



Date: October 17, 2006
Contact: Mark D. Bradford
President and Chief Executive Officer
Phone: (812) 331-3455 or (800) 319-2664
Fax: (812) 331-3445
Bradford@monroebank.com
www.monroebank.com

For Immediate Release

Monroe Bancorp Reports 7.6 Percent Earnings Growth For The Third Quarter of 2006

BLOOMINGTON, Ind. – October 17, 2006 -- Monroe Bancorp (the “Company”), NASDAQ: MROE, the independent Bloomington-based holding company for Monroe Bank (the “Bank”), today reported net income of \$2,053,000 or \$0.31 per basic and diluted common share, for the quarter ended September 30, 2006, compared to \$1,908,000 or \$0.29 per basic and diluted common share for the same period in 2005. This represents a 7.6 percent increase in net income.

Return on average assets (ROA) and return on average shareholders’ equity (ROE) were 1.11 percent and 15.62 percent, respectively, for the quarter ended September 30, 2006, compared to 1.13 percent and 15.24 percent for the same period in 2005.

The Company reported net income of \$5,767,000 or \$0.87 per basic and diluted common share, for nine months ended September 30, 2006, compared to \$5,403,000 or \$0.82 per basic and diluted common share for the same period in 2005. This represents a 6.7 percent increase in net income. Return on average assets (ROA) and return on average shareholders’ equity (ROE) were 1.06 percent and 14.91 percent, respectively, for the nine months ended September 30, 2006, compared to 1.11 percent and 14.85 percent for the same period in 2005.

“We are pleased by our earnings growth during a period where our loan growth rate has slowed. Even so, we continue to aggressively seek new loan business, pursue our deposit growth strategies, grow our trust assets under management and other sources of non-interest income, and build upon the momentum gained in our Central Indiana expansion,” said Mark D. Bradford, President and Chief Executive Officer.

Net Interest Margin

Loans, including loans held for sale, totaled \$555,990,000 on September 30, 2006, an 8.6 percent increase from total loans on September 30, 2005, which were \$511,752,000. Total loans have grown at an annualized rate of 7.7 percent during the first nine months of 2006 compared to 10.1 percent during 2005. Year to date loan growth of \$30,524,000 was primarily driven by an increase in commercial real estate loans.

Total deposits at September 30, 2006 were \$566,107,000 compared to \$539,823,000 at September 30, 2005, an increase of 4.9 percent. Deposits, net of brokered CDs of \$35,101,000 and \$25,080,000 at September 30, 2006 and September 30, 2005, respectively, grew by 3.2 percent over the last 12 months.

Net interest income before the provision for loan losses increased 8.9 percent to \$16,908,000 for the nine months ended September 30, 2006 compared to \$15,532,000 for the same period in 2005. The tax-equivalent net interest margin for the third quarter of 2006 was 3.50 percent, unchanged from the same period in 2005. However, due to the Company's efforts to increase tax-free interest income, the net interest margin (not tax-equivalent) decreased to 3.34 percent for the third quarter of 2006 compared to 3.39 percent during the third quarter of 2005. The tax-equivalent net interest margin decreased to 3.49 percent for the first nine months of 2006 from 3.51 percent for the same period in 2005. The net interest margin decreased to 3.33 percent for the first nine months of 2006 compared to 3.41 percent for the same period in 2005.

Non-Interest Income

Non-interest income totaled \$7,117,000 for the first nine months of 2006 compared to \$7,043,000 for the corresponding period of 2005. Declines in gains on the sales of loans and commission income from investment sales was offset by increases in deposit related service charges, trust income, increases to the cash surrender value of bank owned life insurance policies, and interchange fees on debit card transactions.

Non-Interest Expense

Total non-interest expense increased \$1,277,000 to \$14,785,000 for the nine months ended September 30, 2006, as compared to \$13,508,000 for the same period in 2005, an increase of 9.5 percent. Most of the increase in operating expense was in salaries and wages, employee benefits and premises and equipment expense. The increases in these areas were associated with staff and facility additions largely related to the Bank's growth initiatives in its Central Indiana and Bloomington markets.

Asset Quality

Non-performing assets and 90-day past due loans totaled 0.38 percent of total assets on September 30, 2006 which matches their level on September 30, 2005.

Net charge-offs for the nine months ended September 30, 2006 were \$391,000 compared to \$571,000 for the nine months ended September 30, 2005.

Other News

Trust fees grew to \$1,248,000 for the nine months ended September 30, 2006. This is a 7.8 percent increase over the same time period in 2005. Trust assets under management were \$260,848,000 at September 30, 2006, an 11.1 percent increase over the balance of \$234,887,000 at September 30, 2005.

On June 16, the Board of Directors announced that it authorized management to repurchase up to \$10,000,000 of the Company's common stock to enhance shareholder value. The Company purchased 100,000 shares during the quarter at a total cost of \$1,650,000.

Monroe Bank was honored with the 2006 Healthy Business Award at The Greater Bloomington Chamber of Commerce annual general meeting in September. The award recognizes community, government and business leaders for investing in the health of their employees and therefore the health of their community.

About Monroe Bancorp

Monroe Bancorp, headquartered in Bloomington, Indiana, is an Indiana bank holding company with Monroe Bank as its wholly owned subsidiary. Monroe Bank was established in Bloomington in 1892, and offers a full range of financial, trust and investment services through its locations in Central and South Central Indiana. The Company's common stock is traded on the NASDAQ[®] National Stock Market under the symbol MROE.

See attachment for additional financial information. For further information, contact: Mark D. Bradford, President and Chief Executive Officer, (812) 331-3455.

Use of Non-GAAP Financial Information

To supplement the Company's consolidated condensed financial statements presented on a GAAP basis, the Company has used non-GAAP measures of reporting the net interest margin on a tax-equivalent basis and reporting the growth in deposits excluding brokered CDs which it believes is appropriate to enhance an overall understanding of the Company's past financial performance and also its prospects for the future. These adjustments to the Company's GAAP results are made with the intent of providing both management and investors a more complete understanding of the underlying operational results and trends and the Company's marketplace performance. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the numbers prepared in accordance with generally accepted accounting principles in the United States.

Forward-Looking Statements

This release contains forward-looking statements about the Company which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. This release contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate" or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may" or words of similar meaning. These forward-looking statements, by their nature, are subject to risks and uncertainties. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) competitive pressures among depository institutions; (2) changes in the interest rate environment; (3) prepayment speeds, charge-offs and loan loss provisions; (4) general economic conditions, either national or in the markets in which the Company does business; (5) legislative or regulatory changes adversely affecting the business of the Company; (6) changes in real estate values or the real estate markets; and (7) The Company's business development efforts in new markets in and around Hendricks and Hamilton Counties. Further information on other factors which could affect the financial results of the Company is included in the Company's filings with the Securities and Exchange Commission.

###