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Madison National Bancorp, Inc. Reports Fourth Quarter 2009 Results

Performance Highlights

- **Solid Earnings:** Net income for the fourth quarter was \$207,000 or \$.06 per share compared with net income of \$91,000 or \$.02 per share for the fourth quarter of 2008.
- **Balance Sheet Growth:** Assets totaled \$325.3 million at December 31, 2009, up \$53.7 million, or 19.8%, from December 31, 2008.
- **Continued Capital Strength:** The Bank's tier one capital ratio was 8.90% at December 31st, significantly above the regulatory minimum for a well capitalized institution of 5.00%.
- **Net Interest Margin:** Net interest margin of 3.78% for the fourth quarter of 2009 increased 63 basis points compared to the fourth quarter of 2008.
- **Net Interest Income Growth:** Madison reports year to date 2009 net interest income of \$10.4 million, an increase of 70.9% compared to \$6.1 million for 2008.
- **Madison to Open Massapequa Branch:** The Bank will open its third branch located in Massapequa, NY in March 2010.

Hauppauge, N.Y. — (Business Wire) – February 11, 2010 – 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 December 31, 2009, highlighted by the Company's strong net interest margin, solid earnings and continued capital strength.

Solid Quarterly Earnings

Net income for the quarter ended December 31, 2009 was \$207,000, or \$.06 per share compared to \$201,000 or \$.05 per share on a linked quarter basis and \$91,000 or \$.02 per share for the same period in 2008. Net income for the year ended 2009 was \$2.3 million, or \$.61 per share compared to a loss of \$712,000, or (\$.19) per share for the same period in 2008. The company has reported positive net income for six consecutive quarters since first achieving the profitability milestone after only five full quarters of operation. This is significantly ahead of the established national average of approximately three years to attain profitability for a De Novo bank.

Operating cost increases for 2009 include an additional \$425,000 increase in FDIC insurance premiums which represents a 481.3% rise compared to 2008. During 2009 the company recaptured the tax impact of the life to date net operating losses in the amount of \$3.1 million. This recapture enhanced the company's capital position and increased book value per share.

Balance Sheet Growth

Total assets for the quarter decreased by \$10.4 million, or 3.1%, to \$325.3 million. On a year-over-year basis, total assets grew by \$53.7 million, or 19.8%. Cash and cash equivalents declined by \$17.6 million during the quarter offset by growth in the loan portfolio of \$7.0 million. The loan portfolio grew by \$72.5 million, or 36.7%, from the same period the prior year.

Asset growth on a year-over-year basis was funded through growth in the deposit franchise of approximately \$28.7 million, or 13.7%, and through additional long term borrowings of \$24.0 million at the Federal Home Loan Bank of New York. The company's overall average cost of interest bearing liabilities has decreased from 3.37% for the quarter ended December 2008 to 2.10% for the current quarter. Perhaps more importantly, the cost of deposits for the 4th quarter of 2009 decreased to 1.91% from 3.41% for the same quarter of 2008.

Continued Capital Strength

The Bank's tier one leverage capital ratio for the quarter ended December 2009 was 8.90%. 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 \$72.5 million, or 36.7%, during 2009 with growth concentrated in multi-family loans. Multifamily loans provide the Company with traditionally safe credit quality at historically wide credit spreads, greater liquidity and an enhanced interest-rate-risk profile. The Bank will focus its efforts on originating commercial loans and continue to build business banking relationships in 2010.

Although specific national economic data indicates that the economy is beginning to reflect signs of improvement and that the recession has ended, the Metro New York demographic continues to exhibit challenges with regard to employment and the resultant impact on real estate values. Additionally in 2009, the Federal banking regulators, including the Office of the Comptroller of the Currency (OCC), which is the primary federal regulator of the Bank, began to require institutions to further review their loan loss reserve methodologies. In light of these events, the Bank updated its methodology and proactively increased its allowance for loan and lease loss reserve by \$3.8 million to end 2009 with \$5.3 million in loan reserves. This increased the allowance for loan and lease loss reserve as a percentage of gross loans to 1.98% for year end 2009 from .80% at year end 2008. The Bank experienced no loan chargeoffs during 2009.

In a joint statement, Madison's Co-Chairmen, Daniel L. Murphy and Michael P. Puorro stated, "Madison continues to balance the perspective of the regulatory agencies against the backdrop of the current economic environment and the state of the commercial real estate market. During an extremely difficult year for our industry, Madison has been able to strengthen its reserves and position the company to benefit from improvements in the current credit cycle."

Net Interest Margin

The Bank's net interest margin declined from 3.98% in the third quarter of 2009 to 3.78% for the current quarter. On a year-over-year basis, the net interest margin expanded by 63 basis points to 3.78% from 3.15%. The expansion in the net interest margin is attributable to a significant decline in the Bank's overall cost of funds. Further, in enhancing its interest-rate-risk profile, the Company has been proactive in utilizing low-cost wholesale borrowings to lock in long-term funding at historically low rates.

Opportunities for Madison National Bank

Management believes that despite the financial instability of our marketplace, opportunities for growth exist for well capitalized community banks. The Company is pleased to announce the opening of a full-service branch located at 750 Hicksville Road, in Massapequa, NY in March of 2010. Further, continued industry contraction, branch consolidation and choice franchise locations within the banking industry will continue to provide the Bank prudent opportunities to expand its successful franchise strategy into new marketplaces.

About Madison National Bank

With assets of \$325.3 million at December 31, 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)**

	December 31, 2009	September 30, 2009	December 31, 2008	December 31, 2007
ASSETS				
Cash and cash equivalents	\$ 22,482,568	\$ 40,130,450	\$ 12,392,839	\$ 16,155,047
Debt and Equity Securities available for sale	8,903,140	9,014,733	30,451,328	41,119,590
Securities held to maturities	17,636,900	17,974,166	19,537,366	13,116,517
Total securities	26,540,040	26,988,899	49,988,694	54,236,107
Loans, net of deferred loan fees and costs	270,268,537	263,273,004	197,752,286	37,360,596
Less: allowance for loan losses	(5,335,000)	(4,910,000)	(1,575,000)	(275,000)
Loans, net	264,933,537	258,363,004	196,177,286	37,085,596
Other assets	11,304,295	10,160,997	12,976,831	7,835,352
Total Assets	<u>\$325,260,440</u>	<u>\$335,643,350</u>	<u>\$271,535,650</u>	<u>\$115,312,102</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Total Deposits	\$238,288,754	\$248,680,675	\$209,577,399	\$ 85,554,787
Federal Home Loan Bank Advances	55,000,000	55,000,000	31,000,000	-
Other Liabilities	989,231	1,314,503	2,601,880	309,363
Total Liabilities	294,277,985	304,995,178	243,179,279	85,864,150
Total Shareholders' Equity	30,982,455	30,648,172	28,356,371	29,447,952
Total Liabilities and Shareholders' Equity	<u>\$325,260,440</u>	<u>\$335,643,350</u>	<u>\$271,535,650</u>	<u>\$115,312,102</u>

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

	Year to Date 12/31/09	Year to Date 12/31/08	Year to Date 12/31/07
Total interest income	\$ 16,651,844	\$ 11,584,776	\$ 3,506,459
Total interest expense	6,230,181	5,484,944	2,013,753
Net interest income	10,421,663	6,099,832	1,492,707
Provision for loan losses	3,760,000	1,300,000	275,000
Net interest income after provision for loan loss	6,661,663	4,799,832	1,217,707
Total non-interest income	942,483	437,640	11,606
Compensation and benefits	4,206,830	3,007,591	2,498,307
Occupancy and equipment	1,506,589	1,216,663	797,801
FDIC Assessment	512,817	88,216	20,971
Other operating expenses	1,985,428	1,618,584	2,236,270
Total non-interest expense	8,211,664	5,931,054	5,553,348
Income Before Taxes	(607,518)	(693,582)	(4,324,035)
Provision for income taxes	(2,870,172)	18,750	-
Net income	<u>\$ 2,262,654</u>	<u>\$ (712,332)</u>	<u>\$ (4,324,035)</u>
Basic Earnings per Share	\$ 0.61	\$ (0.19)	\$ (1.17)
Diluted Earnings per Share	\$ 0.61	\$ (0.19)	\$ (1.17)
	Quarter Ended 12/31/09	Quarter Ended 9/30/09	Quarter Ended 12/31/08
Total interest income	\$ 4,491,616	\$ 4,250,630	\$ 3,749,333
Total interest expense	1,533,648	1,403,075	1,829,241
Net interest income	2,957,968	2,847,555	1,920,092
Provision for loan losses	425,000	745,000	375,000
Net interest income after provision for loan loss	2,532,968	2,102,555	1,545,092
Total non-interest income	95,784	239,491	233,628
Compensation and benefits	1,166,725	1,082,382	856,385
Occupancy and equipment	446,329	370,326	370,700
FDIC Assessment	100,901	87,344	30,340
Other operating expenses	570,917	469,920	423,161
Total non-interest expense	2,284,870	2,009,972	1,680,586
Income Before Taxes	343,882	332,073	98,134
Provision for income taxes	136,743	131,396	6,750
Net income	<u>\$ 207,137</u>	<u>\$ 200,677</u>	<u>\$ 91,384</u>

Basic Earnings per Share	\$	0.06	\$	0.05	\$	0.02
Diluted Earnings per Share	\$	0.06	\$	0.05	\$	0.02

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

	December 31, 2009	September 30, 2009	December 31, 2008	December 31, 2007
Asset Quality				
Allowance for Loan Losses	\$ 5,335,000	\$ 4,910,000	\$ 1,575,000	\$ 275,000
Nonperforming Loans/Total Loans	2.7%	2.8%	0.0%	0.0%
Charge-offs	-	-	-	-
Quarterly Provision for Loan Loss	\$ 425,000	\$ 745,000	\$ 375,000	\$ 232,500
ALL/Loans, Gross	1.98%	1.87%	0.80%	0.74%
Capital				
Shares Issue - Basic	3,685,800	3,685,800	3,685,800	3,685,800
Book Value per Share	8.41	\$ 8.32	\$ 7.69	\$ 7.99
Tier 1 Capital Ratio	8.90%	9.79%	11.17%	25.73%
Tier 1 Risk Based Capital Ratio	11.30%	11.18%	15.19%	45.49%
	Quarter Ended 12/31/09	Quarter Ended 9/30/09	Quarter Ended 12/31/08	Quarter Ended 12/31/07
Profitability				
Yield on Average Earning Assets	5.66%	5.86%	6.08%	5.66%
Cost of Avg. Interest Bearing Liabilities	2.10%	2.16%	3.37%	4.84%
Net Spread	3.56%	3.70%	2.71%	0.81%
Net Margin	3.78%	3.98%	3.15%	2.02%