

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

Unaudited

	Three Months Ended	
	March 31	
	2007	2006
INTEREST INCOME:		
Interest on federal funds sold.....	\$ 5,086	\$ 23,020
Interest on other bank accounts.....	17,317	65,929
Dividends on restricted securities.....	36,322	28,095
Interest & dividends on investment securities:		
Taxable.....	161,253	177,361
Interest and fees on loans.....	6,759,212	5,039,086
Total interest income.....	<u>6,979,190</u>	<u>5,333,491</u>
INTEREST EXPENSE:		
Interest on deposits.....	2,757,625	2,043,017
Interest on trust preferred subordinated debt.....	174,094	-
Interest on other borrowings.....	277,786	125,468
Total interest expense.....	<u>3,209,505</u>	<u>2,168,485</u>
NET INTEREST INCOME.....	3,769,685	3,165,006
PROVISION FOR LOAN LOSSES.....	143,000	96,257
NET INTEREST INCOME AFTER PROVISION		
FOR LOAN LOSSES.....	<u>3,626,685</u>	<u>3,068,749</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts.....	249,839	202,433
Mortgage banking income.....	460,547	632,898
Investment and insurance commissions.....	245,365	10,474
Other income.....	90,994	60,632
Total non-interest income.....	<u>1,046,745</u>	<u>906,437</u>
NON-INTEREST EXPENSE:		
Salaries and employee benefits.....	2,082,589	1,632,425
Occupancy and equipment.....	427,155	354,572
Data processing	153,951	131,032
Other expenses.....	729,710	659,367
Total non-interest expense.....	<u>3,393,405</u>	<u>2,777,396</u>
INCOME BEFORE TAXES		
AND MINORITY INTERESTS.....	<u>1,280,025</u>	<u>1,197,790</u>
MINORITY INTEREST IN SUBSIDIARY'S INCOME.....	(20,430)	-
NET INCOME BEFORE TAXES	<u>1,259,595</u>	<u>1,197,790</u>
Income tax provision.....	333,207	390,366
NET INCOME.....	<u>\$ 926,388</u>	<u>\$ 807,424</u>
NET INCOME PER COMMON SHARE:		
Basic.....	\$ 0.23	\$ 0.21
Diluted.....	\$ 0.22	\$ 0.19