



**MONARCH FINANCIAL REPORTS RECORD QUARTER  
AND EXCEEDS \$500 MILLION IN TOTAL ASSETS**

Chesapeake, VA - Monarch Financial Holdings, Inc. (Nasdaq: MNRK), the bank holding company for Monarch Bank, reported record quarterly net income and continued strong loan and asset growth. Net income was \$1,131,130 for the fourth quarter of 2007, up 11% from the fourth quarter of 2006 when net income was \$1,016,556. The quarterly annualized return on average assets (ROA) was 0.95%, and the annualized return on average equity (ROE) was 12.50%. Quarterly basic earnings per share were \$0.24, compared to \$0.21 the previous year, a 14% increase. Net income for 2007 totaled \$3,158,174 for a return on average assets (ROA) of 0.76% and a return on average equity (ROE) of 8.86%. Basic earnings per share were \$0.66 for the year.

Total assets at December 31, 2007 exceeded the one-half billion mark for the first time at \$502.5 million, up \$94.8 million or 23% from \$407.7 million one year prior. Total loans increased \$97.9 million to \$419.2 million, up 30% from 2006. Deposits increased \$75.6 million to \$389.7 million, up 24% from 2006. The Bank's capital position remains strong with tier one regulatory capital growing to \$46.5 million at December 31, 2007, which includes the \$10 million in trust preferred subordinated debt. Monarch Bank remains "Well Capitalized," the highest rating of capital strength by bank regulatory standards.

"We are pleased to report a record quarter of earnings which caps off an exciting year of growth for Monarch. The fact that we greatly expanded our mortgage operations, opened our Kempsville office in Virginia Beach and started OBX Bank in Northeastern North Carolina in 2007 and still earned over \$3.1 Million for the year shows the strength of the Monarch franchise. Monarch Mortgage continued to expand in the fourth quarter with the opening of two additional offices in Maryland and the hiring of additional loan officers in Hampton Roads. While our mortgage expansion has affected our 2007 results, we feel Monarch Mortgage is well positioned to contribute to earnings in 2008. Our launch of OBX Bank in the Outer Banks of North Carolina mid-year is also showing strong results with over \$25 million in loan and deposit growth in that short period," stated William 'Tree' Rountree, President and Chief Executive Officer. "Monarch Bank continues to perform extremely well with our best year ever of loan growth. Asset quality also remained strong with minimal non-performing assets at year-end."

Monarch Mortgage has grown to eight offices with locations in Chesapeake, Norfolk and Virginia Beach as well as two offices in Rockville, Maryland, and offices in Waldorf, Annapolis and College Park, Maryland. Two of the Maryland offices opened and began production on December 1, 2007. Mortgage loan applications were \$214 million in the fourth quarter of 2007, with \$90 million in loans closed. This compares favorably to the third quarter of 2007, during our initial startup phase, when mortgage loan applications were \$116 Million with \$69 million in loans closed. December was Monarch Mortgage's first profitable month of operation with over \$35 million in closed loans. Recent reductions in fixed mortgage overhead have resulted in a lower break-even for the company. 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 grew 13% or \$1.9 million in 2007 compared to 2006 due to growth in balances with only a slight decline in net interest margin. The net interest margin for 2007 was a 4.29%, a slight decline from the 4.41% margin in 2006. The decline was led primarily by a 100 basis point decline in the prime rate later in the year coupled with extreme competition in our local loan and deposit marketplace. The vast majority of the time deposits used to support 2007 balance sheet growth have maturities in the five to seven month range, which once reset to market rates should improve our margin.

Non-interest income more than doubled, increasing 137% 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, growth in bank deposit fees, and a gain from the sale of bank property. Virginia Asset Group was the top performing bank investment group for 2007 for broker-dealer BI Investments, with our investment and insurance commission revenues up 453% from the previous year.

Non-interest expense grew 58%, with the majority of the increase related to the expansion of Monarch Mortgage. Operating expenses also grew 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 to support the growth of the company.

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 and OBXBank.com). Our subsidiaries/divisions include Monarch Bank, OBX Bank, Monarch Mortgage (secondary mortgage origination), Coastal Home Mortgage, 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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Contact: Brad E. Schwartz – (757) 389-5111, [www.monarchbank.com](http://www.monarchbank.com)  
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