Federal Home Loan Bank of New York.

Asset growth on a year-over-year basis was funded primarily through growth in the deposit franchise of approximately \$66.0 million or 47.9%. The company's overall average cost of interest bearing liabilities has decreased from 3.36% for the quarter ended June 2008 to 2.55% for the current quarter.

Continued Capital Strength

The Bank's tier one leverage capital ratio for the quarter ended June 2009 was 10.96%. This compares to the regulatory minimum of 5.00% for well capitalized institutions in the industry. Madison National Bank's capital strength is more than sufficient by regulatory guidelines.

Loan Portfolio and Asset Quality

The Bank's loan portfolio grew by \$11.5 million, or 5.2%, during the second quarter of 2009 with growth concentrated in multi-family loans. 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 \$14.6 million, bringing the portfolio to \$131.1 million at quarter-end. Multi-family loans originated during the quarter had an average loan-to-appraised-value ratio of 62.2%.

On May, 4, 2009, Thomas N. Gilmartin joined the company as Executive Vice President and Chief Lending Officer. With nearly 26 years of experience in commercial banking, Mr. Gilmartin most recently served as Regional Vice President and Senior Lending Officer for TD Bank. Gilmartin will lead and manage all lending activity, including generating new business opportunities and continuing to expand and build upon the Bank's current relationships. His extensive commercial banking background will be a significant asset as Madison continues to refine and develop its business banking products and services.

Despite a rebound in the financial markets and certain favorable economic signs, our economy in the metropolitan region remains fragile with increasing unemployment levels. In recognizing the lengthened duration of economic recovery, management proactively continues to build

reserves. During the second quarter, the Bank set aside provision for loan losses of \$470,000, bringing total allowance for loan and lease losses to \$2.4 million. The allowance for loan and lease losses as a percent of gross loans reached 1.03% at quarter end 2009. This compares favorably to .70% from the same quarter one year ago, during which time the portfolio grew by \$104.4 million.

Net Interest Margin

The Bank's net interest margin expanded from 3.36% in the first quarter of 2009 to 3.68% for the current quarter. On a year-over-year basis, the net interest margin expanded by 39 basis points to 3.68% from 3.29%. The expansion in the net interest margin is attributable to a significant decline in the Bank's overall cost of funds and a modest improvement in asset yields. Further, in enhancing its interest-rate-risk profile, the Company continues to be proactive in utilizing low-cost wholesale borrowings to lock in long-term funding at historically low rates.

Daniel L. Murphy and Michael P. Puorro commented "The current interest rate environment remains favorable for Madison as we continue our strategic deployment of capital to build earnings at the margin and further enhance shareholder value."

Opportunities for Madison National Bank

Management believes that despite the financial instability of our marketplace, opportunities for growth exist for well capitalized community banks. With this in mind, the Company is pleased to announce, pending regulatory approval, the opening this fall of a full-service branch located at 750 Hicksville Road, in Massapequa, NY. Further, branch consolidation within the banking industry will continue to provide us prudent opportunities to expand our successful franchise strategy into new marketplaces.

About Madison National Bank

With assets of \$286.9 million at June 30, 2009, 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 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 BANCORP, INC.
STATEMENTS OF CONDITION
(Unaudited)

	June 30, 2009	March 31, 2009	June 30, 2008
ASSETS			
Cash and cash equivalents	\$ 14,317,604	\$ 13,645,020	\$ 13,276,903
Debt and Equity Securities available for sale	12,431,812	21,890,409	39,568,735
Securities held to maturities	18,477,145	19,138,468	12,244,703
Total securities	<u>30,908,957</u>	<u>41,028,877</u>	<u>51,813,438</u>
Loans, net of deferred loan fees and costs	230,654,993	219,166,387	126,272,817
Less: allowance for loan losses	<u>(2,365,000)</u>	<u>(1,895,000)</u>	<u>(885,000)</u>
Loans, net	228,289,993	217,271,387	125,387,817
Other assets	<u>13,429,583</u>	<u>6,706,400</u>	<u>6,198,687</u>
Total Assets	<u>\$286,946,137</u>	<u>\$ 278,651,684</u>	<u>\$196,676,845</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Total Deposits	\$203,822,312	\$203,860,867	\$137,822,915
Federal Home Loan Bank Advances	49,000,000	43,000,000	29,000,000
Other Liabilities	<u>2,690,016</u>	<u>2,827,158</u>	<u>1,980,710</u>
Total Liabilities	255,512,328	249,688,025	168,803,625
Total Shareholders' Equity	<u>31,433,809</u>	<u>28,963,659</u>	<u>27,873,220</u>
Total Liabilities and Shareholders' Equity	<u>\$286,946,137</u>	<u>\$278,651,684</u>	<u>\$196,676,845</u>

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

	Quarter Ended 6/30/09	Quarter Ended 6/30/08	Year to Date 6/30/09	Year to Date 6/30/08
Total interest income	\$ 4,038,634	\$ 2,774,979	\$ 7,909,598	\$ 4,598,968
Total interest expense	1,573,659	1,296,689	3,293,458	2,229,225
Net interest income	2,464,975	1,478,290	4,616,140	2,369,743
Provision for loan losses	470,000	285,000	790,000	610,000
Net interest income after provision for loan loss	1,994,975	1,193,290	3,826,140	1,759,743
Total non-interest income	372,051	155,051	607,208	168,218
Compensation and benefits	995,601	683,557	1,957,723	1,385,177
Occupancy and equipment	356,419	271,064	689,934	543,257
FDIC Assessment	210,000	17,903	324,573	33,147
Other operating expenses	490,521	481,870	944,590	841,433
Total non-interest expense	2,052,541	1,454,394	3,916,820	2,803,014
Income Before Taxes	314,485	(106,053)	516,528	(875,053)
Provision for income taxes	(2,361,703)	6,750	(2,361,703)	6,750
Net income	<u>\$ 2,676,188</u>	<u>\$ (112,803)</u>	<u>\$ 2,878,231</u>	<u>\$ (881,803)</u>
	Quarter Ended 6/30/09	Quarter Ended 3/31/09	Quarter Ended 12/31/08	Quarter Ended 9/30/08
Total interest income	\$ 4,038,634	\$ 3,870,964	\$ 3,749,334	\$ 3,236,475
Total interest expense	1,573,659	1,719,799	1,829,241	1,426,479
Net interest income	2,464,975	2,151,165	1,920,093	1,809,996
Provision for loan losses	470,000	320,000	375,000	315,000
Net interest income after provision for loan loss	1,994,975	1,831,165	1,545,093	1,494,996
Total non-interest income	372,051	235,157	233,627	35,794
Compensation and benefits	995,601	962,122	856,385	766,623
Occupancy and equipment	356,419	333,515	370,700	302,706
FDIC Assessment	210,000	114,573	30,340	24,729
Other operating expenses	490,521	454,069	423,161	353,396
Total non-interest expense	2,052,541	1,864,279	1,680,586	1,447,454
Income Before Taxes	314,485	202,043	98,134	83,336
Provision for income taxes	(2,361,703)	-	6,750	5,250
Net income	<u>\$ 2,676,188</u>	<u>\$ 202,043</u>	<u>\$ 91,384</u>	<u>\$ 78,086</u>
Basic Earnings per Share	\$ 0.73	\$ 0.05	\$ 0.02	\$ 0.02
Diluted Earnings per Share	\$ 0.73	\$ 0.05	\$ 0.02	\$ 0.02

