



MONARCH FINANCIAL REPORTS RECORD QUARTERLY AND ANNUAL FINANCIAL RESULTS

Chesapeake, VA - Monarch Financial Holdings, Inc. (Nasdaq: MNRK, MNRKP), the bank holding company for Monarch Bank, reported record annual and fourth quarter profitability. Asset quality continued to improve with non-performing assets dropping further below one percent. Annual and fourth quarter 2011 highlights are:

- Fourth quarter net income of \$1,954,034, up 10.7% from same quarter in 2010
- Annual net income of \$7,125,612, up 19.8% from 2010
- 27% increase in annual net income available to common shareholders
- 21% increase in annual basic earnings per share
- 12% increase in annual diluted earnings per share, reaching \$0.84
- 10% asset growth for the year, up \$83 million
- 9% loans held for investment growth for the year, up \$49 million
- \$1.6 billion in mortgage loans closed in 2011
- Non-performing assets 0.85% to total assets, remain significantly below peer

Net income for 2011 was \$7,125,612 compared to \$5,949,391 for the previous year. The annualized return on average equity (ROE) was 9.66%, and the annualized return on average assets (ROA) was 0.88%. Year-to-date 2011 diluted earnings per share were \$0.84, compared to \$0.75 the previous year, a 12.0% increase. For the fourth quarter of 2011 net income was \$1,954,034, a notable increase compared to \$1,764,940 for the same period in 2010. The quarterly annualized return on average equity (ROE) was 10.26 %, and the annualized return on average assets (ROA) was 0.87%. Quarterly basic earnings per share were \$0.26 and diluted earnings per share were \$0.23, an improvement over the fourth quarter of 2010 when basic earnings per share were \$0.24 and diluted earnings per share were \$0.23.

“I am pleased to announce our third year of record financial performance, despite continued stress in banking and in our local markets. Our focus on relationship banking resulted in increases in our loan portfolio, in checking accounts and core deposits, and in mortgage loan originations. Asset quality improved as we continued to work with our clients while aggressively charging off non-performing loans. Year over year we again improved our profitability while maintaining a strong capital position.” stated

Brad Schwartz, Chief Executive Officer. "I am extremely proud of our mortgage leadership and operations, which broke a new record for closed loans in a challenging environment. The past several years have separated the strong performing bank and mortgage companies from the weak, and we expect 2012 to be another great year for Monarch and our shareholders."

Total assets at December 31, 2011 were \$908.5 million, up \$82.9 million or 10% from \$825.6 million one year prior. Total loans held for investment increased \$49 million to \$607 million. Mortgage loans held for sale increased \$36 million to \$212 million, up 21% from 2010. Deposits increased \$34.4 million to \$740.1 million, up 4.9% from 2010. Demand deposit accounts grew \$44.8 million, with local core deposits growing \$75 million as the company reduced its reliance of wholesale deposits to fund growing mortgage operations.

"The focus for 2011 was to grow our loan portfolio and to support both bank and mortgage loan growth with local core deposit growth. We accomplished these goals with tremendous growth in checking accounts, as well as strong increases in our outstanding loans and client base." stated Neal Crawford, President of Monarch Bank. "Considerable growth opportunities remain in Hampton Roads and in the Outer Banks of North Carolina for our style of relationship banking and we expect similar growth to continue into 2012 and beyond."

The company continues to experience better asset quality performance than its local and national peers. Non-performing assets were below the 1% threshold and represented 0.85% of total assets at year end 2011, down from 1.30% on December 31, 2010. Non-performing assets totaled \$7.8 million compared to \$10.8 million one year prior, down \$3.0 million. Year-end non-performing assets were comprised of \$178,000 in loans past due 90 days or more and still accruing interest, \$4,217,000 in non-accrual loans, and \$3,369,000 in other real estate held for sale. In early January 2012 \$1.0 million of other real estate was sold and is no longer owned by the bank.

The Company was aggressive in recognizing losses and disposing of non-performing assets throughout the year. Provision for loan loss expense totaled \$6.3 million in 2011 compared to \$8.6 million in 2010. Credit costs improved with \$5.4 million in net loan charge-offs compared to \$8.9 million in 2010. While our non-performing assets declined, our allowance for loan losses represents 1.63% of total loans held for investment, compared to 1.62% one year earlier. Our allowance for loan losses to non-performing loans has more than doubled from 100% at year end 2010 to 226% at year end 2011.

Average equity to average assets remained strong and improved to 9.16% as of December 31, 2011, compared to 8.89% one year prior. Total risk-based capital to risk weighted assets, a measurement used by regulators to determine if a banking company is well capitalized, equaled 12.43%, significantly

higher than the 10% required to be “Well Capitalized”, the highest rating of capital strength by bank regulatory standards. Monarch Bank was recently awarded its eighth “5-Star, Superior” rating from Bauer Financial, an independent bank rating company that rates banks from zero to five stars based on safety and soundness metrics.

Cash dividends for common stockholders equaled \$0.16 per common share during the year, a 14% improvement over 2010. Including our preferred shareholders, \$2.5 million or 35% of net income was returned to shareholders in the form of dividends throughout the year. While basic earnings per share improved 21% for the year ended December 31, 2011, diluted earnings per share increased at a 12% rate. The number of average diluted shares outstanding used in the 2011 calculation assumes the conversion of our preferred shares to common stock, and in 2010 we did not assume that conversion. Had we used the same methodology in 2010 the diluted earnings per share would have been \$0.71, and the increase in diluted earnings per share for 2011 would have been 18%.

Net interest income increased 10.3% or \$3.1 million in 2011 compared to 2010 due to a combination of earning asset growth and declines in funding costs. The net interest margin improved to 4.51% for 2011 compared to 4.22% in 2010, with the net interest margin improving to 4.69% for the fourth quarter of 2011 compared to 4.21% for the same period in 2010.

Non-interest income remained a significant component of total revenue and represented 57.5% of total revenue for 2011 compared to 57.6% in 2010. Monarch Mortgage continues to be the primary driver of non-interest income. Monarch Mortgage and our related mortgage operations closed \$1.644 billion in mortgage loans in 2011, up from \$1.618 billion in 2010. Monarch Mortgage is a retail mortgage lender and does not participate in the subprime or wholesale mortgage markets. Non-interest expense grew 8.5%, with the majority of the increase related to bank and mortgage expansion.

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 thirty 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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Contact: Brad E. Schwartz – (757) 389-5111, www.monarchbank.com
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