

Letter from the President

June 2, 2003

Dear Shareholders and Friends,

Net income for the quarter ended March 31, 2003, was \$1,548,000, compared to \$1,499,000 for the same period in 2002, an increase of 3.3 percent. The Company reported basic and fully diluted earnings per share of \$0.25 for the first quarter of 2003, unchanged from the first quarter of 2002.

Credit Quality Issues Will Affect Second Quarter Results

One of our top priorities in the coming months is aggressively managing the risks associated with credit quality. At March 31, 2003, total non-performing assets and 90-day past due loans totaled \$10,194,000. The majority of these loans (approximately \$6,700,000) are related to a single real estate developer who recently declared bankruptcy, as well as loans to parties associated with the developer.

On May 20, 2003, we announced that a \$2,300,000 special provision was made to the Company's reserve for loan losses. This provision will have a negative effect on this year's net income of approximately \$1,400,000, after tax, or \$0.23 per share based upon current weighted average basic and fully diluted shares outstanding. This special provision to the loan loss reserve was deemed prudent after a thorough review of the collateral values and other factors in the very complex bankruptcy proceedings associated with the real estate developer referenced above.

While the need for a provision of this size is disappointing, I assure you that the Bank and its attorneys will vigorously pursue the collection of these loans in full. In addition, this situation will not lessen our commitment to aggressively growing our lending business.

Focus on Fundamentals

At the core of our success is building strong relationships with our customers. Our emphasis on quality service, as defined by our customers, continues to provide good results. By employing a bank-wide Mystery Shopping program, we collect repeated measurements of our service quality in every department of our organization. Ranked anonymously by real customers, our organization-wide average score was an outstanding 94 out of 100 for the first quarter of 2003. We foster superb customer service skills by recognizing and rewarding individuals and departments that achieve high scores. Ultimately it is our ability to serve the needs of our customers that enables us to achieve continued growth in our fundamental businesses.

Total deposits increased \$36,161,000, or 9.5 percent, from \$382,509,000 at March 31, 2002, to \$418,670,000 at March 31, 2003. Total loans were \$401,881,000 on March 31, 2003, a year-over-year growth rate of 6.6 percent. The Company's total assets at March 31, 2003, were \$553,420,000, which was 9.9 percent greater than the total at March 31, 2002.



**Mark
Bradford**

Opportunities and Responsiveness

Favorable interest rates and focused calling efforts continued to drive opportunities for our mortgage department. Our ability to shift resources quickly to the mortgage area in all of our markets allowed us to capitalize on these opportunities. The Company generated \$364,000 from the sale of fixed rate mortgages during the first quarter of 2003. The resulting \$145,000 (66.2 percent) year-over-year increase in revenue contributed to our strong growth in non-interest income for the quarter ended March 31, 2003.

Overall, we grew non-interest income by 19.0 percent, an increase of \$269,000 from the quarter ended March 31, 2002, to a total of \$1,684,000 for the quarter ended March 31, 2003. This growth was led by income derived from the sale of fixed rate mortgages discussed above, as well as a \$56,000 (25.8 percent) increase in fee income from trust services.

Our trust, brokerage and investment services departments continue to expand assets under management and also grow fee income for the Company. Our trust department recently launched a new management service for retirement and benefit plans. The service combines the personalized touch of our local plan management team with the technology of 24-hour Internet account management tools. The new 401(k) and benefit service package is widening the potential client base of our trust department, while also filling a need for personalized attention that larger, national firms cannot fill for our local commercial customers.

Other Company News

- We have installed two new Monroe Bank ATMs in our Bloomington market. The first is located in Bloomington Hospital, Monroe County's second largest employer. The second, a drive-up ATM, is just outside the new home of Ivy Tech State College-Bloomington. This ATM is also convenient to more than 1,000 employees who work in growing industries and businesses located in the industrial complex known as Park 48.

- We added a new member, Harry F. McNaught, Jr., to the Monroe Bancorp Board of Directors on January 2, 2003. Mr. McNaught is President of Indianapolis real estate development firm Denison Properties, Inc., and brings to our management team a valuable insight into the communities and market potential of central Indiana. He has already introduced Monroe Bank to several prospective customers.

- We met with many of our shareholders during our Annual Meeting on April 24. We summarized our 2002 accomplishments and restated our commitment toward strong earnings growth, improved asset quality, superior customer service and strong community involvement.

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



Respectfully,

Mark D. Bradford

President and Chief Executive Officer

Forward Looking Statements

Special Note: Statements in this letter 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.

Banking Locations

Monroe County
210 E. Kirkwood Avenue*
Bloomington, IN 47408
(812) 331-6201

4616 W. Richland Plaza*
Bloomington, IN 47404
(812) 876-6044

4191 W. Third Street*
Bloomington, IN 47403
(812) 331-3501

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 Rutledge-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

3211 E. Moores Pike
Bloomington, IN 47401
(812) 353-7720

Jackson County
1051 W. Spring Street*
Brownsburg, IN 47720
(812) 358-3171

Lawrence County
Stone City Mall*
3300 W. 16th Street
Redford, 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
(Ivy Tech State College ATM)

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

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

601 W. Second Street*
Bloomington, IN
(Bloomington Hospital ATM)

200 Daniels Way*
Bloomington, IN
(Ivy Tech State College ATM)

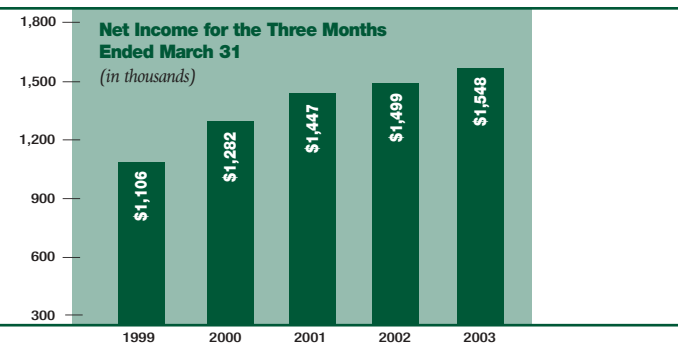
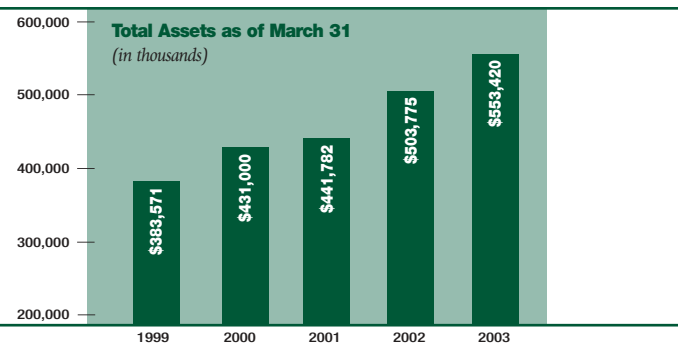
*Indicates 24-hour ATM location.



MONROE BANCORP
210 East Kirkwood Avenue
Bloomington, IN 47408

PRSRFT STD
U.S. Postage
PAID
Bloomington, IN
Permit #10





Financial Highlights as of March 31

(\$ in thousands, except per share data)

	2003	2002	%Change
Operating Results*			
Interest income	\$ 7,025	\$ 7,511	(6.5)%
Interest expense	2,305	2,884	(20.1)
Net interest income	4,720	4,627	2.0
Provision for loan losses	405	276	46.7
Income taxes	746	757	(1.5)
Net income	1,548	1,499	3.3
Per Share Data			
Net income—basic and diluted*	0.25	0.25	0.0
Dividends*	0.12	0.12	0.0
Book value at quarter end	7.37	6.79	8.5
March 31, Balances			
Total assets	553,420	503,775	9.9
Total deposits	418,670	382,509	9.5
Net loans	397,201	372,603	6.6
Shareholders' equity	44,984	41,400	8.7
Selected Financial Ratios			
Return on average assets	1.15%	1.22%	
Return on average equity	14.00	14.77	
Allowance for loan losses as a percentage of portfolio loans	1.18	1.15	

*Three months ended March 31

Monroe Bancorp and Subsidiary Consolidated Balance Sheets March 31 (Unaudited)

(\$ in thousands, except per share data)

	2003	2002
Assets		
Cash and cash equivalents:		
Cash and non-interest bearing deposits	\$ 16,057	\$ 12,878
Federal funds sold	12,700	8,100
Total cash and cash equivalents	28,757	20,978
Held-to-maturity securities	52,108	68,982
Available-for-sale securities	49,992	16,456
Trading securities	2,826	3,090
Loans, net of allowance for loan losses of \$4,680 and \$4,278	397,201	372,603
Bank premises and equipment	11,732	11,842
FHLB stock	2,124	1,882
Accrued interest receivable	1,912	3,049
Other assets	6,768	4,893
Total assets	\$ 553,420	\$ 503,775
Liabilities and Shareholders' Equity		
Deposits	\$ 418,670	\$ 382,509
Repurchase agreements	40,694	34,600
Other borrowings	43,164	39,129
Accrued interest payable	772	954
Other liabilities	5,136	5,183
Total liabilities	508,436	462,375
Shareholders' equity:		
Common stock, no par value		
18,000,000 shares authorized, 6,150,240 shares issued and outstanding	137	137
Additional paid-in capital	3,372	3,359
Retained earnings	41,435	38,210
Net unrealized gain (loss) on available-for-sale securities	576	291
Unearned ESOT shares	(536)	(597)
Total shareholders' equity	44,984	41,400
Total liabilities and shareholders' equity	\$ 553,420	\$ 503,775

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

(\$ in thousands, except per share data)

	2003	2002
Interest income	\$ 7,025	\$ 7,511
Interest expense	2,305	2,884
Net interest income	4,720	4,627
Provision for loan losses	405	276
Net interest income after provision for loan losses	4,315	4,351
Noninterest income	1,684	1,415
Noninterest expenses	3,705	3,510
Income before income tax	2,294	2,256
Income tax provision	746	757
Net income	1,548	1,499
Retained earnings—beginning of year	40,619	37,449
Dividends (\$.12 per share in 2003 and 2002)	(732)	(738)
Retained earnings—end of period	\$ 41,435	\$ 38,210
Basic and diluted net income per share	\$ 0.25	\$ 0.25

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
 Harry F. McNaught, Jr.
 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.