

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

Unaudited

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
INTEREST INCOME:				
Interest on federal funds sold.....	\$ 6,873	\$ 113,646	\$ 18,522	\$ 202,934
Interest on other bank accounts.....	22,992	168,935	57,283	303,085
Dividends on restricted securities.....	43,916	41,125	121,513	86,793
Interest & dividends on investment securities:				
Taxable.....	135,815	212,516	444,404	572,596
Interest and fees on loans.....	7,804,504	6,257,226	21,811,033	16,964,484
Total interest income.....	<u>8,014,100</u>	<u>6,793,448</u>	<u>22,452,755</u>	<u>18,129,892</u>
INTEREST EXPENSE:				
Interest on deposits.....	3,351,765	2,751,774	9,067,897	7,184,722
Interest on trust preferred subordinated debt.....	173,963	178,432	525,668	178,432
Interest on other borrowings.....	397,875	152,320	950,887	406,056
Total interest expense.....	<u>3,923,603</u>	<u>3,082,526</u>	<u>10,544,452</u>	<u>7,769,210</u>
NET INTEREST INCOME.....	4,090,497	3,710,922	11,908,303	10,360,682
PROVISION FOR LOAN LOSSES.....	384,518	207,100	643,518	482,244
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	<u>3,705,979</u>	<u>3,503,822</u>	<u>11,264,785</u>	<u>9,878,438</u>
NON-INTEREST INCOME:				
Service charges on deposit accounts.....	288,825	247,756	835,129	668,601
Mortgage banking income.....	1,567,605	512,329	2,626,483	1,686,552
Investment and insurance commissions.....	257,155	12,539	772,325	48,173
Other income.....	91,916	75,773	258,997	199,171
Total non-interest income.....	<u>2,205,501</u>	<u>848,397</u>	<u>4,492,934</u>	<u>2,602,497</u>
NON-INTEREST EXPENSE:				
Salaries and employee benefits.....	3,715,722	1,753,487	8,182,312	5,084,959
Occupancy and equipment.....	564,742	384,825	1,447,986	1,098,912
Data processing	158,329	154,682	465,155	411,947
Other expenses.....	996,640	642,375	2,599,965	2,002,492
Total non-interest expense.....	<u>5,435,433</u>	<u>2,935,369</u>	<u>12,695,418</u>	<u>8,598,310</u>
INCOME BEFORE TAXES AND MINORITY INTERESTS.....	<u>476,047</u>	<u>1,416,850</u>	<u>3,062,301</u>	<u>3,882,625</u>
MINORITY INTEREST IN SUBSIDIARY'S INCOME.....	(38,296)	-	(91,720)	-
NET INCOME BEFORE TAXES	437,751	1,416,850	2,970,581	3,882,625
Income tax provision.....	124,290	464,250	943,537	1,272,723
NET INCOME.....	<u>\$ 313,461</u>	<u>\$ 952,600</u>	<u>\$ 2,027,044</u>	<u>\$ 2,609,902</u>
NET INCOME PER COMMON SHARE:				
Basic.....	\$ 0.07	\$ 0.20	\$ 0.42	\$ 0.55
Diluted.....	\$ 0.06	\$ 0.18	\$ 0.40	\$ 0.52