



**Date:** July 19, 2005  
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## **For Immediate Release**

# **Monroe Bancorp Reports 17.7 Percent Earnings Growth For The Second Quarter of 2005**

**BLOOMINGTON, Ind. – July 19, 2005** — Monroe Bancorp (the “Company”), NASDAQ: MROE, the independent Bloomington-based holding company for Monroe Bank (the “Bank”), today reported net income of \$1,852,000 or \$0.31 per basic and diluted common share, for the quarter ended June 30, 2005, compared to \$1,574,000 or \$0.26 per basic and diluted common share for the same period in 2004. This represents a 17.7 percent increase in net income.

Return on average assets (ROA) and return on average shareholders’ equity (ROE) were 1.14 percent and 15.39 percent, respectively, for the quarter ended June 30, 2005, compared to 1.05 percent and 13.70 percent for the same period in 2004.

The Company reported net income of \$3,495,000, or \$0.58 per basic and diluted common share, for six months ended June 30, 2005, compared to \$3,227,000 or \$0.53 per basic and diluted common share for the same period in 2004. This represents an 8.3 percent increase in net income.

“I am very pleased with the growth of second quarter and year-to-date earnings considering the net interest margin challenges created by the flattening yield curve,” said Mark D. Bradford, President and Chief Executive Officer. “I am particularly proud of the growth of our non-interest income and the continued improvement in asset quality.”

### **Net Interest Margin**

Loans, including loans held for sale, totaled \$505,315,000 on June 30, 2005, an 11.3 percent increase from total loans on June 30, 2004, which were \$453,975,000. Loan growth was largely driven by increases in construction and commercial real estate loans. Total deposits at June 30, 2005 were \$529,559,000 compared to \$446,550,000 at June 30, 2004, an increase of 18.6 percent.

Net interest income before the provision for loan losses, increased 3.4 percent to \$10,202,000 for the six months ended June 30, 2005 compared to \$9,871,000 for the same period in 2004. The tax equivalent net interest margin decreased to 3.51 percent for the first six months of 2005 from 3.71 percent for the same period in 2004.

## **Non-Interest Income**

Non-interest income totaled \$4,514,000 for the first six months of 2005 compared to \$3,985,000 for the corresponding period of 2004. Included in non-interest income are net realized and unrealized securities gains of \$104,000 in the first half of 2005 and gains of \$176,000 in the same period in 2004. Non-interest income in 2005 has also been affected by accounting changes implemented in response to new regulatory guidelines concerning courtesy overdraft programs, such as the one offered by the Bank. The change affected the accounting for charged-off overdrawn checking account balances. Prior to 2005, charged-off overdrawn checking account balances were netted against deposit-related fees. Beginning in 2005, charged-off overdrawn checking account balances were shown as a charge-off to the reserve for loan losses. Non-interest income would have been \$87,000 lower for the first six months of 2005 if the Bank had accounted for the 2005 charge-offs in the same manner as they were accounted for in 2004. Excluding net realized and unrealized securities gains and losses, and adjusting for the change in the treatment of charged-off overdrawn accounts, non-interest income for the six months ended June 30, 2005 increased \$514,000 or 13.5 percent over the first six months of 2004.

“Developing a strong mix of non-interest income sources has been a priority for the past few years. It is gratifying to see the progress made as the result of our efforts,” said Mr. Bradford.

## **Asset Quality**

Non-performing assets and 90-day past due loans totaled \$3,902,000, or 0.58 percent of total assets on June 30, 2005. This is a 27.9 percent reduction, compared to \$5,412,000, or 0.89 percent of total assets on June 30, 2004.

Net charge-offs for the six months ended June 30, 2005 were \$246,000 compared to \$421,000 for the six months ended June 30, 2004. The net charge-offs for 2005 include \$87,000 of charged-off overdrawn checking accounts. Prior to 2005, charged-off overdrawn checking account balances were netted against deposit related fees.

## **Non-Interest Expense**

Total non-interest expense increased \$342,000 to \$8,791,000 for the six months ended June 30, 2005, as compared to \$8,449,000 for the same period in 2004. Included in non-interest expense is unrealized appreciation related to the directors' and executives' deferred compensation plan in the amount of \$34,000 for the first six months of 2005 and \$64,000 for the first six months of 2004. This unrealized appreciation had no effect on net income. Non-interest expense, excluding the effect of the unrealized appreciation, grew from \$8,385,000 during the first six months of 2004 to \$8,757,000 during the same period of 2005, an increase of 4.4 percent.

## **Other News**

Monroe Bank broke ground on a new full-service banking center in Brownsburg on Friday, July 8, 2005. Construction of the new banking center in central Indiana will mark the beginning of Monroe Bank's transfer from storefront locations in Avon, Brownsburg and Plainfield, opened three years ago, to freestanding, full-service centers featuring automated teller machines and drive-through teller windows.

## **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<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, noninterest income, and noninterest 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.

**Monroe Bancorp (MROE)**

Financial Summary

(dollar amounts in thousands except per share data)

BALANCE SHEET *	Quarters Ended					Years Ended	
	Jun 2005	Mar 2005	Dec 2004	Sept 2004	Jun 2004	Dec 2004	Dec 2003
Cash and Cash Equivalents	\$ 29,610	\$ 19,799	\$ 21,396	\$ 29,128	\$ 20,504	\$ 21,396	\$ 33,011
Federal Funds Sold	-	-	-	-	-	-	-
Securities	113,232	108,870	109,712	107,063	105,834	109,712	106,195
Total Loans	505,315	489,079	477,085	457,331	453,975	477,085	424,511
Loans Held for Sale	5,739	2,661	2,740	3,760	3,493	2,740	2,219
Commercial & Industrial	90,157	90,837	86,412	84,933	88,761	86,412	83,017
Real Estate:							
Commercial & Residential	301,000	293,401	284,303	270,942	268,816	284,303	257,327
Construction & Vacant Land	63,609	60,596	61,828	55,586	50,194	61,828	40,560
Home Equity	26,279	24,409	25,390	25,044	24,191	25,390	21,044
Installment Loans	18,531	17,175	16,412	17,066	18,520	16,412	20,344
Reserve for Loan Losses	5,608	5,450	5,194	4,830	5,258	5,194	5,019
Bank Premises and Equipment	12,205	11,610	11,575	11,630	11,749	11,575	11,683
Federal Home Loan Bank Stock	2,494	2,464	2,439	2,413	2,386	2,439	2,331
Interest Receivable and Other Assets	18,480	18,443	16,957	17,722	18,253	16,957	16,551
Total Assets	\$ 675,728	\$ 644,815	\$ 633,970	\$ 620,457	\$ 607,443	\$ 633,970	\$ 589,263
Total Deposits	\$ 529,559	\$ 513,826	\$ 483,534	\$ 464,023	\$ 446,550	\$ 483,534	\$ 436,683
Noninterest Checking	96,363	83,287	71,142	95,206	70,822	71,142	73,579
Interest Bearing Checking & NOW	116,577	117,009	102,495	86,997	96,845	102,495	97,618
Regular Savings	21,747	22,751	23,608	23,659	23,375	23,608	26,859
Money Market Savings	80,583	76,173	80,054	64,267	59,466	80,054	71,974
CDs Less than \$100,000	116,987	115,284	110,040	108,026	107,673	110,040	94,224
CDs Greater than \$100,000	86,109	88,986	85,717	75,186	77,992	85,717	62,904
Other Time	11,193	10,336	10,478	10,682	10,377	10,478	9,525
Total Borrowings	90,438	77,243	97,378	101,869	109,399	97,378	101,872
Federal Funds Purchased	6,050	5,100	17,000	19,400	21,700	17,000	8,900
Securities Sold Under Repurchase Agreement	34,253	37,540	41,761	42,994	46,167	41,761	48,507
FHLB Advances	48,875	34,029	38,029	38,878	40,917	38,029	43,825
Loans Sold Under Repurchase Agreement	1,260	574	588	597	615	588	640
Interest Payable and Other Liabilities	6,763	6,291	5,674	7,903	6,252	5,674	5,333
Total Liabilities	626,760	597,360	586,586	573,795	562,201	586,586	543,888
Shareholders Equity	48,968	47,455	47,384	46,662	45,242	47,384	45,375
Total Liabilities and Shareholders' Equity	\$ 675,728	\$ 644,815	\$ 633,970	\$ 620,457	\$ 607,443	\$ 633,970	\$ 589,263
Book Value Per Share	\$ 8.16	\$ 7.91	\$ 7.90	\$ 7.78	\$ 7.54	\$ 7.90	\$ 7.49
End of period shares issued and outstanding	6,036,284	6,036,284	6,035,110	6,035,110	6,040,340	6,035,110	6,095,640
Less: Unearned ESOP shares	33,135	34,451	35,767	37,059	38,384	35,734	41,034
End of Period Shares Used to Calculate Book Value	6,003,149	6,001,833	5,999,343	5,998,051	6,001,956	5,999,376	6,054,606

\* period end numbers

**Monroe Bancorp (MROE)**

Financial Summary

(dollar amounts in thousands except per share data)

INCOME STATEMENT	Quarters Ended					Years Ended	
	Jun 2005	Mar 2005	Dec 2004	Sept 2004	Jun 2004	Dec 2004	Dec 2003
Interest Income	\$ 8,386	\$ 7,788	\$ 7,538	\$ 7,210	\$ 7,081	\$ 28,732	\$ 27,932
Interest Expense	3,210	2,762	2,499	2,256	2,082	8,868	8,792
Net Interest Income	5,176	5,026	5,039	4,954	4,999	19,864	19,140
Loan Loss Provision	330	330	330	330	330	1,320	3,920
Total Noninterest Income	2,481	2,034	2,232	2,084	1,934	8,302	8,182
Service Charges on Deposit Accounts	932	756	764	738	761	2,970	2,801
Trust Fees	386	376	342	357	342	1,376	1,114
Commission Income	287	225	229	237	238	932	875
Gain on Sale of Loans	338	237	269	271	318	1,050	1,654
Realized Gains (Losses) on Securities	33	66	-	96	(17)	211	162
Unrealized Gains (Losses) on Trading Securities Associated with Directors' Deferred Comp Plan	51	(46)	172	(12)	(5)	221	420
Other Operating Income	454	420	456	397	297	1,542	1,156
Total Noninterest Expense	4,523	4,269	4,350	4,122	4,270	16,921	16,285
Salaries & Wages	1,774	1,730	1,636	1,803	1,716	6,859	6,263
Commissions & Incentive Compensation	502	433	446	365	390	1,580	1,515
Employee Benefits	364	416	424	362	428	1,685	1,674
Premises & Equipment	638	644	627	607	613	2,474	2,433
Advertising	184	119	109	142	199	598	571
Legal Fees	183	180	110	105	164	506	575
Appreciation (Depreciation) in Directors' Deferred Compensation Plan	67	(32)	195	-	(10)	259	469
Other Operating Expenses	811	779	803	738	770	2,960	2,785
Income Before Income Tax	2,804	2,461	2,592	2,586	2,333	9,925	7,117
Income Tax Expense (Benefit)	952	818	864	836	759	3,220	2,063
Net Income After Tax & Before Extraordinary Items	1,852	1,643	1,728	1,750	1,574	6,705	5,054
Extraordinary Items	-	-	-	-	-	-	-
Net Income	\$ 1,852	\$ 1,643	\$ 1,728	\$ 1,750	\$ 1,574	\$ 6,705	\$ 5,054
Basic Earnings Per Share	\$ 0.31	\$ 0.27	\$ 0.29	\$ 0.29	\$ 0.26	\$ 1.11	\$ 0.83
Diluted Earnings Per Share	0.31	0.27	0.29	0.29	0.26	1.11	0.83

**Monroe Bancorp (MROE)**

Financial Summary

(dollar amounts in thousands except per share data)

ASSET QUALITY	Quarters Ended					Years Ended	
	Jun 2005	Mar 2005	Dec 2004	Sept 2004	Jun 2004	Dec 2004	Dec 2003
Net Charge-Offs (Recoveries)	\$ 172	\$ 74	\$ (35)	\$ 759	\$ 98	\$ 1,145	\$ 3,502
OREO Expenses (Gains)	12	31	(27)	9	103	70	121
Total Credit Charges	\$ 184	\$ 105	\$ (62)	\$ 768	\$ 201	\$ 1,215	\$ 3,623
Nonperforming Loans	\$ 3,257	\$ 3,545	\$ 3,674	\$ 4,369	\$ 5,304	\$ 3,674	\$ 6,189
OREO	463	350	350	190	-	350	534
Nonperforming Assets	3,720	3,895	4,024	4,559	5,304	4,024	6,723
90 Day Past Due Loans net of Nonperforming Loans	182	12	29	95	108	29	173
Nonperforming Assets + 90 day PD/Assets	\$ 3,902	\$ 3,907	\$ 4,053	\$ 4,654	\$ 5,412	\$ 4,053	\$ 6,896

**RATIO ANALYSIS - CREDIT QUALITY\***

NCO/Loans	0.14%	0.06%	-0.03%	0.66%	0.09%	0.24%	0.82%
Credit Charges/Loans & OREO	0.15%	0.09%	-0.05%	0.67%	0.18%	0.25%	0.85%
Nonperforming Loans/Loans	0.64%	0.72%	0.77%	0.96%	1.17%	0.77%	1.46%
Nonperforming Assets/Loans & OREO	0.74%	0.80%	0.84%	1.00%	1.17%	0.84%	1.58%
Nonperforming Assets/Assets	0.55%	0.60%	0.63%	0.73%	0.87%	0.63%	1.14%
Nonperforming Assets+ 90 day PD/Assets	0.58%	0.61%	0.64%	0.75%	0.89%	0.64%	1.17%
Reserve/Nonperforming Loans	172.18%	153.74%	141.37%	110.55%	99.13%	141.37%	81.10%
Reserve/Total Loans	1.11%	1.11%	1.09%	1.06%	1.16%	1.09%	1.18%
Equity & Reserves/Nonperforming Assets	1467.10%	1358.28%	1306.61%	1129.46%	952.11%	1306.61%	749.58%
OREO/Nonperforming Assets	12.45%	8.99%	8.70%	4.17%	0.00%	8.70%	7.94%

**RATIO ANALYSIS - CAPITAL ADEQUACY \***

Equity/Assets	7.25%	7.36%	7.47%	7.52%	7.45%	7.47%	7.70%
Equity/Loans	9.69%	9.70%	9.93%	10.20%	9.97%	9.93%	10.69%

**RATIO ANALYSIS - PROFITABILITY**

Return on Average Assets	1.14%	1.05%	1.10%	1.14%	1.05%	1.10%	0.90%
Return on Average Equity	15.39%	13.94%	14.54%	15.14%	13.70%	14.44%	11.18%
Net Interest Margin (tax-equivalent) (1)	3.52%	3.51%	3.52%	3.57%	3.69%	3.62%	3.78%

\* Based on period end numbers

(1) Interest income on tax-exempt securities has been adjusted to a tax equivalent basis using a marginal income tax rate of 40%.