



MONARCH FINANCIAL EXCEEDS \$2 MILLION IN QUARTERLY PROFITS AND REPORTS STRONG FINANCIAL PERFORMANCE

Chesapeake, VA - Monarch Financial Holdings, Inc. (Nasdaq: MNRK, MNRKP), the bank holding company for Monarch Bank, reported their best all-time and third quarter profits in the company's history, along with improved asset quality. Third quarter 2011 highlights are:

- Record 3rd quarter net income of \$2,137,230, up 41%
- Net income available to common shareholders up 56%
- Basic earnings per share of \$0.29, up 45%
- Annual loan growth of \$35 million, up 6.2%
- Annual deposit growth of \$43 million, up 6.3%
- Non-performing assets drop below 1%, to 0.99%
- \$474 million in mortgage loans closed

"I am pleased to not only report the tenth quarter of record quarterly profits, but also to report the most profitable quarter in Monarch's history. Making more than \$2 million in one quarter is a milestone for us and sets the bar high for our future performance. At the same time our non-performing assets to total assets dropped below 1%, a testament to our strong client base, conservative underwriting, and our fantastic bankers. Monarch Mortgage and their affiliates closed \$474 million in new loans, and remains a major contributor to our bottom line." stated Brad E. Schwartz, Chief Executive Officer. "We saw improvements in our net interest margin, liquidity, core deposit growth and mix, and of course our asset quality. 2011 is shaping up to be another great year for our company".

Net income was \$2,137,230 for the third quarter of 2011, up 41% from the same period in 2010, which was the company's previous record third quarter with \$1,511,726 in net income. The quarterly annualized return on average equity (ROE) was 11.39%, and the quarterly return on average assets (ROA) was 1.04%. Quarterly basic earnings per share were \$0.29, compared to \$0.20 per share in the same quarter of 2010, a 45% improvement. For the first nine months of 2011 net income was a record \$5,171,578 compared to \$4,184,451 for the same period in 2010, a 24% increase. The nine month annualized return on average equity (ROE) was 9.46%, and the annualized return on average assets (ROA) was 0.88%. Year to date basic earnings per share were \$0.67 compared to \$0.53 for the same period in 2010.

Total assets at September 30, 2011 declined to \$838.8 million driven by declines in mortgage loans held for sale at quarter-end. A more efficient shipping and funding process for mortgage loans implemented in 2011 combined with our all-time record of mortgage loan closings in the third quarter of 2010 contributed to this shift in balances. Portfolio loans grew \$35 million net year over year as we continued to lend during the economic slowdown when many other banks were not lending. Deposits increased \$43 million since the third quarter of 2010, with growth focused on checking and money market accounts. The active management of our deposit mix and funding continues to drive our net interest margin growth.

“Our focus at both Monarch Bank and OBX Bank continues to be taking care of our existing clients and adding high quality new banking relationships. With our strong asset quality we have time to compete with both our larger bank as well as our community bank competitors, for loans, deposits and cash management services.” stated Neal Crawford, President of Monarch Bank. “Our new banking and mortgage offices in Norfolk’s Ghent area and at the World Trade Center in downtown Norfolk have also been extremely well received.”

The Company continues to experience significantly better asset quality performance than its local, state, and national peer group. Non-performing assets dropped below 1% for the first time in almost three years, and equaled 0.99% of total assets. This was down from 1.16% reported as of June 30, 2011, and down from the 1.23% just one year prior. Non-performing assets were \$8.3 million, comprised of \$75,000 in loans 90 days or more past due and still accruing interest, \$6.1 million in non-accrual loans and \$2.1 million in other real estate owned. The Company remains aggressive in recognizing losses and disposing of non-performing assets during the quarter. The allowance for loan losses represents 1.73% of total loans held for investment and 166% of non-performing loans.

Average equity to average assets was 9.13% during the third quarter of 2011, up from 8.56% one year prior. Total risk-based capital to risk weighted assets equaled 12.97%, significantly higher than what is required to meet the highest rating of “Well Capitalized” by federal banking regulators. Monarch again was awarded the highest 5-Star “Superior” rating by Bauer Financial, an independent third-party bank rating agency that rates banks on safety and soundness. During the third quarter of 2011 Monarch announced a stock repurchase plan due to the market driven price declines for all banking stocks that have negatively impacted our common stock price.

Net interest income, our number one driver of profitability, increased 2.6% or \$218,509 during the third quarter of 2011 compared to the same quarter in 2010. The net interest margin improved to 4.51% compared to 4.36% in 2010, primarily driven by our lower cost of funds.

Mortgage revenue continues to be the number one driver of non-interest revenue. Monarch Mortgage and their related mortgage companies closed \$474 million in mortgage loans during the quarter, compared to the company record of \$504 million during the same quarter of 2010. In September we closed a monthly record of \$204 million in mortgage loans due to the sharp drop in interest rates that drove higher than normal refinancing activity. Year to date the mortgage group has closed \$1.12 Billion in mortgage loans compared to \$1.10 Billion for the first nine months of 2010. Through expense management our non-interest expense grew only 1.5% in the third quarter of 2011 when compared to the same period in 2010.

Monarch Financial Holdings, Inc. is the one-bank holding company for Monarch Bank. Monarch Bank is a community bank with nine banking offices in Chesapeake, Virginia Beach, and Norfolk, Virginia. OBX Bank, a division of Monarch Bank, operates offices in Kitty Hawk and Nags Head, North Carolina. Services are also provided through over fifty ATMs located in the South Hampton Roads area and the Outer Banks of North Carolina, and “Monarch Online” consumer, mobile and business internet banking (monarchbank.com). Monarch Mortgage and our affiliated mortgage companies have over twenty offices with locations in Virginia, North Carolina, Maryland, and South Carolina. Our subsidiaries/ divisions include Monarch Bank, OBX Bank, Monarch Mortgage (secondary mortgage origination), OBX Bank Mortgage (secondary mortgage origination), Coastal Home Mortgage, LLC (secondary mortgage origination), Regional Home Mortgage, LLC (secondary mortgage origination), Monarch Home Funding, LLC (secondary mortgage origination), Monarch Investments (investment and insurance solutions), Real Estate Security Agency, LLC (title agency) and Monarch Capital, LLC (commercial mortgage brokerage). The shares of common stock of Monarch Financial Holdings, Inc. are publicly traded on the Nasdaq Capital Market under the symbol “MNRK”, and shares of our convertible preferred stock are publicly traded on the Nasdaq Capital Market under the symbol “MNRKP”.

This press release may contain “forward-looking statements,” within the meaning of federal securities laws that involve significant risks and uncertainties. Statements herein are based on certain assumptions and analyses by the Company and are factors it believes are appropriate in the circumstances. Actual results could differ materially from those contained in or implied by such statements for a variety of reasons including, but not limited to: changes in interest rates; changes in accounting principles, policies, or guidelines; significant changes in the economic scenario; significant changes in regulatory requirements; and significant changes in securities markets. Consequently, all forward-looking statements made herein are qualified by these cautionary statements and the cautionary language in the Company’s most recent Form 10-K and 10-Q reports and other documents filed with the Securities and Exchange Commission. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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