

Consolidated Balance Sheets
Monarch Financial Holdings, Inc. and Subsidiaries

(In thousands)
 Unaudited

	June	
	2006	2005
ASSETS:		
Cash and due from banks.....	\$ 9,487	\$ 6,931
Interest bearing bank balances.....	20,257	396
Federal funds sold.....	1,060	535
Investment securities:		
Securities available for sale.....	13,382	25,913
Securities held to maturity.....	23,057	1,100
Total investment securities.....	<u>36,439</u>	<u>27,013</u>
Mortgages held for sale.....	5,073	3,138
Loans.....	292,756	220,349
Less allowance for loan losses.....	(2,949)	(2,204)
Net loans.....	<u>289,807</u>	<u>218,145</u>
Bank premises and equipment.....	3,742	3,166
Restricted equity securities.....	2,889	2,509
Bank owned life insurance.....	6,175	-
Accrued interest receivable and other assets.....	<u>3,520</u>	<u>2,596</u>
Total assets.....	<u>\$ 378,449</u>	<u>\$ 264,429</u>
LIABILITIES:		
Demand deposits--non-interest bearing.....	\$ 64,448	\$ 48,738
Demand deposits--interest bearing.....	9,633	9,689
Money market deposits.....	166,579	49,669
Savings deposits.....	7,771	13,443
Time deposits.....	68,871	80,680
Total deposits.....	<u>317,302</u>	<u>202,219</u>
Federal funds purchased.....	-	1,750
FHLB borrowings.....	28,925	31,000
Accrued interest payable and other liabilities.....	791	959
Total liabilities.....	<u>347,018</u>	<u>235,928</u>
SHAREHOLDERS' EQUITY:		
Preferred stock, \$5 par value, 2,000,000 shares authorized, none issued	-	-
Common stock, \$5 par, 20,000,000 shares authorized, issued 3,940,679 shares outstanding at June 30, 2006 and 3,927,234 shares outstanding at June 30, 2005.....	19,703	19,636
Capital in excess of par value.....	9,692	7,410
Retained earnings.....	2,292	1,560
Accumulated other comprehensive loss.....	(256)	(105)
Total shareholders' equity.....	<u>31,431</u>	<u>28,501</u>
Total liabilities and shareholders' equity.....	<u>\$ 378,449</u>	<u>\$ 264,429</u>

Consolidated Statements of Income
Monarch Financial Holdings, Inc. and Subsidiaries

Unaudited

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2006	2005	2006	2005
INTEREST INCOME:				
Interest on federal funds sold.....	\$ 66,268	\$ 7,362	\$ 89,288	\$ 12,872
Interest on other bank accounts.....	68,221	3,895	134,150	5,647
Dividends on restricted securities.....	17,573	22,793	45,668	38,268
Interest & dividends on investment securities:				
Taxable.....	182,719	156,016	360,080	298,213
Non-taxable.....	-	-	-	1,765
Interest and fees on loans.....	5,668,172	3,280,109	10,707,258	6,195,751
Total interest income.....	<u>6,002,953</u>	<u>3,470,175</u>	<u>11,336,444</u>	<u>6,552,516</u>
INTEREST EXPENSE:				
Interest on deposits.....	2,389,931	1,018,288	4,432,948	1,900,966
Interest on other borrowings.....	128,268	148,062	253,736	276,369
Total interest expense.....	<u>2,518,199</u>	<u>1,166,350</u>	<u>4,686,684</u>	<u>2,177,335</u>
NET INTEREST INCOME.....	3,484,754	2,303,825	6,649,760	4,375,181
PROVISION FOR LOAN LOSSES.....	<u>178,887</u>	<u>226,500</u>	<u>275,144</u>	<u>399,500</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	<u>3,305,867</u>	<u>2,077,325</u>	<u>6,374,616</u>	<u>3,975,681</u>
NON-INTEREST INCOME:				
Service charges on deposit accounts.....	218,412	198,610	420,845	370,748
Mortgage banking income.....	541,325	510,002	1,174,223	956,803
Securities losses, net.....	-	-	-	(10,841)
Other income.....	87,927	21,185	159,033	40,846
Total non-interest income.....	<u>847,664</u>	<u>729,797</u>	<u>1,754,101</u>	<u>1,357,556</u>
NON-INTEREST EXPENSE:				
Salaries and employee benefits.....	1,699,047	1,296,175	3,331,472	2,450,221
Occupancy and equipment.....	359,515	246,920	714,087	485,395
Data processing	126,233	113,482	257,265	225,426
Other expenses.....	700,751	535,873	1,360,118	995,020
Total non-interest expense.....	<u>2,885,546</u>	<u>2,192,450</u>	<u>5,662,942</u>	<u>4,156,062</u>
INCOME BEFORE TAXES.....	<u>\$ 1,267,985</u>	<u>\$ 614,672</u>	<u>\$ 2,465,775</u>	<u>\$ 1,177,175</u>
Income tax provision.....	418,107	211,021	808,473	401,671
NET INCOME.....	<u>\$ 849,878</u>	<u>\$ 403,651</u>	<u>\$ 1,657,302</u>	<u>\$ 775,504</u>
NET INCOME PER COMMON SHARE:				
Basic.....	\$ 0.22	\$ 0.11	\$ 0.42	\$ 0.23
Diluted.....	\$ 0.20	\$ 0.11	\$ 0.40	\$ 0.22

Financial Highlights

Monarch Financial Holdings, Inc. and Subsidiaries

(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended June 30			Six Months Ended June 30		
	2006	2005	Change	2006	2005	Change
EARNINGS						
Interest income	\$ 6,003	\$ 3,470	73.0 %	\$ 11,336	\$ 6,552	73.0 %
Interest expense	2,518	1,166	116.0	4,687	2,177	115.3
Net interest income	3,485	2,304	51.3	6,649	4,375	52.0
Provision for loan losses	179	227	(21.1)	275	400	(31.3)
Noninterest income	848	730	16.2	1,754	1,358	29.2
Noninterest expense	2,886	2,192	31.7	5,663	4,156	36.3
Pre-tax net income	1,268	615	106.2	2,465	1,177	109.4
Income taxes	418	211	98.1	808	402	101.0
Net income	850	404	110.4	1,657	775	113.8
PER COMMON SHARE						
Earnings per share - basic	\$ 0.22	\$ 0.11	100.0 %	\$ 0.42	\$ 0.23	82.6 %
Earnings per share - diluted	0.20	0.11	81.8	0.40	0.22	81.8
Book value				7.98	7.26	9.9
Closing market price (adjusted)				15.80	10.36	52.5
FINANCIAL RATIOS						
Return on average assets	1.01%	0.68%	49.0 %	1.02%	0.68%	50.0 %
Return on average shareholders' equity	10.94%	6.73%	62.6	10.87%	6.80%	59.9
Average equity to average assets	9.26%	10.12%	(8.5)	9.42%	10.04%	(6.2)
Net interest margin (FTE)	4.43%	4.06%	9.1	4.38%	4.01%	9.2
Non-interest revenue/Total revenue	12.4%	17.4%	(28.7)	13.4%	17.2%	(22.1)
PERIOD END BALANCES						
Investment securities				\$ 36,439	\$ 27,013	34.9 %
Total loans				292,756	220,349	32.9
Interest-earning assets				364,649	253,940	43.6
Assets				378,449	264,429	43.1
Total deposits				317,302	202,219	56.9
Other borrowings				28,925	32,750	(11.7)
Shareholders' equity				31,431	28,501	10.3
AVERAGE BALANCES						
Total loans	\$ 286,245	\$ 206,299	38.8 %	\$ 278,495	\$ 198,485	40.3 %
Interest-earning assets	323,562	227,785	42.0	310,339	219,775	41.2
Assets	336,596	237,712	41.6	326,479	229,189	42.4
Total deposits	292,081	194,167	50.4	281,982	187,274	50.6
Other borrowings	12,577	19,364	(35.0)	12,814	18,869	(32.1)
Shareholders' equity	31,165	24,052	29.6	30,741	23,008	33.6
ALLOWANCE FOR LOAN LOSSES						
Beginning balance	\$ 2,783	\$ 1,977	40.8 %	\$ 2,685	\$ 1,804	48.8 %
Provision for loan losses	179	227	(21.1)	275	400	(31.3)
Charge-offs	13	-	0.0	13	-	0.0
Recoveries	-	-	0.0	2	-	0.0
Ending balance	2,949	2,204	33.8	2,949	2,204	33.8
ASSET QUALITY RATIOS						
Nonperforming loans to total loans				0.00	0.00	0 bp
Allowance for loan losses to total loans				1.01	1.00	0.0 %
Allowance for loan losses to nonperforming loans				0.00	0.00	0.0
Charge-off loans to average loans				0.00	0.00	0.0 %
COMPOSITION OF RISK ASSETS						
Nonperforming loans:						
90 days past due				0	0	100.0 %
Nonaccrual				0	0	0.0
OREO				0	0	0.0
Nonperforming assets				-	-	100.0 %

bp - Change is measured as difference in basis points.