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**For Immediate Release**

**Monroe Bancorp Reports 5.5 Percent Increase in Earnings Per Share For 2006**

**BLOOMINGTON, Ind.** – January 25 2007 – Monroe Bancorp (the “Company”), NASDAQ: MROE, the independent Bloomington-based holding company for Monroe Bank (the “Bank”), reported net income of \$7,586,000 or \$1.15 per basic and diluted common share, for the year ended December 31, 2006, compared to \$7,223,000 or \$1.09 per basic and diluted common share for 2005. This represents a 5.0 percent increase in net income and a 5.5 percent increase in earnings per share.

Return on average shareholders’ equity (ROE) for 2006 was 14.59 percent, compared to 14.93 percent for the year ended December 31, 2005. Return on average assets (ROA) for the year ended December 31, 2006 was 1.04 percent, compared to 1.09 percent for 2005.

“I’m pleased by the earnings growth that we achieved during 2006,” said Mark D. Bradford, President and Chief Executive Officer of Monroe Bancorp and Monroe Bank. “The earnings growth is particularly gratifying in view of the expenses that we incurred in laying the foundation of our full-service banking strategy in Hendricks County and the necessary upgrade of our Business and Operations Centers in Monroe County.”

**Financial Performance**

Net interest income before the provision for loan losses increased 8.8 percent to \$22,665,000 for the year ended December 31, 2006 compared to \$20,824,000 for 2005. The tax equivalent net interest margin grew during 2006, increasing from 3.48 percent for the year ended December 31, 2005, to 3.50 percent for 2006.

Noninterest income totaled \$9,492,000 for the year ended December 31, 2006, compared to \$9,258,000 in 2005. The \$234,000 increase (2.5 percent) was achieved even though revenues from the sale of mortgages declined by \$190,000 or 15.4 percent due to a less favorable rate environment. Commissions from the sale of investment products declined from \$900,000 in 2005 to \$785,000 in 2006 largely due to the transition of this business from a transaction based commission business into one that is management fees based.

The trust and asset management area continues to be a strong contributor to the success of the Company. Trust fees grew to \$1,701,000 for the year ended December 31, 2006, an increase of \$156,000 or 10.1 percent. Trust assets under management totaled \$271,766,000 at December 31, 2006 compared to \$237,026,000 at December 31, 2005, which represents a 14.6 percent increase. Interchange fees earned on Visa Check Cards increased to \$776,000, a 20.3 percent increase over the \$645,000 earned for 2005.

“Growing noninterest income in areas such as deposit fees, trust fees and Visa Check Card interchange is very important to our overall success. The increase in noninterest income helped offset the pressure on our net interest margin,” said Mr. Bradford.

Total noninterest expense increased 11.3 percent to \$20,098,000 for the year ended December 31, 2006, as compared to \$18,054,000 for 2005. Major contributors to the growth in noninterest expense are a \$748,000 (10.2 percent) increase in salary expense, a \$497,000 (18.7 percent) increase in occupancy expense, and a \$489,000 (31.2 percent) increase in benefits expense. In addition to annual salary adjustments, the increase in salary expense includes the effect of adding personnel to the Bank’s wealth management and commercial lending functions as well as staff for the new Brownsburg banking center which opened in January of 2006. The increase in benefits expense is largely the result of a \$402,000 increase in the expense of the Company’s health insurance plan due to a significant increase in claims compared to 2005. Occupancy expense increased primarily due to the opening of the Bank’s Brownsburg banking center (discussed later in the Other Company News section of this release), a significant expansion to the Bank’s operations center which was completed early in 2006, and a major renovation of the Bank’s Business Center. Increases to property taxes and utility expense also contributed to the increase in occupancy expense.

## **Asset Quality**

The Company’s loan delinquency ratio, which is loan balances past due 30 days or more as a percent of total loans, was 1.26 percent at December 31, 2006, up from 0.45 percent at December 31, 2005. At December 31, 2006, non-performing assets and 90-day past due loans totaled \$2,455,000 (0.33 percent of total assets) compared to \$2,032,000 (0.28 percent of total assets) one year earlier. Net charge-offs as a percentage of loans totaled 0.11 percent for 2006 compared to 0.14 percent for 2005.

## **Financial Condition**

Total assets at December 31, 2006 were \$748,193,000, an increase of 4.9 percent from \$713,060,000 at December 31, 2005. Loans, including loans held for sale, totaled \$559,463,000 on December 31, 2006, a 6.5 percent increase from total loans on December 31, 2005, which were \$525,466,000.

Total deposits at December 31, 2006 were \$589,328,000 compared to \$576,181,000 at December 31, 2005, an increase of \$13,146,000. This relatively small increase in total deposits was a result of the Company’s efforts to replace jumbo CDs with more stable core deposits. Deposits, excluding jumbo CDs, increased by \$34,874,000 or 7.9 percent during 2006.

## **Stock Repurchase Activity**

The Company purchased a total of 130,000 shares of its stock during 2006 at an average price of \$16.63. The stock was repurchased with funds raised through the issuance of \$3,000,000 of Trust Preferred Stock in July of 2006. Interest expense on the Trust Preferred Stock totaled \$96,000 for 2006.

## **Fourth Quarter Results**

Net income for the fourth quarter of 2006 totaled \$1,819,000 compared to \$2,053,000 for the third quarter of 2006, and \$1,820,000 for the fourth quarter of 2005. The relatively soft fourth quarter earnings are largely the result of increased noninterest expense. Noninterest expense totaled \$5,313,000 for the fourth quarter of 2006, \$302,000 (6.0 percent) above the third quarter of 2006 and \$767,000 (16.9 percent) above the fourth quarter of 2005. A significant portion of the increased expense can be found in two categories. First, the Company's health insurance plan expense totaled \$319,000 for the fourth quarter of 2006 compared to \$162,000 for the third quarter of 2006 and \$150,000 for the fourth quarter of 2005. Second, as part of the Company's remodel of its business center, \$113,000 of previous improvements were discarded and written off in the fourth quarter of 2006. There were no write-offs of buildings or contents in the third quarter of 2006 or the fourth quarter of 2005. These two items account for \$270,000 (89.4 percent) of the increase in noninterest expense that occurred between the third and fourth quarter of 2006 and \$282,000 (36.8 percent) of the increase in noninterest expense between the fourth quarter of 2005 and the fourth quarter of 2006.

## **Other Company News**

- Mary Morrisette, Vice President, Trust Officer, joined the Company in December and is expected to play a major role in the Bank's efforts to the grow trust assets. Morrisette, a long-time Bloomington resident, has served the investment and trust interests of the greater Bloomington market for over 35 years.
- The success of the new full-service Brownsburg Banking Center, which opened on January 16, 2006, has exceeded our expectations. Deposits grew from an average of \$25,996,000 for December 2005 to an average of \$44,206,000 for December 2006. This reflects an increase in deposits of 70.1 percent.
- The Loan Center building in Monroe County was extensively remodeled to provide a more efficient and customer-friendly venue. The building was also appropriately renamed the "Business Center" as it now houses employees whose focus is on developing new business and servicing existing customers. Commercial lenders, mortgage lenders, consumer lenders, cash management specialists and a private banker are located at the Business Center.
- A new business product, Digital Deposit, was introduced at the start of the fourth quarter and has seen positive results to date. Digital Deposit is a payment processing solution that gives businesses the ability to convert paper checks into electronic images which are deposited over the internet, eliminating trips to the bank. The Digital Deposit product is being very well received and will be a focus of business development efforts in 2007.
- Annual Mystery Shopping results exceeded past years' performance with the 2006 annual bank average being 95.4 percent.

The Company will hold its Annual Meeting of Shareholders at 10 a.m., Thursday, April 26, 2007 at the Bloomington/Monroe County Convention Center in downtown Bloomington, Indiana.

## **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 measures of reporting the net interest margin on a tax-equivalent basis and reporting the growth in deposits excluding jumbo 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.