

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

3

2002



Mark
Bradford

Letter from the President

November 4, 2002

Dear Shareholders and Friends,

Your Company gained great momentum during the third quarter of this year. Net income for the quarter ended September 30, 2002 was \$1,657,000 or \$0.27 per common share, compared to \$1,422,000 and \$0.23 per common share for the same period in 2001, which translates to a 16.5 percent increase.

The Company's net income for the nine months ended September 30, 2002 was \$4,719,000 or \$0.77 per common share, compared to \$4,373,000 and \$0.71 per common share for the same period in 2001, an increase of 7.9 percent. Net interest income, after the provision for loan loss, for the first nine months of 2002 was \$13,033,000 or 9.2 percent greater than the same period of 2001.

Increasingly important to our overall earnings growth are successful strategies to produce non-interest income. Your Company's total non-interest income grew 20.1 percent to \$4,485,000 for the nine months ended September 30, 2002 excluding realized and unrealized security gains or losses, up from the \$3,729,000 generated during the same period in 2001. Contributing to this increase were the following:

- Revenue derived from the sale of fixed rate mortgages was up \$321,000, or 103.2 percent, for the first nine months of 2002 compared to the same period of 2001.
- Deposit-related fee income for the first nine months of 2002 totaled \$1,928,000, a \$388,000 or 25.2 percent increase over the same period of 2001.
- Commissions earned on the sale of investment products for the nine months ended September 30, 2002, were \$606,000, a \$103,000 or 20.5 percent increase over the same period of 2001.

Total assets for your Company as of September 30, 2002 were \$529,005,000 compared to \$477,474,000 at September 30, 2001, a 10.8 percent increase.

Return on equity (ROE) for the nine months ended September 30, 2002 was 14.98 percent, compared to the ROE of 14.89 percent for nine months ended September 30, 2001.

Our concentration on core lending, deposit gathering, and fee income activities along with preserving a strong commitment to our communities has helped insulate your Company from many of the pitfalls created by a slow national, state, and local economy. We remain confident that focusing on the needs of our customers allows us to generate strong earnings growth, even in difficult times.

Customer Service

It is our aim to translate our dedication to our customers into a measurable, high standard of service. Every employee – from tellers and back-office processors to the highest level executives – is subject to being anonymously evaluated by our “mystery shoppers” – individuals who secretly rate the quality of service given by our employees while completing actual customer transactions. We have conducted 979 mystery shops among our 200-plus employees year to date. With our consistent rating system and continual feedback with employees, we are seeing great results. Our bank-wide average score was 92 percent for the nine months ended September 30, 2002, and a record high of 93 percent for the third quarter of 2002.

Community Commitment

Finally, I am most proud that these outstanding financial results have been achieved without faltering in our commitment to our communities. At a dinner event in September, we honored 70 employees who logged more than 7,050 volunteer hours from July 1, 2001 to June 30, 2002, helping 140 community organizations. Also in September, we closed the majority of our branches for a half-day to participate in our seventh annual Day of Caring. Joining with the local United Way and United Fund chapters in their Week of Caring, we sent more than 170 of our employees to various volunteer projects throughout our communities. With Monroe County projects organized on September 11 this year, the compounded significance of our endeavors was not lost on us, and it motivates us as we continue our volunteer efforts throughout the entire year.

I look forward to bringing you more good news in our 2002 Annual Report. Until then, on behalf of the directors, officers, and staff of Monroe Bancorp and Monroe Bank, I thank you for your continued support.

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.

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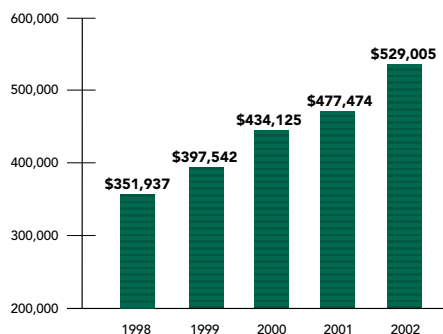
Financial Highlights as of September 30

(\$ in thousands, except per share data)

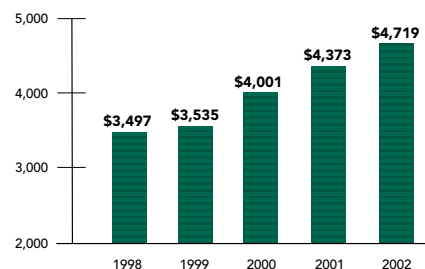
	2002	2001	Percent Change
Operating Results*			
Interest income	\$ 22,495	\$ 23,991	(6.2)%
Interest expense	8,505	11,506	(26.1)
Net interest income ..	13,990	12,485	12.1
Provision for loan losses	957	545	75.6
Income taxes	2,348	2,321	1.2
Net income	4,719	4,373	7.9
Per Share Data			
Net income—basic and diluted*	0.77	0.71	8.5
Dividends*	0.36	0.33	9.1
Book value at quarter end	7.13	6.56	8.7
September 30, Balances			
Total assets	529,005	477,474	10.8
Total deposits	404,291	363,273	11.3
Net loans	386,433	344,606	12.1
Shareholders' equity ..	43,506	39,976	8.8
Selected Financial Ratios			
Return on average assets	1.22%	1.30%	
Return on average equity	14.98	14.89	
Allowance for loan losses as a percentage of total loans	1.01	1.12	

*Nine months ended September 30

Total Assets as of September 30
(in thousands)



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



**Monroe Bancorp and Subsidiary
Consolidated Balance Sheet
September 30 (Unaudited)**
(\$ in thousands, except per share data)

	2002	2001
Assets		
Cash and non-interest bearing deposits	\$ 16,705	\$ 25,621
Held-to-maturity securities	63,448	65,288
Available-for-sale securities	37,560	18,171
Trading securities	2,707	2,870
Loans, net of allowance for loan losses of \$3,931 and \$3,912	386,433	344,606
Bank premises and equipment	11,923	10,990
FHLB stock	1,882	1,350
Accrued interest receivable	1,912	3,497
Other assets	6,435	5,081
Total assets	\$ 529,005	\$ 477,474
Liabilities and Shareholders' Equity		
Deposits	\$ 404,291	\$ 363,273
Repurchase agreements	39,274	32,321
Other borrowings	36,288	35,477
Accrued interest payable	887	1,167
Other liabilities	4,759	5,260
Total liabilities	485,499	437,498
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	3,365	2,782
Retained earnings	39,972	36,742
Net unrealized gain on available-for-sale securities	625	423
Unearned ESOT shares	(593)	(108)
Total shareholders' equity	43,506	39,976
Total liabilities and shareholders' equity	\$ 529,005	\$ 477,474

**Monroe Bancorp and Subsidiary
Consolidated Statement of Income
Nine Months Ended September 30 (Unaudited)**
(\$ in thousands, except per share data)

	2002	2001
Interest income	\$ 22,495	\$ 23,991
Interest expense	8,505	11,506
Net interest income	13,990	12,485
Provision for loan losses	957	545
Net interest income after provision for loan losses	13,033	11,940
Other operating income	4,238	3,321
Other operating expenses	10,204	8,567
Income before income tax	7,067	6,694
Income tax provision	2,348	2,321
Net income	4,719	4,373
Retained earnings— beginning of year	37,449	34,392
Dividends (\$.36 and \$.33 per share in 2002 and 2001, respectively)	(2,196)	(2,023)
Retained earnings— end of period	\$ 39,972	\$ 36,742
Basic and diluted net income per share	\$ 0.77	\$ 0.71



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

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

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 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

3211 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.



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