



MONARCH FINANCIAL REPORTS RECORD FIRST QUARTER PROFITS AND STRONG GROWTH

Chesapeake, VA - Monarch Financial Holdings, Inc. (Nasdaq: MNRK), the bank holding company for Monarch Bank, reported record first quarter net income and continued strong loan, deposit and asset growth. Net income was \$968,201 for the first quarter of 2008, up 5% from the first quarter of 2007 when net income was \$926,388. The quarterly annualized return on average equity (ROE) was 10.49%, and the annualized return on average assets (ROA) was 0.77%. Quarterly diluted earnings per share were \$0.20, compared to \$0.18 the previous year, an 11% increase.

Total assets at March 31, 2008 were \$543.2 million, up \$40.0 million for the quarter and up \$133.8 million or 33% from the same period in 2007. Total loans increased \$122.6 million to \$461.2 million, up 36 % from the same period in 2007. Deposits increased \$150.7 million to \$468.9 million, up 47% from the same period in 2007. Demand deposits increased \$23.8 million from the same time the previous year. The Bank's capital position remains strong with tier one regulatory capital growing to \$47.6 million at March 31, 2008, which includes the \$10 million in trust preferred subordinated debt.

"We are pleased to report a record first quarter of earnings and continued strong growth in loans and deposits. Our Monarch Mortgage team produced strong profitable results during the quarter and closed over \$150 million in loans, directly offsetting the effect on bank earnings from the rapid decline in interest rates during the quarter. We saw growth of loans and deposits in our markets, all while maintaining strong asset quality during this challenging economic environment. Additionally, during the quarter we opened a mortgage production office in Richmond, Virginia in partnership with a local builder and developer which should support further growth in mortgage production," stated William 'Tree' Rountree, President and Chief Executive Officer. "Our strategy of building strong sources of non-interest income while building our banking franchise was validated during our first quarter. While many banks are struggling with asset quality, tight net interest margins, and earnings challenges, we are setting new performance records and further differentiating Monarch from our competition".

Monarch Mortgage and our affiliated mortgage companies now have eleven offices with locations in Chesapeake, Norfolk, Virginia Beach (2), and Richmond, Virginia as well as Rockville (2), Waldorf, Crofton and College Park, Maryland, and Rehoboth Beach, Delaware. Mortgage loan applications were

\$246 million in the first quarter of 2008, with \$155 million in loans closed resulting in significant profit contributions during the quarter. Monarch Mortgage is focused on the retail A-paper mortgage market and does not participate in the sub-prime mortgage market. Monarch does not hold any sub-prime mortgage loans or related securities, and because the company began expansion after the sub-prime meltdown, no repurchases or asset writedowns are expected.

Net interest income declined 5% or \$177,000 in 2008 compared to the same period in 2007 as the yield on our earning assets declined faster than the cost of our funds due to the drastic actions of the Federal Reserve Bank during the first quarter. The federal funds target rate and the associated prime rate of interest dropped 100 basis points late in 2007 and 200 basis points during the first quarter of 2008, resulting in a 57% decline in this key rate that is tied to over half of our loan portfolio. Although the vast majority of our time deposits are set to reprice in the next six months and will lower funding costs, this rapid reduction in rates put pressure on our net interest margin during the first quarter. The net interest margin for the first quarter of 2008 was 3.07%, a decline from 3.98% in the first quarter of 2007. The expansion of mortgage operations was strategically designed to serve as an interest rate hedge for our balance sheet, and it has performed exactly as planned during the first quarter.

The company expensed \$395,000 in provision for loan losses from first quarter 2008 earnings, compared to only \$143,000 in the same period of 2007. This increase was driven by loan growth and not due to credit quality issues. The reserve for loan losses of \$4.5 million represents 0.94% of total loans as of March 31, 2008. Asset quality on the \$461 million loan portfolio remained strong and we feel our underwriting and client selection should differentiate Monarch from our competitors during the current economic downturn. There were four non-performing assets at March 31, 2008 totaling \$945,000 which represents 0.17% of total assets, well below our peer banks. Two were small non-accrual loans secured by real estate, one matured note past due more than ninety days that has since been renewed, and one residential property acquired to expedite resolution and sale. No losses are expected from these non-performing assets.

Non-interest income was up roughly four times to \$5.0 million, increasing 383% from the same period in 2007, fueled by increased production in mortgage originations, investment and insurance revenues from Virginia Asset Group, Monarch's investment subsidiary, growth in bank deposit fees, and revenue from Monarch Capital, Monarch's commercial mortgage brokerage operation.

Non-interest expense approximately doubled with the majority of the increase related to the expansion of mortgage operations. Operating expenses also grew compared to the same period of 2007 due to the opening of our first OBX Bank office in May of 2007, and the hiring of additional bankers and

other critical staffing positions to support the growth of the company. OBX Bank has grown to over \$35 million in loans and deposits since opening less than one year ago and has been well received by that market.

Monarch Financial Holdings, Inc. is the one-bank holding company for Monarch Bank. Monarch Bank is a community bank with two offices in Chesapeake, four offices in Virginia Beach, and two offices in Norfolk, Virginia. OBX Bank, a division of Monarch Bank, operates one office in Kitty Hawk, North Carolina. Services are also provided through fifty-two ATMs located in the South Hampton Roads area and the Outer Banks of North Carolina, and “Monarch Online” consumer and business internet banking (monarchbank.com and OBXBank.com). Our subsidiaries/divisions include Monarch Bank, OBX Bank, Monarch Mortgage (secondary mortgage origination), Coastal Home Mortgage, LLC (secondary mortgage origination), Home Mortgage Solutions, LLC (secondary mortgage origination), Virginia Asset Group, LLC (investment and insurance solutions), Real Estate Security Agency, LLC (title agency) and Monarch Capital, LLC (commercial mortgage brokerage). We offer investment services through our ownership in BI Investments, LLC (investments and asset management), and insurance services through our ownership in Bankers Insurance, LLC (full-service insurance agency). The shares of Monarch Financial Holdings, Inc. are publicly traded on the Nasdaq Capital 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 Company 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 Company’s most recent Form 10-K and 10-Q reports and other documents filed with the Securities and Exchange Commission. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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