



**Date:** October 20, 2004  
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## **For Immediate Release**

### **Monroe Bancorp Reports Strong Earnings for Nine Months Ended September 30, 2004**

**BLOOMINGTON, Ind. – October 20, 2004** — Monroe Bancorp (the “Company”), NASDAQ: MROE, the independent Bloomington-based holding company for Monroe Bank (the “Bank”), reported net income of \$4,977,000 or \$0.83 per basic and \$0.82 per diluted common share, for the nine months ended September 30, 2004, compared to \$3,449,000 or \$0.56 per basic and diluted common share for the same period in 2003. This represents a 44.3 percent increase in net income. Earnings for the nine months ended September 30, 2003 were reduced by a \$1,389,000 (after tax) additional loan loss provision. Excluding the additional loan loss provision, net income for the nine months ended September 30, 2003 would have been \$4,838,000.

Return on average assets (ROA) and return on average shareholders’ equity (ROE) were 1.11 percent and 14.42 percent, respectively, for the nine months ended September 30, 2004, compared to 0.82 percent and 10.23 percent for the same period in 2003. Excluding the additional loan loss provision, 2003 ROA would have been 1.16 percent and ROE would have been 14.36 percent.

The Company reported net income of \$1,750,000, or \$0.29 per basic and diluted common share, for the quarter ended September 30, 2004, compared to \$1,639,000 or \$0.27 per basic and diluted common share for the same period in 2003. This represents a 6.8 percent increase in net income.

Return on average assets (ROA) and return on average shareholders’ equity (ROE) were 1.14 percent and 15.14 percent, respectively, for the quarter ended September 30, 2004, compared to 1.14 percent and 14.36 percent for the same period in 2003.

“With strong year-over-year loan and deposit growth, our earnings year-to-date continue to be impressive,” said Mark D. Bradford, President and Chief Executive Officer.

“Additionally, our focused efforts on improving asset quality and growing fee income are showing positive results for our bottom line.”

#### **Asset Quality**

Nonperforming assets and 90-day past due loans totaled \$4,654,000 (0.75 percent of total assets) on September 30, 2004 compared to \$9,813,000 (1.74 percent of total assets) one year earlier. This is a 52.6 percent reduction.

#### **Financial Performance**

Net interest income before the provision for loan losses increased 3.6 percent to \$14,825,000 for the nine months ended September 30, 2004 compared to \$14,313,000 for the same period

### **Financial Performance**

Net interest income before the provision for loan losses increased 3.6 percent to \$14,825,000 for the nine months ended September 30, 2004 compared to \$14,313,000 for the same period in 2003. The tax equivalent net interest margin declined to 3.66 percent for the first nine months of 2004 from 3.80 percent for the same period in 2003.

Non-interest income totaled \$6,070,000 for the first nine months of 2004 compared to \$6,114,000 in the corresponding period of 2003. Included in non-interest income are net realized and unrealized securities gains of \$260,000 in the first nine months of 2004 and gains of \$388,000 in the same period in 2003. Excluding net realized and unrealized securities gains and losses, non-interest income for the nine months ended September 30, 2004 increased \$84,000 or 1.5 percent over the first nine months of 2003.

“We are pleased with what we believe to be a balanced mix of fee income sources and we expect this to improve our potential for overall non-interest income growth even when one fee income source may be negatively affected by market conditions,” said Mr. Bradford. “For example, increases in fee income from our trust and investment services, and increases in deposit account service charges served to offset a \$663,000 year-over-year decrease (45.9 percent) in fees earned on the sale of fixed rate mortgages.”

Trust fees grew to \$1,034,000 for the nine months ended September 30, 2004. This 30.4 percent increase was driven by both an implemented service fee increase as well as growth in trust assets under management. Trust assets under management reached \$207,931,000 at September 30, 2004, growing 14.0 percent over the \$182,439,000 at September 30, 2003. Commission income for branch-based investment sales and full-service brokerage services increased 8.7 percent, from \$647,000 for the nine months ended September 30, 2003 to \$703,000 for the same period in 2004.

Total non-interest expense increased \$420,000 to \$12,571,000 for the nine months ended September 30, 2004, as compared to \$12,151,000 for the same period in 2003. Included in non-interest expense is unrealized appreciation related to the directors' and executives' deferred compensation plan in the amount of \$64,000 for the first nine months of 2004 and \$257,000 for the first nine months of 2003. This unrealized appreciation had no effect on net income. Non-interest expense, excluding the effect of the unrealized appreciation, grew from \$11,894,000 during the first nine months of 2003 to \$12,507,000 during the same period of 2004, an increase of 5.2 percent.

### **Financial Condition**

Total assets grew 9.8 percent from September 30, 2003, reaching \$620,457,000 on September 30, 2004. Construction and commercial real estate loans continue to drive loan growth. Loans, including loans held for sale, totaled \$457,331,000 on September 30, 2004, an 11.5 percent increase from total loans on September 30, 2003, which were \$410,151,000. Total deposits at September 30, 2004 were \$464,023,000 compared to \$426,571,000 at September 30, 2003, an increase of 8.8 percent.

### **Shareholder News**

The Company's Dividend Reinvestment Plan (DRIP), which it adopted in July 2004, is being well received by Shareholders. The plan allows for the automatic reinvestment of cash dividends in common stock of the Company. Additionally, the plan allows shareholders to

invest up to \$1,000 each month in Monroe Bancorp stock. Approximately 7.7% of the outstanding shares currently participate in the DRIP through the Company's transfer agent, and others participate through brokerage-sponsored reinvestment plans.

The Company's common stock price closed at \$17.00 on September 30, 2004, up 19.3 percent from the \$14.25 closing price on December 31, 2003.

### **About Monroe Bancorp**

Monroe Bancorp, headquartered in Bloomington, Indiana, is an Indiana bank holding company with offices in Monroe, Jackson, Lawrence and Hendricks counties. Its wholly owned subsidiary, Monroe Bank, was established in Bloomington, Indiana in 1892, and offers a full range of financial, trust and investment services to its more than 22,000 retail and commercial customers. The Company's common stock is traded on the NASDAQ<sup>®</sup> 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 additional measures of operating results, non-interest income, and non-interest expense adjusted to exclude certain costs, expenses, gains and losses it believes 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 increase significantly; (2) changes in the interest rate environment reduce interest margins; (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, are less favorable than expected; (5) legislative or regulatory changes adversely affect the business of the Company; and (6) changes in real estate values or the real estate markets. 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.

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**Monroe Bancorp (MROE)**

Financial Summary

(dollar amounts in thousands except per share data)

BALANCE SHEET *	Quarters Ended					Years Ended	
	Sept 2004	Jun 2004	Mar 2004	Dec 2003	Sept 2003	Dec 2003	Dec 2002
Cash and Due from Banks	\$ 24,237	\$ 17,344	\$ 19,381	\$ 29,708	\$ 16,967	\$ 29,708	\$ 20,526
Federal Funds Sold	-	-	-	-	11,250	-	-
Securities	111,954	108,994	110,615	109,498	102,231	109,498	103,779
Total Loans	457,331	453,975	440,965	424,511	410,151	424,511	391,315
Loans Held for Sale	3,760	3,493	3,079	2,219	4,392	2,219	7,417
Commercial & Industrial	84,933	88,761	85,848	83,017	78,423	83,017	78,061
Real Estate:							
Commercial & Residential	270,942	268,816	263,247	257,327	250,712	257,327	238,013
Construction & Vacant Land	55,586	50,194	46,108	40,560	35,306	40,559	27,470
Home Equity	25,044	24,191	23,040	21,044	20,290	21,044	17,927
Installment Loans	17,066	18,520	19,643	20,344	21,028	20,344	22,426
Reserve for Loan Losses	4,830	5,258	5,027	5,019	6,246	5,019	4,574
Bank Premises and Equipment	11,630	11,749	11,804	11,683	11,586	11,683	11,793
Federal Home Loan Bank Stock	2,413	2,386	2,360	2,331	2,302	2,331	1,882
Interest Receivable and Other Assets	17,722	18,253	17,016	16,551	16,633	16,551	8,596
Total Assets	\$ 620,457	\$ 607,443	\$ 597,114	\$ 589,263	\$ 564,874	\$ 589,263	\$ 533,317
Total Deposits	\$ 464,023	\$ 446,550	\$ 454,488	\$ 436,683	\$ 426,571	\$ 436,683	\$ 398,567
Noninterest Checking	95,206	70,822	68,965	73,579	68,742	73,579	60,476
Interest Bearing Checking & NOW	86,997	96,845	90,060	97,618	88,421	97,618	81,160
Regular Savings	23,659	23,375	25,679	26,859	25,822	26,859	22,459
Money Market Savings	64,267	59,466	63,008	71,974	72,030	71,974	53,865
CDs Less than \$100,000	108,026	107,673	100,512	94,224	95,816	94,224	99,930
CDs Greater than \$100,000	75,186	77,992	96,339	62,904	65,541	62,904	69,910
Other Time	10,682	10,377	9,925	9,525	10,199	9,525	10,767
Total Borrowings	101,869	109,399	90,407	101,872	88,225	101,872	85,240
Federal Funds Purchased	19,400	21,700	6,500	8,900	-	8,900	10,050
Securities Sold Under Repurchase Agreement	42,994	46,167	41,345	48,507	43,401	48,507	39,158
FHLB Advances	38,878	40,917	41,934	43,825	44,171	43,825	34,956
Loans Sold Under Repurchase Agreement	597	615	628	640	653	640	1,076
Interest Payable and Other Liabilities	7,903	6,252	5,935	5,333	4,897	5,333	5,247
Total Liabilities	573,795	562,201	550,830	543,888	519,693	543,888	489,054
Shareholders Equity	46,662	45,242	46,284	45,375	45,181	45,375	44,263
Total Liabilities and Shareholders' Equity	\$ 620,457	\$ 607,443	\$ 597,114	\$ 589,263	\$ 564,874	\$ 589,263	\$ 533,317
Book Value Per Share	\$ 7.78	\$ 7.54	\$ 7.65	\$ 7.49	\$ 7.41	\$ 7.49	\$ 7.25
End of period shares issued and outstanding	6,035,110	6,040,340	6,092,340	6,095,640	6,139,540	6,095,640	6,150,240
Less: Unearned ESOP shares	37,059	38,384	39,709	41,034	42,439	41,034	46,414
End of Period Shares Used to Calculate Book Value	5,998,051	6,001,956	6,052,631	6,054,606	6,097,101	6,054,606	6,103,826

\* period end numbers

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**Monroe Bancorp (MROE)**

Financial Summary

(dollar amounts in thousands except per share data)

INCOME STATEMENT	Quarters Ended					Years Ended	
	Sept 2004	Jun 2004	Mar 2004	Dec 2003	Sept 2003	Dec 2003	Dec 2002
Interest Income	\$ 7,210	\$ 7,081	\$ 6,903	\$ 6,885	\$ 6,976	\$ 27,932	\$ 29,786
Interest Expense	2,256	2,082	2,031	2,058	2,142	8,792	11,048
Net Interest Income	4,954	4,999	4,872	4,827	4,834	19,140	18,738
Loan Loss Provision	330	330	330	405	405	3,920	1,762
Total Noninterest Income	2,084	1,934	2,051	2,068	2,113	8,182	6,070
Service Charges on Deposit Accounts	738	761	707	760	707	2,801	2,587
Trust Fees	357	342	335	321	290	1,114	918
Commission Income	237	238	228	228	184	875	817
Gain on Sale of Loans	271	318	192	210	618	1,654	1,036
Realized Gains (Losses) on Securities	96	(17)	132	(4)	-	162	203
Unrealized Gains (Losses) on Trading Securities Associated with Directors' Deferred Comp Plan	(12)	(5)	66	197	31	420	(361)
Other Operating Income	397	297	391	356	283	1,156	870
Total Noninterest Expense	4,122	4,270	4,179	4,134	4,124	16,285	13,931
Salaries & Wages	1,803	1,716	1,704	1,544	1,664	6,263	5,995
Commissions & Incentive Compensation	365	390	379	278	393	1,515	1,230
Employee Benefits	362	428	470	443	429	1,674	1,317
Premises & Equipment	607	613	627	634	594	2,433	2,382
Advertising	142	199	149	131	151	571	584
Legal Fees	105	164	127	150	177	575	143
Appreciation (Depreciation) in Directors' Deferred Compensation Plan	-	(10)	74	212	38	469	(290)
Other Operating Expenses	738	770	649	742	677	2,785	2,570
Income Before Income Tax	2,586	2,333	2,414	2,356	2,418	7,117	9,115
Income Tax Expense (Benefit)	836	759	761	751	779	2,063	3,017
Net Income After Tax & Before Extraordinary Items	1,750	1,574	1,653	1,605	1,639	5,054	6,098
Extraordinary Items	-	-	-	-	-	-	-
Net Income	\$ 1,750	\$ 1,574	\$ 1,653	\$ 1,605	\$ 1,639	\$ 5,054	\$ 6,098
Basic Earnings Per Share	\$ 0.29	\$ 0.26	\$ 0.27	\$ 0.26	\$ 0.27	\$ 0.83	\$ 1.00
Diluted Earnings Per Share	0.29	0.26	0.27	0.26	0.27	0.83	1.00

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**Monroe Bancorp (MROE)**

Financial Summary

(dollar amounts in thousands except per share data)

ASSET QUALITY	Quarters Ended					Years Ended	
	Sept 2004	Jun 2004	Mar 2004	Dec 2003	Sept 2003	Dec 2003	Dec 2002
Net Charge-Offs	\$ 759	\$ 98	\$ 323	\$ 1,632	\$ 37	\$ 3,502	\$ 1,358
OREO Expenses (Gains)	9	103	(15)	9	59	121	101
Total Credit Charges	\$ 768	\$ 201	\$ 308	\$ 1,641	\$ 96	\$ 3,623	\$ 1,459
Nonperforming Loans	\$ 4,369	\$ 5,304	\$ 5,683	\$ 6,189	\$ 8,919	\$ 6,189	\$ 4,057
OREO	190	-	346	534	548	534	110
Nonperforming Assets	4,559	5,304	6,029	6,723	9,467	6,723	4,167
90 Day Past Due Loans net of Nonperforming Loans	95	108	734	173	346	173	588
Nonperforming Assets + 90 day PD/Assets	\$ 4,654	\$ 5,412	\$ 6,763	\$ 6,896	\$ 9,813	\$ 6,896	\$ 4,755

**RATIO ANALYSIS - CREDIT QUALITY\***

NCO/Loans	0.66%	0.09%	0.29%	1.54%	0.04%	0.82%	0.35%
Credit Charges/Loans & OREO	0.67%	0.18%	0.28%	1.54%	0.09%	0.85%	0.37%
Nonperforming Loans/Loans	0.96%	1.17%	1.29%	1.46%	2.17%	1.46%	1.04%
Nonperforming Assets/Loans & OREO	1.00%	1.17%	1.37%	1.58%	2.31%	1.58%	1.06%
Nonperforming Assets/Assets	0.73%	0.87%	1.01%	1.14%	1.68%	1.14%	0.78%
Nonperforming Assets+ 90 day PD/Assets	0.75%	0.89%	1.13%	1.17%	1.74%	1.17%	0.89%
Reserve/Nonperforming Loans	110.55%	99.13%	88.46%	81.10%	70.03%	81.10%	112.74%
Reserve/Total Loans	1.06%	1.16%	1.14%	1.18%	1.52%	1.18%	1.17%
Equity & Reserves/Nonperforming Assets	1129.46%	952.11%	851.07%	749.58%	543.22%	749.58%	1171.99%
OREO/Nonperforming Assets	4.17%	0.00%	5.74%	7.94%	5.79%	7.94%	2.64%

**RATIO ANALYSIS - CAPITAL ADEQUACY \***

Equity/Assets	7.52%	7.45%	7.75%	7.70%	8.00%	7.70%	8.30%
Equity/Loans	10.20%	9.97%	10.50%	10.69%	11.02%	10.69%	11.31%

**RATIO ANALYSIS - PROFITABILITY**

Return on Average Assets	1.14%	1.05%	1.13%	1.11%	1.14%	0.90%	1.17%
Return on Average Equity	15.14%	13.70%	14.46%	13.99%	14.36%	11.18%	14.32%
Net Interest Margin (tax-equivalent)	3.57%	3.69%	3.72%	3.72%	3.72%	3.78%	4.02%

\* Based on period end numbers

Financial Summary  
(dollar amounts in thousands except per share data)

**Income Statements With and Without 2003 Additional \$2.3 Million Provision**

INCOME STATEMENT	Nine Months Ended			
	9/30/04	9/30/03		
		Without Special Provision	Impact of Provision	With Special Provision
Net Interest Income	\$ 21,194	\$ 14,313		\$ 14,313
Loan Loss Provision	990	1,215	\$ 2,300	3,515
Total Non-Interest Income	6,070	6,114		6,114
Service Charges on Deposit Accounts	2,206	2,041		2,041
Trust Fees	1,034	793		793
Commission Income	703	647		647
Gain on Sale of Loans	781	1,444		1,444
Realized Gains (Losses) on Securities	212	166		166
Unrealized Gains (Losses) on Trading Securities Associated with Directors' Deferred Comp Plan	48	222		222
Other Operating Income	1,086	801		801
Total Non-Interest Expense	12,571	12,151		12,151
Salaries & Wages	5,223	4,720		4,720
Commissions & Incentive Compensation	1,134	1,237		1,237
Employee Benefits	1,261	1,230		1,230
Premises & Equipment	1,847	1,799		1,799
Advertising	489	440		440
Legal Fees	396	425		425
Appreciation (Depreciation) in Directors' Deferred Compensation Plan	64	257		257
Other Operating Expenses	2,157	2,043		2,043
Income Before Income Tax	7,334	7,061	(2,300)	4,761
Income Tax Expense (Benefit)	2,357	2,223	(911)	1,312
Net Income After Tax & Before Extraordinary Items	4,977	4,838		3,449
Extraordinary Items	-	-		-
Net Income	\$ 4,977	\$ 4,838	\$ (1,389)	\$ 3,449
Basic Earnings Per Share	\$ 0.83	\$ 0.79	\$ (0.23)	\$ 0.56
Diluted Earnings Per Share	\$ 0.82	\$ 0.79	\$ (0.23)	\$ 0.56
Return on Average Equity	14.42%	14.14%	(3.91%)	10.23%
Return on Average Assets	1.11%	1.16%	(0.34%)	0.82%