



CEOCFO

Interviews & News!

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Madison National Bank Is Focused On Meeting The Needs Of The Everyday Consumer And Small Business Customer In The Long Island, New York Market That Has Become Underserved By The Larger Regional And Out-Of-State Institutions And Recently Merged Megabanks

**Financial
Commercial Bank
(MNBX-OTC: BB)**

**Madison National Bank (Merrick NY)
2222 Merrick Road
Merrick, NY 11566
Phone: 631-348-6999**

from the Dolan School of Business at Fairfield University.



**Daniel L. Murphy
Chairman and CEO**

**Executive Bio:
Daniel L. Murphy
Chairman and CEO**

Daniel L. Murphy serves as Chairman of the Board of Directors and Chief Executive Officer. Mr. Murphy has nearly 30 years of experience in banking and has held various posts throughout his career. Mr. Murphy held the post of Chief Retail Banking Officer for 15 years and was the chief architect for The Roslyn Savings Bank's successful de novo strategy, managing that bank's growth from five to 40 branches and increasing deposits by five billion dollars with particular emphasis on core deposit and consumer product lines and services. Mr. Murphy oversaw all facets of the retail bank including: consumer lending, marketing, security, corporate insurance, automated payments, alternative investments and life insurance, systems, and the administration of the bank's branches. Mr. Murphy later held the post of Executive Vice President and Chief Retail Banking Officer for New York Community Bank and oversaw its 144-branch network.

Mr. Murphy enjoys leadership roles on many cultural, civic, academic, charitable and professional boards. Mr. Murphy holds a Bachelor of Arts in Business from Molloy College, is a graduate of the America's Community Bankers National School of Banking at Fairfield University and of the American Banker's Association National Graduate School of Compliance Management at The University of Oklahoma. Mr. Murphy earned his MBA

Current Board Affiliations:
Chairman, Molloy College
President, The Queens Museum of Art
Treasurer, S.U.N.Y. Old Westbury Foundation

Trustee, The Arthritis Foundation
Trustee, Winthrop University Hospital
Trustee, The Boy Scouts of America

Past Board Affiliations:
Trustee & Past President, The Community Bankers Forum

Trustee & Past President, The Partnership Uniting Banking Leaders In the Community (PUBLIC)

Trustee and Senior Vice President, New York State Safe Deposit Association
Chairman, Depositor Services Committee, Groups IV, V & VI

Trustee, The Roslyn Savings Foundation
Honors/Distinctions:

Mental Health Association of Nassau County Honoree 2007

Chief Scout Citizen Award 2006
Big Brothers Big Sisters Presidential Award 2004

Ellie Simpson Citizenship Award 2004
Corporate Chairman Nassau/Queens Blood Services 2004/05

Flushing Council on Culture and Arts COCA Award 2003

Queens Library Foundation Honoree 2003

Queens Leaders Corporate Award Arthritis Foundation (NYC) 2002

The Harvard Business Club of Greater New York Featured Speaker 2002

The Queens Child Guidance Center Honoree 2002

Numerous Citations from Elected Officials



**Michael P. Puorro
President**



Company Profile:

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.

**Interview conducted by:
Lynn Fosse, Senior Editor**

CEOCFO: Mr. Murphy, what is the vision for Madison National Bank?

Mr. Murphy: "The genesis of the bank was intended to fill a void left by the larger banks that had consolidated in the area leaving in their wake a dearth of community banks. Therefore, there are very few of them, so we decided to fill that niche."

CEOCFO: What is the area like that you service?

Mr. Puorro: "The area that we service is predominantly the Long Island market place and a typical customer of a successful community bank would be your everyday consumer and the small business customer that has been underserved by the larger regional and out-of-state institutions and recently merged megabanks."

CEOCFO: How do you break down between consumer and commercial and would you like to see the mix change?

"Interestingly for a new bank out of the gate, the economic downturn has turned into a benefit for us. While we have some trepidation about what is happening in the economy, the overall environment has done two things for small banks; it has widened the spreads between the cost of funds and our assets and it has presented more opportunity. The combination of those two things bode favorably for an upstart bank."
- Daniel L. Murphy

Mr. Murphy: "On the consumer side of the fence it is John Q. Public and Jane Q. Public. We are a fully fledged commercial bank with full powers under the office of the Comptroller of the Currency. We also service small and mid-sized businesses."

Mr. Puorro: "Certainly we are very pleased in serving the everyday consumer in addition to the business customer. While profitability spreads and margins are better on the business type customer than the consumer, it is still profitable for a community bank to service the consumer and create additional relationships. That is the difference between a community bank here on Long Island and the larger banks which will not serve the typical consumer to any great degree."

CEOCFO: How is the area you are in faring under the current economic downturn?

Mr. Murphy: "Interestingly for a new bank out of the gate, the economic downturn has turned into a benefit for us. While we have some trepidation about what is happening in the economy, the overall environment has done two things for small banks; it has widened the spreads between the cost of funds and our assets and it has presented more opportunity. The combination of those two things bode favorably for an upstart bank."

CEOCFO: What are the advantages of being a newer bank under the current economic situation?

Mr. Puorro: "The advantage of a recently chartered institution is that our balance sheet contains no legacy issues associated with the credit problems of our competitors. The Bank's capital base remains extremely strong and our portfolios do not contain any sub-prime or Alt-

A type loans or securities. From inception, we have maintained prudent underwriting standards which to-date reflects in the positive performance of our loan portfolio. Our reputation on Long Island is pristine and we are well known in our market place. The market place has confidence in Madison National Bank."

CEOCFO: How do you attract new business?

Mr. Murphy: "The fresh-start aspect of a bank that is willing to listen, willing to tailor its products to suit the need of the individual customer whether that be a business or John Q. Public, provides for us a great advantage and a leg-up on the competition. What has happened overall is that the larger banks, money-centered banks have neither the time nor inclination to roll up their sleeves and get intimately involved in the customers business or listen to someone whose potential loan that is smaller than what fits their square peg from the round hole of the customer. In that regard Madison can tailor their products and work with the individual businesses to ensure that there is a best fit, more of a partnership than a banker and a customer.

We are relatively well-known quantities on Long Island, the two of us. We serve

on a good number of charitable boards and it is a small world, Long Island in general probably is only two degrees of separation. Therefore, it is word of mouth and it is going out and beating the proverbial bushes for the business. We do a fair amount of media advertising, mostly print media, and some radio. We try to keep connected to the communities. We are the first bank in the history of the country to actually go off as a new bank with a charitable foundation. The linkage of our charitable work to the bank, while there is an arms length between the charitable foundation and Madison National Bank, there is a corollary at least from an ocular perspective that the bank is out there doing good things. That foundation will live in perpetuity irrespective of what happens to the bank. It is the bank's way of doing good works in the community without actually taking a hit to their P&L. We can support the issues and the charity for the near and dear to our constituents"

Mr. Puorro: "As a partnership where a business customer or even a consumer can speak with management personally. Many of the issues that the businesses here on Long Island have with their banks is they cannot speak to executive management. With Madison they can speak with executive management each day."

CEOCFO: Do your customers tend to take advantage of your full range of services or is it something that you have to work on?

Mr. Murphy: "An item that has been popular for us has been 'merchant capture', where they can essentially deposit their checks from their office. It is a virtual teller for lack of a better term. The checks are then presented to the Fed and cleared. That is a departure from what you would consider to be plain vanilla services and has been a very attractive feature for us. Most of our business customers that have their businesses in the proximity, and find it distasteful to come to the bank on a daily basis or send their controller or their bookkeeper out, they

can perform this function in the office and save time, gas and money. Therefore, that is a feature that has been helpful. Other than that it is strictly a deposit and loan based relationship much like any other financial intermediary in the area."

Mr. Puorro: "Merchant capture has been a huge success for community banks. It certainly takes away the competitive advantage that the larger banks have in terms of branch locations, since community banks do not have the same amount of geographic locations. This transcends the geographic advantage of the larger banks."

Mr. Murphy: "Transcending geography is a big plus for a bank. Madison cur-

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rently has two branches, so we get a wider reach geographically if we are able to provide those services."

CEOCFO: Your branches area bit spread out; do you anticipate new branches?

Mr. Murphy: "The corporate offices in Hauppauge are born of the necessity to keep our overhead low. Therefore, while we enjoy being in the sprawling metropolis of downtown Hauppauge in what would be in this town considered a skyscraper, five-story building, we were able to secure a lower rent and work with a landlord who understood our business need at the time. We don't have banking services at the Hauppauge location; it is strictly administrative headquarters. As for the Merrick and Melville locations, there is a corridor here called the 110 corridor and the 135 corridor as well. Those two corridors connect those

branches or neighborhoods in ways that aren't easily seen by people who aren't locals. While they are distant one from the other, they are connected neighborhoods with regard to circulation."

Mr. Puorro: "In 2009 we will open a Levittown branch, which covers the geography of the middle of Long Island and Nassau County. We would love to open two to three branches a year. The competitive nature in the last few years for pristine locations has been the biggest challenge to us. However, we don't see that as being a challenge on a go-forward basis as most of the larger banks that branch on Long Island have stopped branching."

CEOCFO: What do you look for in your people; what are the intangibles that are important?

Mr. Murphy: "It is entrepreneurial."

Mr. Puorro: "We use the term often here, that the people who are perfect for a venture of our type, are people that have fire in their belly. An entrepreneurial nature is one of the first qualities we seek. We don't mind teaching our people if they have both the spirit of cooperation and entrepreneurial ship ."

CEOCFO: Please give us an example of what a customer would find at Madison that they are not going to find in another community bank; what sets you apart?

Mr. Murphy: "It is an interesting mixture of attention to detail, not just in terms of the way the branches are outfitted. A good deal of time and energy had gone into the construction and the concept of the branch. Our branch in Merrick won the New York Construction Award for McGraw Hills best of 2007 for a retail space. It is actually a much more prestigious award than Michael and I had first surmised. It was a compliment to our initial engineering relative to how we are going to attract customers. The bank tries to always put its best foot forward and the way we do that initially to attract the customers to ensure that the branch location, its exterior, its grounds, and all of the accoutrements are well considered, and

polished. A number of banks in our neck of the woods are put together by what we call a cookie-cutter approach, and it is a one-size-fits-all vocation. I don't think it is sensitive to either the town or the customer base that it is looking to attract."

Mr. Puorro: "In addition to developing products that are required by our customer base, when we are looking for branch locations, we identify what type of branch would fit into the local community, including its architectural design. We adapt that branch to the needs and the architecture design of the particular community. That immediately develops a spirit of cooperation and a display of respect with the community."

CEOCFO: How has the bank been performing?

Mr. Murphy: "That is an easy one. It is fair to say that Madison is one of the fastest growing de novo banks in the country. We are listed in any number of publications as one of a top de novo banks in 2007. We recently had a press release and I am going to pitch that to Michael to give you some of the highlights."

Mr. Puorro: "The press release is available through Business Wire. We are very confident in saying that in less than eighteen months we believe that we are one of the top performing de novo banks in the country in terms of growth, and in

terms of meeting the financial objectives towards reaching profitability. We raised \$32.5 million of capital, and we are well aware that we are stewards of that capital and it is of extreme importance to us to reach profitability and yield a proper return on our shareholders investment."

CEOCFO: What, if any, challenges do you see as you move forward?

Mr. Murphy: "The challenges are centered right now for banks around liquidity and capital, and for a new company those are always considerations. When we first came out of the gate, assets were hard to find and now they are not, so we are able to feed our pipeline quite nicely. Liquidity has been a concern because local banks have raised their rates far above market in their attempt to ensure that they have met their liquidity needs. I think once the markets settle down, we would not have that concern, but clearly every bank shares that concern today and that concern is liquidity."

Mr. Puorro: "That is correct, liquidity, capital and public confidence are key in the market place."

CEOCFO: In closing, there are many banks for investors to choose from; why should potential investors choose Madison Bank out of the crowd?

Mr. Murphy: "The banking sector is suffering from being out of favor at this point in time. I think that Madison represents clearly an entrepreneurial approach to banking. We have certainly ensured to the current investor that our best foot has been forward. We have reached all of our financial goals and then some. We have been out since about the middle of March in 2007 as a retail bank. In short order, we have amassed a good deal of market share in our local markets. We already own approximately 10% of the Merrick market, which is astounding when you consider the competitive landscape here on Long Island. Individuals can take comfort in the fact that Madison's balance sheet is clean and our attention is fixed on the future. We have attracted some of the best talent in the industry and we are well poised to take full advantage of a good number of opportunities that present themselves to us in the near term."

Mr. Puorro: "As an investor, I would look at Long Island as a highly valued demographic, one of the best demographics in the country. The fact that in a very short amount of time we can evidence prudent asset growth of approximately \$200 million is a significant positive for any investor. Additionally, our executive team is well known and has had prior experience in profitably growing institutions."



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