

Quarterly Financial Statement



Our mission is to set the standard in our communities for excellence in financial service products and their delivery, while realizing the greatest benefit for our shareholders, employees and customers.

Quarterly Financial Statement

1

2002

Letter from the President

April 29, 2002

Dear Shareholders and Friends,

I am proud to report that your Company continues to grow net income. For the quarter ended March 31, 2002, net income was \$1,499,000 or \$0.25 per common share, compared to \$1,447,000 and \$0.24 per common share for the same period in 2001, an increase of 3.6 percent.

Total assets for the Company as of March 31, 2002, were \$503,775,000, compared to \$441,782,000 at March 31, 2001, a 14.0 percent increase. Return on equity (ROE) for the quarter ended March 31, 2002, was 14.77 percent, up from the ROE for the year ending December 31, 2001, of 14.52 percent. First quarter 2002, dividends to shareholders increased 9.1 percent over dividends paid in the first quarter of 2001.

Total deposits for the Company, which holds the number one spot in deposit share in its primary market (Monroe County), grew 7.7 percent from March 31, 2001, to March 31, 2002, to reach \$382,509,000. Total loans of \$376,881,000 at March 31, 2002, increased 23.5 percent over the March 31, 2001, total of \$305,288,000. Meanwhile, the Bank's credit quality remained strong. Total nonperforming assets and 90-day past due loans totaled \$3,428,000 (0.68 percent of total assets) as of March 31, 2002, compared to \$4,383,000 (0.99 percent of total assets) as of March 31, 2001.

Our operation in Hendricks County is doing remarkably well. Our two branches, opened in September and October 2001, have achieved significant name recognition in a relatively short period of time through persistent calling efforts, advertising, and involvement in the communities. This has helped to accelerate deposit and loan growth beyond our initial expectations, with the two branches gathering \$26,673,000 in deposits and \$21,207,000 in total loans as of March 31, 2002. The branches posted a better-than-plan net loss of \$90,000 in the first quarter of 2002, which also compares favorably to the net loss of \$205,000 posted in the fourth quarter of 2001. Excluding the Hendricks County loss, net income growth for the Company was 9.8 percent for the first quarter of 2002.



Mark
Bradford

I look forward to bringing you similar results for our Brownsburg branch, set to open on May 1, 2002. Throughout the first quarter of 2002, we have hired and trained personnel to prepare for the opening of this third Hendricks County branch.

Your Company had several other significant events in the first quarter:

■ The Bank formed an investment holding company (MB Portfolio Management, Inc.) in Wilmington, Del. in late March, where the Bank's \$85,000,000 investment portfolio will be moved. The investment holding company in turn hired Delaware Trust Capital Management, Inc. to manage the portfolio. We expect the net first-year benefit of these actions to be approximately \$112,000, or \$.02 per share.

■ On Feb. 9, 2002, the Bank celebrated the grand opening of a new Highland Village banking center on the rapidly growing west side of Bloomington. The new branch provides significantly more sales and customer service space than the 36-year-old branch it replaced. The new office has attracted \$2,321,000 of deposit growth since the end of January, increasing its total deposits to \$42,880,000 as of March 31, 2002.

■ Two new senior executives joined the Bank. Doug Bennett, Senior Vice President for Retail Services and Marketing, filled a newly created position intended to improve the sales performance in the Bank's branches. Also, Bob Krupka joined the Bank as Senior Vice President for Lending. Mr. Krupka replaces the Bank's previous senior lender, Bob Hamilton, who retired in January after serving the Bank for 18 years. Both new executives bring a considerable amount of experience and talent to our management team.

As some of you heard me say during our April 25 Annual Meeting of Shareholders, all of these efforts – adding new talent to our executive team, opening new branches, expanding our services to new markets and creating the investment holding company – are important to our goal of significantly growing our earnings and increasing value for our shareholders.

Thank you for supporting our efforts. I look forward to bringing you news of your Company's continued and growing success.

Respectfully,



Mark D. Bradford
President and Chief Executive Officer

Special Note: Statements in the letter from the President that relate to future results and events (including statements about future financial and operating performance) are based on the company's current expectations. Actual results in future periods may differ materially from those currently expected or desired because of a number of risks and uncertainties, including general economic and business conditions; changes in interest rates; loss of deposits and loan demand to other financial institutions; substantial changes in financial markets; changes in real estate values and real estate market; or regulatory changes. Additional discussion of these and other factors affecting the company's business and prospects is contained in the company's periodic filings with the Securities and Exchange Commission.

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Financial Highlights as of March 31

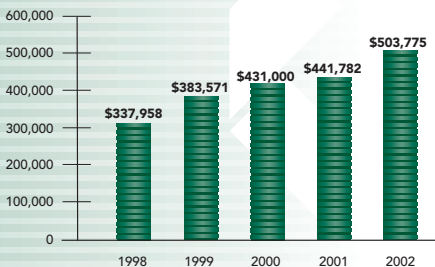
(\$ in thousands, except per share data)

	2002	2001	Percent Change
Operating Results*			
Interest income.....	\$ 7,511	\$ 8,086	(7.1)%
Interest expense.....	2,884	4,073	(29.2)
Net interest income.....	4,627	4,013	15.3
Provision for loan losses	276	150	84.0
Income taxes.....	757	757	0.0
Net income	1,499	1,447	3.6
Per Share Data			
Net income-basic and diluted *	0.25	0.24	4.2
Dividends *	0.12	0.11	9.1
Book value at quarter end	6.79	6.32	7.4
March 31, Balances			
Total assets	503,775	441,782	14.0
Total deposits	382,509	355,304	7.7
Net loans	372,603	301,329	23.7
Shareholders' equity....	41,400	38,782	6.8
Selected Financial Ratios			
Return on average assets	1.22%	1.34%	
Return on average equity.....	14.77	15.30	
Allowance for loan losses as a percentage of total loans.....	1.14	1.30	

*Three months ended March 31.

Total Assets as of March 31

(in thousands)



Monroe Bancorp and Subsidiary Consolidated Balance Sheet March 31

(Unaudited) (\$ in thousands, except per share data)

	2002	2001
Assets		
Cash and cash equivalents:		
Cash and non-interest bearing deposits.....	\$ 12,878	\$ 20,485
Federal funds sold	<u>8,100</u>	<u>2,100</u>
Total cash and cash equivalents	20,978	22,585
Held-to-maturity securities	68,982	70,517
Available-for-sale securities	16,456	24,426
Trading securities	3,090	2,964
Loans, net of allowance for loan losses of \$4,278 and \$3,959	372,603	301,329
Bank premises and equipment	11,842	10,627
FHLB stock	1,882	1,257
Accrued interest receivable.....	3,049	3,674
Other assets	<u>4,893</u>	<u>4,403</u>
Total assets.....	<u>\$ 503,775</u>	<u>\$ 441,782</u>
Liabilities and Shareholders' Equity		
Deposits.....	\$ 382,509	\$ 355,304
Repurchase agreements.....	34,600	33,958
Other borrowings.....	39,129	7,606
Accrued interest payable.....	954	1,223
Other liabilities.....	<u>5,183</u>	<u>4,909</u>
Total liabilities	<u>462,375</u>	<u>403,000</u>
Shareholders' equity: Common stock, no par value, 18,000,000 shares authorized, 6,099,799 and 6,140,927 shares issued and outstanding in 2002 and 2001, respectively	137	137
Additional paid-in capital	3,359	3,345
Retained earnings.....	38,210	35,163
Net unrealized gain (loss) on available-for-sale securities	291	245
Unearned ESOT shares.....	<u>(597)</u>	<u>(108)</u>
Total shareholders' equity	<u>41,400</u>	<u>38,782</u>
Total liabilities and shareholders' equity.....	<u>\$ 503,775</u>	<u>\$ 441,782</u>

Net Income for the Three Months Ended March 31

(in thousands)



Monroe Bancorp and Subsidiary Consolidated Statement of Income Three Months Ended March 31

(Unaudited) (\$ in thousands, except per share data)

	2002	2001
Interest income	\$ 7,511	\$ 8,086
Interest expense	2,884	4,073
Net interest income	4,627	4,013
Provision for loan losses	276	150
Net interest income after provision for loan losses	4,351	3,863
Other operating income	1,415	923
Other operating expenses	3,510	2,582
Income before income tax	2,256	2,204
Income tax provision	757	757
Net income	1,499	1,447
Retained earnings — beginning of year	37,449	34,392
Dividends (\$.12 and \$.11 per share in 2002 and 2001, respectively) ..	(738)	(676)
Retained earnings — end of period	<u>\$ 38,210</u>	<u>\$ 35,163</u>
Basic and diluted net income per share	<u>\$ 0.25</u>	<u>\$ 0.24</u>

Monroe Bancorp Board of Directors

David D. Baer, Chairman
Bradford J. Bomba Jr., M.D.
Mark D. Bradford, President and CEO
Steven R. Crider
Timothy D. Ellis
Joyce Claflin Harrell
Paul W. Mobley
Richard P. Rechter
Charles R. Royal, Jr.

Stock Transfer Agent and Registrar

Please contact Monroe Bancorp's transfer agent, at the phone number or address listed below, with questions concerning stock certificates, dividend checks, transfer of ownership, or other matters pertaining to your stock account.

Registrar and Transfer Company

10 Commerce Drive
Cranford, New Jersey 07016
(800) 368-5948
kbrotz@rtco.com

Investor Information

Corporate Headquarters

Monroe Bancorp
210 E. Kirkwood Avenue
Bloomington, IN 47408
(812) 336-0201

Stock Symbol

NASDAQ: MROE

Investor Contact

Mark D. Bradford
President, CEO
210 E. Kirkwood Avenue
Bloomington, IN 47408
(812) 336-0201
bradford@monroebank.com

Current News and Information

For the most current news releases, visit our Web site at www.monroebank.com. The Securities and Exchange Commission maintains a Web site that contains reports, proxy and information statements including our quarterly report on Form 10-Q. Their Web site address is www.sec.gov.



Member FDIC
monroebank.com



Banking Locations

Monroe County

1825 N. Kinser Pike*
Bloomington, IN 47404
(812) 331-3518

306 E. Kirkwood Avenue
Bloomington, IN 47408
(812) 331-3510

111 S. Lincoln Street
Bloomington, IN 47408
(812) 331-3555

2801 Buick-Cadillac Blvd.*
Bloomington, IN 47401
(812) 331-3507

2490 S. Walnut Street*
Bloomington, IN 47403
(812) 331-3514

Retirement Community Locations

800 Bell Trace Circle
Bloomington, IN 47408
(812) 331-3575

2455 Tamarack Trail*
Bloomington, IN 47408
(812) 353-7722

321 E. Moores Pike
Bloomington, IN 47401
(812) 353-7720

Jackson County

1051 W. Spring Street*
Brownstown, IN 47220
(812) 358-3171

Lawrence County

Stone City Mall*
3300 W. 16th Street
Bedford, IN 47421
(812) 275-7800

Hendricks County

7517 Beechwood Centre Road
Suite 300
Avon, IN 46123
(317) 272-7820

65 Garner Road, Suite 400
Brownsburg, IN 46112
(317) 858-2720

2059 Hadley Road
Plainfield, IN 46168
(317) 837-5201

Additional ATM Locations

512 College Mall Road
Bloomington, IN
(Mr. D's ATM)

2300 N. Walnut Street
Bloomington, IN
(McDonald's North ATM)

1400 E. Third Street
Bloomington, IN
(Jordan Square ATM)

1789 E. Tenth Street
Bloomington, IN
(Crosstown II ATM)

4681 W. Richland Plaza
Bloomington, IN
(Ellettsville IGA ATM)

*Indicates 24-hour ATM location.



MONROE BANCORP

210 East Kirkwood Avenue

Bloomington, IN 47408

PRSR^T STD

U.S. Postage

PAID

Bloomington, IN

Permit #10