



MONARCH FINANCIAL REPORTS RECORD PROFITS AND CONTINUED GROWTH

Chesapeake, VA - Monarch Financial Holdings, Inc. (Nasdaq: MNRK), the bank holding company for Monarch Bank, reported record annual and fourth quarter profitability, along with continued loan, deposit and asset growth. Annual and fourth quarter 2009 highlights are:

- Record annual net income of \$4,855,672, up 329% from 2008
- 2009 Earnings per share \$0.66, up from \$0.21 one year prior
- Record 4th quarter net income of \$1,223,027
- Addition of \$20 million in new capital, repayment of U.S. Treasury TARP Capital
- Annual asset growth of \$92 million, up 15.4%
- Closed over \$1.1 billion in mortgage loans in 2009
- Non-performing assets 1.32% to total assets, remain significantly below peer

Net income for 2009 was \$4,855,672 compared to \$1,132,883 for the previous year. The annualized return on average equity (ROE) was 7.55%, and the annualized return on average assets (ROA) was 0.75%. Year-to-date 2009 diluted earnings per share were \$0.66, compared to \$0.21 the previous year. The cost of repaying the U.S. Treasury preferred shares related to warrants issued reduced earnings per common share in the fourth quarter and year-to-date by \$0.03 per share. For the fourth quarter of 2009, net income was \$1,223,027, a major increase compared to the loss of (\$1,534,678) for the same period in 2008. The quarterly annualized return on average equity (ROE) was 7.15 %, and the annualized return on average assets (ROA) was 0.73%. Quarterly diluted earnings per share were \$0.13, an improvement over the fourth quarter of 2008 when the basic and diluted loss per share was (\$0.28).

“We accomplished so much in a year that challenged all banks. We reached record profitability, fully repaid the U.S. Treasury preferred stock investment, and oversubscribed and raised \$20 million in new capital. Monarch Mortgage had a record year for applications and closed mortgage loans, and was a major contributor to our performance. We produced these record results despite historically higher credit costs and approximately one million dollars in additional FDIC deposit insurance expense.” stated Brad Schwartz, Chief Executive Officer of Monarch Bank.

Total assets at December 31, 2009 were \$689 million, up \$92 million or 15.4% from \$597 million one year prior. Total loans held for investment increased \$33 million to \$538 million, up 6.5% from 2008. Mortgage loans held for sale increased \$25 million to \$79 million, up 45.3% from 2008. Deposits

increased \$44 million to \$540 million, up 8.9% from 2008. Borrowings also grew in 2009, primarily to fund growth in our mortgage pipeline. “Our growth and overall performance further differentiates us from our competitors, and positions us for growth opportunities in 2010 and beyond.” 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 represented 1.32% of total assets at year end 2009, down from 1.35% on December 31, 2008. There was one \$203,000 loan 90 days or more past due and still accruing, \$6.8 million in non-accrual loans, and \$2.1 million in other real estate owned. The Company was aggressive in recognizing losses and disposing of non-performing assets throughout the year. The allowance for loan losses represents 1.73% of total loans held for investment, compared to 1.59% one year earlier.

Monarch repaid in full \$14.7 million in preferred stock issued under the U.S. Treasury’s CPP/TARP program in late December 2009. The company also issued \$20 Million in new convertible preferred stock in December 2009. Equity to assets was 9.86% as of December 31, 2009, compared to 10.03% one year prior. Total risk-based capital to risk weighted assets equaled 14.21%, significantly higher than what is required to be meet “Well Capitalized” standards, the highest rating of capital strength by bank regulatory standards.

Net interest income increased 36.8% or \$5.9 million in 2009 compared to 2008 due to a combination of improved asset yields, earning asset growth, and declines in funding costs. The net interest margin improved to 3.64% for 2009 compared to 3.11% in 2008, with the net interest margin improving to 3.99% for the fourth quarter of 2009 compared to 2.83% for the same period in 2008.

Non-interest income grew 80% from the same period in 2008, fueled by increased production at Monarch Mortgage and growth in banking fee income. Non-interest income represented 52% of total revenues in 2009, compared to 39% in 2008. Monarch Mortgage closed \$1.19 Billion in mortgage loans in 2009, up from \$577 million in 2008. 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 55%, with the majority of the increase related to the expansion and increased production of Monarch Mortgage and a 333% or close to a one million dollar increase in FDIC insurance expense.

Monarch Financial Holdings, Inc. is the one-bank holding company for Monarch Bank. Monarch Bank is a community bank with eight 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 twenty-three

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), Home Mortgage Solutions, 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".

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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