

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

Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
INTEREST INCOME:				
Interest on federal funds sold.....	\$ 66,268	\$ 7,362	\$ 89,288	\$ 12,872
Interest on other bank accounts.....	68,221	3,895	134,150	5,647
Dividends on restricted securities.....	17,573	22,793	45,668	38,268
Interest & dividends on investment securities:				
Taxable.....	182,719	156,016	360,080	298,213
Non-taxable.....	-	-	-	1,765
Interest and fees on loans.....	5,668,172	3,280,109	10,707,258	6,195,751
Total interest income.....	<u>6,002,953</u>	<u>3,470,175</u>	<u>11,336,444</u>	<u>6,552,516</u>
INTEREST EXPENSE:				
Interest on deposits.....	2,389,931	1,018,288	4,432,948	1,900,966
Interest on other borrowings.....	128,268	148,062	253,736	276,369
Total interest expense.....	<u>2,518,199</u>	<u>1,166,350</u>	<u>4,686,684</u>	<u>2,177,335</u>
NET INTEREST INCOME.....	3,484,754	2,303,825	6,649,760	4,375,181
PROVISION FOR LOAN LOSSES.....	<u>178,887</u>	<u>226,500</u>	<u>275,144</u>	<u>399,500</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	<u>3,305,867</u>	<u>2,077,325</u>	<u>6,374,616</u>	<u>3,975,681</u>
NON-INTEREST INCOME:				
Service charges on deposit accounts.....	218,412	198,610	420,845	370,748
Mortgage banking income.....	541,325	510,002	1,174,223	956,803
Securities losses, net.....	-	-	-	(10,841)
Other income.....	87,927	21,185	159,033	40,846
Total non-interest income.....	<u>847,664</u>	<u>729,797</u>	<u>1,754,101</u>	<u>1,357,556</u>
NON-INTEREST EXPENSE:				
Salaries and employee benefits.....	1,699,047	1,296,175	3,331,472	2,450,221
Occupancy and equipment.....	359,515	246,920	714,087	485,395
Data processing	126,233	113,482	257,265	225,426
Other expenses.....	700,751	535,873	1,360,118	995,020
Total non-interest expense.....	<u>2,885,546</u>	<u>2,192,450</u>	<u>5,662,942</u>	<u>4,156,062</u>
INCOME BEFORE TAXES.....	<u>\$ 1,267,985</u>	<u>\$ 614,672</u>	<u>\$ 2,465,775</u>	<u>\$ 1,177,175</u>
Income tax provision.....	418,107	211,021	808,473	401,671
NET INCOME.....	<u>\$ 849,878</u>	<u>\$ 403,651</u>	<u>\$ 1,657,302</u>	<u>\$ 775,504</u>
NET INCOME PER COMMON SHARE:				
Basic.....	\$ 0.22	\$ 0.11	\$ 0.42	\$ 0.23
Diluted.....	\$ 0.20	\$ 0.11	\$ 0.40	\$ 0.22