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Monarch Financial Announces Strong Loan Growth And Third Quarter Financial Performance

CHESAPEAKE, Va., October 19, 2007 - Monarch Financial Holdings, Inc. (Nasdaq: MNRK), the financial holding company for Monarch Bank, today announced their quarterly financial results. "This has been an exciting year of growth for Monarch. During 2007 we undertook two major initiatives that we believe will create long-term shareholder value, even though they have impacted our current earnings. We launched OBX Bank in the Outer Banks of North Carolina in May and are building a great client base and reputation. Our biggest news for 2007 was the launch of Monarch Mortgage under the leadership of Ted Yoder and Will Morrison. As a result we now have an outstanding company with an experienced and proven leadership team and are positioned to take advantage of the market as it improves. We are pleased to have ended the recent litigation related to our mortgage expansion, and are also glad to have the startup and legal costs behind us," stated William 'Tree' Rountree, President and Chief Executive Officer. "Our banking business continues to perform extremely well with loan growth remaining very strong, and with the opening of two new banking offices in 2007. Loan quality remains exceptional, despite an overall slowing in the residential construction and development markets."

At September 30, 2007 total assets were \$462.1 million, up \$72.0 million or 18.5% from \$390.1 million at September 30, 2006. Total loans increased at an even greater rate to \$392.5 million, up \$79.7 million or 25.5% year over year. Total deposits were \$365.3 million, up \$59.0 million or 19.3% over previous year levels. Demand deposits, our lowest cost funding source, grew 23.5% with total demand deposits now representing 21.8% of total deposits.

Asset quality remains excellent. During the third quarter of 2007 two small commercial client relationships were charged off, with some recovery expected in future periods from an SBA guarantee and asset sales. There were also two small loans with matured notes over 90 days past due on September 30, 2007 that were reported as non-performing loans. Both of these loans are now current and performing.

Monarch's residential and commercial construction clients are among the strongest and most experienced in the business. Their strength coupled with our strict underwriting and minimal spec housing limits should protect us in the current slowing housing market. We have one of the best builder portfolios in our marketplace thanks to the expertise of our real estate lending team. The Hampton Roads housing market remains one of the top-rated markets in the country due to the diverse mix of military, private and public employers.

Monarch Mortgage has grown to six offices with locations in Chesapeake, Norfolk and Virginia Beach as well as our newly opened offices in Rockville, Annapolis and College Park, Maryland. Our mortgage expansion occurred at a volatile time for the credit and mortgage markets, as qualifications for mortgage applicants tightened and jumbo and other mortgage products were not available. When combined with a slowing housing market, this made our ramp-up to profitability slower than anticipated. Our goal is to build a premier mortgage company that fully complements our banking segment and interest rate risk profile. 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 or Alt-A mortgage loans or related securities.

The Company's capital position remains strong with shareholders' equity growing to \$35.3 million at September 30, 2007, which represented 7.6% of total assets. Monarch Bank remains "Well Capitalized", the highest rating of capital strength by regulatory standards. During the quarter Monarch repurchased 103,837 shares of its common stock in the open market at an average split-adjusted price of \$12.73, and also announced a 6-for-5 stock split, which was effected as a 20% stock dividend on the record date of October 10, 2007.

Monarch reported net income of \$313,461 for the third quarter of 2007 compared to \$952,600 in 2006. The primary reason for the decline in earnings was related to the startup of mortgage operations and legal costs. Earnings were also impacted by strong loan growth, with a large provision for loan losses of \$384,518 during the third quarter compared to \$207,100 for the same period in 2006.

For the year net income was \$2,027,044 compared to \$2,609,902 for the same nine month period of 2006. The year-to-date annualized return on average assets (ROA) was 0.68%, and the annualized return on average equity (ROE) was 7.64%. Quarterly basic earnings per share were \$0.07 and year-to-date basic earnings per share were \$0.42, both down from the previous year.

Net interest income for the first nine months of 2007 grew 14.9% or \$1.5 million compared to the same nine-month period in 2006 due to growth in balances. The net interest margin for the third quarter and the first nine months of 2007 was 4.17% and 4.34% respectively, a slight decline led primarily by increases in funding costs.

Non-interest income more than doubled increasing 160.0% from the same period in 2006, fueled by increased production in mortgage originations, investment and insurance revenues from Virginia Asset Group, Monarch's investment subsidiary, and income growth from bank deposit fees. Non-interest expense grew 85.2%, with the majority of the increase related to the expansion of Monarch Mortgage. Operating expenses were also greater due to opening a new retail banking office in Virginia Beach, the opening of our first OBX Bank office, and the hiring of additional bankers and other critical staffing positions. Legal expenses related to the recent litigation at Monarch Mortgage totaled \$126,000.

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 ATMs located in the South Hampton Roads area and the Outer Banks of North Carolina, and "Monarch Online" consumer and business internet banking (www.monarchbank.com). Our subsidiaries/divisions include Monarch Bank, OBX Bank, Monarch Mortgage (secondary mortgage origination), Virginia Asset Group, LLC (investment and insurance solutions) 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.