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## **MONARCH BANK ANNOUNCES 172% EARNINGS INCREASE AND NEW VIRGINIA BEACH OFFICE**

Monarch Bank reported a record first six month net income of \$775,504, compared to \$285,056 for the same period in 2004, an increase of 2.7 times the previous year's earnings. The annualized return on average assets (ROA) was 0.68%, and the annualized return on average equity (ROE) was 6.80%, a major improvement from the same period in 2004 when these returns were 0.31% and 2.82%, respectively. Year to date 2005 basic earnings per share were \$0.31, compared to \$0.12 per previous year, which is a 158% increase. Earnings for the second quarter of 2005 were also strong with a net income of \$403,651, a 168% increase compared to the same period in 2004.

“Monarch continues to show strong earnings, loan and deposit growth, all while we continue to add talented bankers to our team. We have now earned more in the first six months of 2005 than we earned for the entire year in 2004. Our new downtown Norfolk office, which opened in February, is doing well and we are pleased to announce a new banking office in the thriving Town Center area of Virginia Beach in the Wayside Shoppes. Our seventh office, at 4216 Virginia Beach Boulevard, will open in early September,” stated William ‘Tree’ Rountree, President and Chief Executive Officer. “The recent increases in interest rates have improved our net interest margin and we are well positioned for future rate increases. We plan to keep growing our mortgage, investment, and insurance income while at the same time managing our overhead expense growth. We are focused on asset quality, and have no non-performing assets or charge-offs, a remarkable feat given the size of our loan portfolio.”

At June 30, 2005 total assets were \$264.4 million, up \$58.4 million or 28% from \$206.0 million at June 30, 2004. Total loans increased \$70.1 million to \$220.3 million, up 47% from the same period in 2004, while deposit growth of \$39.0 million was concentrated in lower cost checking and money market accounts.

The Bank's capital position remains strong with shareholders' equity growing to \$28.5 million at June 30, 2005, which represented 10.8% of total assets. Recently the Bank sold out a

private equity offering and raised \$6.5 million in new capital to primarily local investors. Monarch remains “Well Capitalized,” the highest rating of capital strength by bank regulatory standards.

Net interest income for the six months ending June 30, 2005 grew 58% or \$1.6 million compared to the same period in 2004. Non-interest income increased 13% for the same period, fueled by increased production from Monarch Capital, LLC, the Bank’s commercial mortgage subsidiary, and increases in deposit service charges. Non-interest expense growth was held to 20%, with the majority of that increase related to opening two new Norfolk banking offices since March of 2004 and the hiring of additional lenders, mortgage originators and other critical staffing positions. Due to the strong loan growth, the Bank had a 496% increase in the loan loss provision expense, a non-cash expense that reduced current earnings.

Monarch Bank is a community bank with two offices in Chesapeake, two offices in Virginia Beach, and two offices in Norfolk, Virginia. Services are also provided through forty-one ATMs located in the South Hampton Roads area and the Outer Banks of North Carolina, “Monarch Online” consumer and business internet banking, and our 24-hour phone banking system. Banking subsidiaries include Monarch Home Funding (secondary mortgage origination) and Monarch Capital LLC (Commercial mortgage brokerage). Monarch offers investment services through its ownership in Bankers Investments LLC (retail brokerage), and insurance services through its ownership in Bankers Insurance (full-service insurance agency). The shares of Monarch Bank are traded on the NASDAQ Market under the symbol “MNRK”.

*This press release may contain “forward-looking statements,” within the meaning of federal securities laws that involve significant risks and uncertainties. Statements herein are based on certain assumptions and analyses by the Bank and are factors it believes are appropriate in the circumstances. Actual results could differ materially from those contained in or implied by such statements for a variety of reasons including, but not limited to: changes in interest rates; changes in accounting principles, policies, or guidelines; significant changes in the economic scenario; significant changes in regulatory requirements; and significant changes in securities markets. Consequently, all forward-looking statements made herein are qualified by these cautionary statements and the cautionary language in the Bank’s most recent Form 10-K report and other documents filed with Federal Reserve Bank. Monarch Bank does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.*