

2001

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Quarterly Financial Statement

LETTER FROM THE
PRESIDENT

October 23, 2001

Dear Shareholders and Friends,

I am extremely proud to report your Company's results for the nine months ended September 30, 2001. Net income for Monroe Bancorp was \$4,373,000, or \$0.71 per common share, compared with \$4,001,000, or \$0.65 per common share, for the same period in 2000, an increase of 9.3 percent.

These results are particularly meaningful, because we achieved this earnings growth while incurring the start-up costs associated with our entry into Hendricks County.

Expanding to New Markets

The Company's first office in the high-growth Hendricks County region of Central Indiana opened in mid-September in Avon. The Company's second Hendricks County branch opened on October 22 in Plainfield. The early results of this expansion strategy are encouraging, with the initiative providing more than \$7,200,000 in loans and \$3,600,000 in deposits as of October 22, 2001. Both branches will specialize in meeting the commercial and personal banking and investment needs of this growing market.

Strong Loan Performance

Total net loans for your Company at September 30, 2001 increased 19.0 percent to \$344,606,000, compared to the September 30, 2000 total of \$289,704,000. I'm especially pleased that we were able to achieve this growth while maintaining high credit quality. As of September 30, 2001, only 1.52 percent of the Company's loans were past due 30 days or more, which compares favorably with the 1.89 percent that were past due as of September 30, 2000. The Company's strong loan growth coupled with the maturity of high yielding time deposits helped to increase net interest income by 6.7 percent over the same period last year.



Total assets as of September 30, 2001 were \$477,474,000, compared to \$434,125,000 at September 30, 2000, a 10.0 percent increase. Return on assets increased from 1.25 percent for the first nine months of 2000 to 1.30 percent for the same period of this year. The Company's return on equity remained strong at 14.89 percent, a slight decrease from 15.00 percent for the first nine months of 2000. Dividends to shareholders increased 10.0 percent over dividends paid in the first three quarters of 2000.

Responding to a Crisis

In the aftermath of the terrorist attacks of September 11, we find ourselves re-evaluating what is important. As we try to make sense of these changing times, we appreciate more and more our relationships with our co-workers, our customers, and the shareholders who continue to show their confidence in us. We found a growing capacity, and an undeniable need, to express our gratefulness and to strengthen these relationships as well as our ties to our communities.

The Company recently provided a 50 percent match for any contributions made by our employees to the American Red Cross relief efforts. Bill Bennett, the program manager of Monroe Bank's Prime Time Program (the financial and travel club for the Bank's senior citizen customers), teamed up with local photography store Quick Pic to duplicate and make available for purchase a New York City skyline photo that Bennett took on a Prime Time trip in 2000. With 100 percent of the proceeds being donated to the American Red Cross, the sale of Mr. Bennett's World Trade Center photos has raised nearly \$10,000 at the time of this writing.



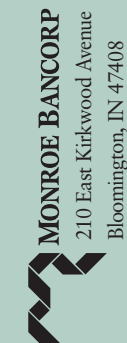
Your Company is heading into the future with 200 employees who, since the events of September 11, are more inspired than ever before to succeed and to bring our communities with us.

The strong financial performance highlighted above and that you will see when you read the rest of this report, shows that we move into the future from a position of considerable strength. We have a proven and effective business plan, a quality loan portfolio, and a focus on financial results that is matched only by our commitment to provide outstanding customer service.

From all of us at Monroe Bancorp and Monroe Bank, thank you for your continued support.

Respectfully,

Mark D. Bradford
President and Chief Executive Officer



BANKING LOCATIONS

Monroe County
* Main Office
210 E. Kirkwood Avenue
(812) 336-0201
* Ellettsville Banking Center
4616 W. Richland Plaza
* Highland Village Banking Center
4191 W. Third Street
* Kinser Crossing Banking Center
1825 N. Kinser Pike

Kirkwood Auto Branch

306 E. Kirkwood Avenue
Loan Center
111 S. Lincoln Street
* Mall Road Banking Center
2801 Buick-Cadillac Boulevard
* Walnut Park Banking Center
2490 S. Walnut Street

Retirement Community Locations

Redbud Hills Branch
* Meadow Branch
Bell Trace Branch
Hendricks County
Avon Banking Center
7517 Beechwood Centre Road
Suite 300
Plainfield Banking Center
2059 Hadley Road

Jackson County

* Brownstown Banking Center
1051 W. Spring Street
Lawrence County
* Bedford Banking Center
Stone City Mall
3300 W. 16th Street
* 24-hour ATM access available

Additional ATM Locations (Monroe County)

Crosstown II ATM Center
1789 E. Tenth Street
Ellettsville IGA ATM
4681 Richland Plaza
Jordan Square ATM Center
1400 E. Third Street
McDonald's — North ATM
2300 N. Walnut Street
Mr. D's ATM Center
512 College Mall Road

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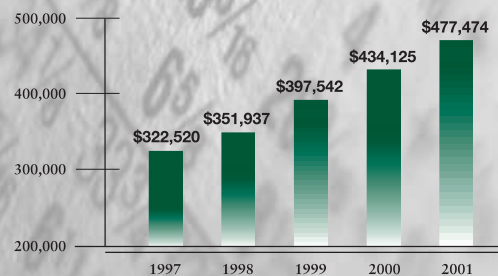
Financial Highlights as of September 30

(\$ in thousands, except per share data)

	2001	2000	Percent Change
Operating Results*			
Interest income	\$ 23,991	\$ 23,363	2.7%
Interest expense	11,506	11,659	(1.3)
Net interest income	12,485	11,704	6.7
Provision for loan losses	545	540	0.9
Income taxes	2,321	1,975	17.5
Net income	4,373	4,001	9.3
Per Share Data			
Net income-basic and diluted*	0.71	0.65	9.2
Dividends*	0.33	0.30	10.0
Book value at quarter end	6.56	5.98	9.7
September 30, Balances			
Total assets	477,474	434,125	10.0
Total deposits	363,273	338,399	7.4
Total loans	344,606	289,704	19.0
Shareholders' equity	39,976	36,722	8.9
Selected Financial Ratios			
Return on average assets	1.30%	1.25%	
Return on average equity	14.89	15.00	
Allowance for loan losses as a percentage of total loans	1.12	1.29	

*Nine months ended September 30

Total Assets as of September 30, 2001
(in thousands)

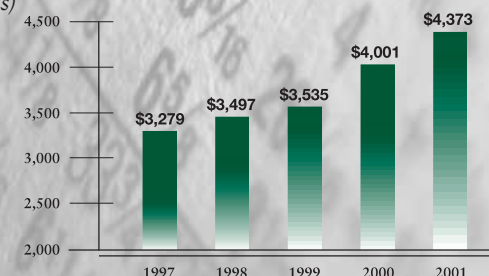


Monroe Bancorp and Subsidiary Consolidated Balance Sheet September 30 (Unaudited)

(\$ in thousands)

	2001	2000
Assets		
Cash and due from banks	\$ 25,621	\$ 22,944
Held-to-maturity securities	65,288	78,722
Available-for-sale securities	18,171	18,764
Trading securities	2,870	3,378
Loans, net of allowance for loan losses	344,606	289,704
Bank premises and equipment	10,990	10,471
FHLB stock	1,350	1,257
Accrued interest receivable	3,497	3,896
Other assets	5,081	4,989
Total assets	\$477,474	\$434,125
Liabilities and Shareholders' Equity		
Deposits	\$ 363,273	\$ 338,399
Repurchase agreements	32,321	33,543
Short-term borrowings	11,300	12,632
Long-term debt	24,177	6,585
Accrued interest payable	1,167	1,241
Other liabilities	5,260	5,003
Total liabilities	437,498	397,403
Shareholders' equity: Common stock, no par value, 18,000,000 shares authorized, 6,096,577 and 6,137,740 weighted average shares issued and outstanding in 2001 and 2000, respectively	137	137
Additional paid-in capital	2,782	3,351
Retained earnings	36,742	33,673
Net unrealized gain (loss) on available-for-sale securities	423	(242)
Unearned ESOT shares	(108)	(197)
Total shareholders' equity	39,976	36,722
Total liabilities and shareholders' equity	\$477,474	\$434,125

Net Income for the Nine Months Ended September 30, 2001
(in thousands)



Monroe Bancorp and Subsidiary Consolidated Statement of Income Nine Months Ended September 30 (Unaudited)

(\$ in thousands, except per share data)

	2001	2000
Interest income	\$23,991	\$23,363
Interest expense	11,506	11,659
Net interest income	12,485	11,704
Provision for loan losses	545	540
Net interest income after provision for loan losses	11,940	11,164
Other operating income	3,321	2,955
Other operating expenses	8,567	8,143
Income before income tax	6,694	5,976
Income tax provision	2,321	1,975
Net income	4,373	4,001
Retained earnings – beginning of year	34,392	31,511
Dividends (\$.33 and \$.30 per share in 2001 and 2000, respectively)	(2,023)	(1,839)
Retained earnings – end of period	\$36,742	\$33,673
Basic and diluted net income per share	\$ 0.71	\$ 0.65

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 Clafin 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.



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