

**Consolidated Statements of Income**  
**Monarch Financial Holdings, Inc. and Subsidiaries**

Unaudited

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2007	2006	2007	2006
<b>INTEREST INCOME:</b>				
Interest on federal funds sold.....	\$ 6,563	\$ 66,268	\$ 11,649	\$ 89,288
Interest on other bank accounts.....	16,974	68,221	34,291	134,150
Dividends on restricted securities.....	41,275	17,573	77,597	45,668
Interest & dividends on investment securities:				
Taxable.....	147,336	182,719	308,589	360,080
Interest and fees on loans.....	7,247,317	5,668,172	14,006,529	10,707,258
Total interest income.....	<u>7,459,465</u>	<u>6,002,953</u>	<u>14,438,655</u>	<u>11,336,444</u>
<b>INTEREST EXPENSE:</b>				
Interest on deposits.....	2,958,507	2,389,931	5,716,132	4,432,948
Interest on trust preferred subordinated debt.....	177,611	-	351,705	-
Interest on other borrowings.....	275,226	128,268	553,012	253,736
Total interest expense.....	<u>3,411,344</u>	<u>2,518,199</u>	<u>6,620,849</u>	<u>4,686,684</u>
NET INTEREST INCOME.....	4,048,121	3,484,754	7,817,806	6,649,760
PROVISION FOR LOAN LOSSES.....	116,000	178,887	259,000	275,144
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	<u>3,932,121</u>	<u>3,305,867</u>	<u>7,558,806</u>	<u>6,374,616</u>
<b>NON-INTEREST INCOME:</b>				
Service charges on deposit accounts.....	296,465	218,412	546,304	420,845
Mortgage banking income.....	598,331	541,325	1,058,878	1,174,223
Investment and insurance commissions.....	269,805	25,160	515,170	35,634
Other income.....	81,669	62,767	167,081	123,399
Total non-interest income.....	<u>1,246,270</u>	<u>847,664</u>	<u>2,287,433</u>	<u>1,754,101</u>
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits.....	2,458,277	1,699,047	4,466,590	3,331,472
Occupancy and equipment.....	456,089	359,515	883,244	714,087
Data processing .....	152,875	126,233	306,826	257,265
Other expenses.....	873,616	700,751	1,603,325	1,360,118
Total non-interest expense.....	<u>3,940,857</u>	<u>2,885,546</u>	<u>7,259,985</u>	<u>5,662,942</u>
INCOME BEFORE TAXES AND MINORITY INTERESTS.....	<u>1,237,534</u>	<u>1,267,985</u>	<u>2,586,254</u>	<u>2,465,775</u>
MINORITY INTEREST IN SUBSIDIARY'S INCOME.....	(38,576)	-	(53,424)	-
NET INCOME BEFORE TAXES .....	<u>1,198,958</u>	<u>1,267,985</u>	<u>2,532,830</u>	<u>2,465,775</u>
Income tax provision.....	411,763	418,107	819,247	808,473
NET INCOME.....	<u>\$ 787,195</u>	<u>\$ 849,878</u>	<u>\$ 1,713,583</u>	<u>\$ 1,657,302</u>
<b>NET INCOME PER COMMON SHARE:</b>				
Basic.....	\$ 0.19	\$ 0.22	\$ 0.42	\$ 0.42
Diluted.....	\$ 0.18	\$ 0.20	\$ 0.40	\$ 0.40