

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

Unaudited

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2007	2006	2007	2006
<b>INTEREST INCOME:</b>				
Interest on federal funds sold.....	\$ 9,225	\$ 6,255	\$ 27,747	\$ 209,189
Interest on other bank accounts.....	40,152	49,994	97,435	353,079
Dividends on restricted securities.....	63,366	31,538	184,879	118,331
Interest & dividends on investment securities:				
Taxable.....	126,914	206,073	571,318	778,669
Interest and fees on loans.....	7,933,130	6,686,695	29,744,163	23,651,179
Total interest income.....	<u>8,172,787</u>	<u>6,980,555</u>	<u>30,625,542</u>	<u>25,110,447</u>
<b>INTEREST EXPENSE:</b>				
Interest on deposits.....	3,268,392	2,746,939	12,336,289	9,931,661
Interest on trust preferred subordinated debt.....	172,663	172,799	698,331	351,231
Interest on other borrowings.....	501,118	171,738	1,452,005	577,794
Total interest expense.....	<u>3,942,173</u>	<u>3,091,476</u>	<u>14,486,625</u>	<u>10,860,686</u>
NET INTEREST INCOME.....	4,230,614	3,889,079	16,138,917	14,249,761
PROVISION FOR LOAN LOSSES.....	332,960	77,100	976,478	559,344
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	<u>3,897,654</u>	<u>3,811,979</u>	<u>15,162,439</u>	<u>13,690,417</u>
<b>NON-INTEREST INCOME:</b>				
Service charges on deposit accounts.....	324,124	255,848	1,159,253	924,449
Mortgage banking income.....	2,652,463	374,148	5,278,946	2,060,700
Investment and insurance commissions.....	358,269	156,213	1,130,594	204,386
Security losses, net.....	-	(29,139)	-	(29,139)
Gain on sale of assets.....	586,234	-	586,234	-
Other income.....	92,008	226,191	351,004	425,362
Total non-interest income.....	<u>4,013,098</u>	<u>983,261</u>	<u>8,506,031</u>	<u>3,585,758</u>
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits.....	4,300,710	1,933,869	12,483,022	7,018,828
Occupancy and equipment.....	740,847	450,974	2,188,833	1,549,886
Data processing .....	163,684	150,737	628,839	562,684
Other expenses.....	911,746	735,702	3,511,711	2,738,194
Total non-interest expense.....	<u>6,116,987</u>	<u>3,271,282</u>	<u>18,812,405</u>	<u>11,869,592</u>
INCOME BEFORE TAXES AND MINORITY INTERESTS.....	<u>1,793,765</u>	<u>1,523,958</u>	<u>4,856,065</u>	<u>5,406,583</u>
MINORITY INTEREST IN SUBSIDIARY'S INCOME.....	(72,863)	5,581	(164,582)	5,581
NET INCOME BEFORE TAXES .....	<u>1,720,902</u>	<u>1,529,539</u>	<u>4,691,483</u>	<u>5,412,164</u>
Income tax provision.....	589,772	512,983	1,533,309	1,785,706
NET INCOME.....	<u>\$ 1,131,130</u>	<u>\$ 1,016,556</u>	<u>\$ 3,158,174</u>	<u>\$ 3,626,458</u>
<b>NET INCOME PER COMMON SHARE:</b>				
Basic.....	\$ 0.24	\$ 0.21	\$ 0.66	\$ 0.76
Diluted.....	\$ 0.23	\$ 0.20	\$ 0.63	\$ 0.72