

MONROE BANCORP
Fraudulent Activity Reporting Policy

I. INTRODUCTION

Monroe Bancorp (the “Bank”) is committed to the prevention and redress of fraudulent activities and breaches of securities laws within its organization. The Bank’s Audit Committee of the Board of Directors has established this policy to receive and address complaints regarding accounting, internal control, or auditing issues.

Any Bank employee, customer, third-party service provider, or supplier, who reasonably believes that any improper activities regarding accounting, internal accounting controls, or auditing matters has occurred or is occurring, should immediately report such activities to the Audit Committee of the Board of Directors. Improper activities are defined as any activity that may jeopardize the accuracy of financial reporting, represents a conflict of interest, violates corporate ethics policies, or violates any provision of federal securities law, SEC rules, or any federal law relating to fraud against shareholders.

No retaliation or discrimination in employment will result from any good faith report made under this policy. If a Bank employee believes such retaliation has occurred, it should be reported to the Bank’s Human Resources Director, who will in conjunction with the Bank’s legal counsel, investigate the alleged retaliation.

II. ADMINISTRATION

The Audit Committee hereby designates the Vice President, Senior Auditor as the individual within the organization that is empowered to receive and follow up on any reported improper activities on its behalf. The procedures established herein define the reporting conduits, and the subsequent activities that will be undertaken in response to reports received.

A. Reporting Procedures

1. Any improper activity or other suspected wrongdoing should be reported to the Vice President, Senior Auditor in person, via telephone, e-mail, or written communication:

Carol Ball, VP Senior Auditor
210 E Kirkwood Ave
PO Box 2329
Bloomington, IN 47402-2329
Telephone: 812-331-3427
Email: cball@monroebank.com

2. Reports may also be submitted anonymously and will receive the same level of attention as that afforded to any other report:

Audit
PO Box 1382
Bloomington, IN 47402

3. In the event that the individual making a report believes that the reporting process should bypass the VP Senior Auditor, such notification should be directly submitted to a member of the Audit Committee of the Board of Directors:

Audit Committee Chair: Joyce C. Harrell
Members: Bradford J. Bomba and James G. Burkhart

Audit Committee
PO Box 1382
Bloomington, IN 47402

4. At a minimum, the following information should be provided in any report:
 - a. Description of the nature of the improper activity.
 - b. Name(s) of the employee(s) and department(s) engaging in the activity.
 - c. Approximate or actual date the activity took place.

B. Handling of Reported Activities

1. Any report received will be held in strictest confidence, and will only be communicated to members of the Audit Committee of the Board of Directors. During any subsequent investigation, information will only be shared with any member of management that has a legitimate need-to-know and that may be involved with the investigation, with appropriate members of law enforcement, or with other individuals or agencies pursuant to a subpoena or other legal process of discovery.
2. The VP Senior Auditor will conduct a preliminary investigation to establish the validity of the reported activities in a timely manner. The VP Senior Auditor will document and maintain secured records of all reported activities and any documentation relating to the investigation of those activities.
3. Upon completion of the preliminary investigation, the VP Senior Auditor will forward the issue to the Audit Committee for their review. The Audit Committee will be supplied with the following:
 - a. A copy of the original information provided in the improper activities report.
 - b. A report on the findings of the preliminary investigation, including the VP Senior Auditor's opinion of the reported activity.
4. Nothing in this document will preclude the VP Senior Auditor from notifying the Audit Committee immediately of reported wrongdoing. The timing of the report will be dictated by the perceived materiality or seriousness of the reported activity.
5. The Audit Committee will review the VP Senior Auditor's findings on the reported activity as it is received, and will determine what, if any, further action is required. Action may include, but not be limited to, requesting additional investigative work by the VP Senior Auditor, questioning Senior Management, contacting the Bank's legal counsel, and/or reporting to law enforcement agencies.

Approved by the Monroe Bancorp and Monroe Bank Board of Directors, April 30, 2009.