



## **MONARCH FINANCIAL REPORTS RECORD PROFITABILITY AND STRONG ASSET GROWTH**

Chesapeake, VA - Monarch Financial Holdings, Inc. (Nasdaq: MNRK), the bank holding company for Monarch Bank, reported the best quarterly profits in the company's history, along with strong asset and deposit growth, and improving asset quality. Second quarter 2010 highlights are:

- Record quarterly net income of \$1,552,908, up 9.4% from 2009
- Net Interest margin expansion to 4.14%, up from 3.70% one year prior
- Assets growth of \$86 million, total assets reach \$790 million
- Deposit growth of \$64 million, 89% in checking and money markets
- Non-performing assets at 1.03% of total assets
- Closed \$358 million in Mortgage loans

Net income was \$1,552,908 for the second quarter of 2010, up 9.4% from the same period in 2009, which was the company's previous record quarter with \$1,419,592 in net income. The quarterly annualized return on average equity (ROE) was 9.05%, and the annualized return on average assets (ROA) was 0.82%. Quarterly diluted earnings per share were \$0.20, compared to \$0.13 per share in the first quarter of 2010 and \$0.21 per share in the second quarter of 2009. For the first six months of 2010 net income was a record \$2,672,725 compared to \$2,479,863 for the same period in 2009, a 7.8% increase. The six month annualized return on average equity (ROE) was 7.88%, and the annualized return on average assets (ROA) was 0.75%.

"This is the sixth period of record quarterly profits for Monarch, and I am extremely proud of our employees, directors, and clients for making this possible. Reduced funding costs coupled with a great quarter for Monarch Mortgage production drove our performance. Asset quality remains favorable compared to other local and regional banks. Overall it was an excellent quarter for growth in earnings, net interest margin expansion, mortgage production, and deposit and liquidity growth." stated Brad E. Schwartz, Chief Executive Officer.

Total assets at June 30, 2010 grew to \$790.4 million, up \$85.7 million for the quarter and up \$124.3 million or 18.7% from the same period in 2009. The primary driver of our asset growth was the funding of our mortgage loan production. Total loans held for sale increased \$66.9 million since the first quarter of 2010, and are up \$53.0 million since the second quarter of 2009. Loans held for investment

grew \$39.2 million, up 7.6% from the same period in 2009. Deposits increased \$64.4 million since the first quarter of 2010, and have grown 22.2% or \$116.9 million from the same period in 2009. Since December 31, 2009 deposits have grown \$103.5 million with lower cost demand deposit accounts now representing 20% of total deposits.

“Our focus on ‘smart growth’ delivered a great quarter for deposits, with the majority of the growth in demand deposits and money market accounts. During the quarter we opened our new Virginia Beach Hilltop banking office and our new cash management team was up and running, helping to drive this growth. We continue to work closely with our relationship clients and remain committed to meeting our client’s financial needs” stated Neal Crawford, President of Monarch Bank.

The company continues to experience better asset quality performance than its local and national peer group. Non-performing assets declined to 1.03% of total assets, compared to 1.05% at the end of the first quarter and 1.40% at year end 2009. Non-performing assets were \$8.2 million, comprised of \$0.9 million in loans 90 days or more past due and still accruing interest, \$5.9 million in non-accrual loans and \$1.4 million in other real estate owned. The Company was aggressive in recognizing losses and disposing of non-performing assets during the quarter. The allowance for loan losses represents 1.55% of total loans held for investment, with the allowance equal to 127% of non-performing loans.

Equity to assets equaled 8.77% as of June 30, 2010, compared to 9.37% one year prior. Total risk-based capital to risk weighted assets equaled 13.39%, significantly higher than what is required to meet the highest rating of “Well Capitalized” by federal banking regulators. In June Monarch was again awarded the 5-Star “Superior” rating by Bauer Financial, an independent third-party bank ratings agency that rates banks on safety and soundness.

In December 2009 Monarch fully repaid \$14.7 million in the U.S. Treasury’s CPP/TARP program and issued \$20 million in new convertible preferred stock. In June 2010 the company paid its first common stock dividend of \$0.07 per share, with the expectation of a semi-annual dividend in future periods based on performance and regulatory limitations, if any.

Net interest income increased 27.0% or \$1.5 million during the second quarter of 2010 compared to the same quarter in 2009 due to declines in funding costs driven by a historically low interest rate environment and increased earning assets. The net interest margin improved to 4.14% compared to 3.70% in 2009, and was up from 4.13% in the first quarter of 2010.

Non-interest income grew 16.7% from the same period in 2009, fueled by increased mortgage production and margins. Monarch Mortgage closed \$358 million in mortgage loans during the quarter,

compared to \$351 million during the second quarter of 2009. Monarch Mortgage is focused on the retail A-paper mortgage market and does not participate in the sub-prime or wholesale mortgage markets. Non-interest expense grew 29.0%, with the majority of the increase related to growth in mortgage commissions, salary and benefits, and mortgage loan expense.

Monarch Financial Holdings, Inc. is the one-bank holding company for Monarch Bank. Monarch Bank is a community bank with nine banking offices in Chesapeake, Virginia Beach, and Norfolk, Virginia. OBX Bank, a division of Monarch Bank, operates offices in Kitty Hawk and Nags Head, North Carolina. Services are also provided through over fifty 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). Monarch Mortgage and our affiliated mortgage companies have over twenty offices with locations in Virginia, North Carolina, Maryland, and South Carolina. Our subsidiaries/ divisions include Monarch Bank, OBX Bank, Monarch Mortgage (secondary mortgage origination), Coastal Home Mortgage, LLC (secondary mortgage origination), Residential Home Mortgage, LLC (secondary mortgage origination), Monarch Investments (investment and insurance solutions), Real Estate Security Agency, LLC (title agency) and Monarch Capital, LLC (commercial mortgage brokerage). The shares of common stock of Monarch Financial Holdings, Inc. are publicly traded on the Nasdaq Capital Market under the symbol “MNRK”, and shares of our convertible preferred stock are publicly traded on the Nasdaq Capital Market under the symbol “MNRKP”.

*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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