

QUARTERLY FINANCIAL STATEMENT



Letter from the President

November 5, 2003

Dear Shareholders and Friends,

I am proud of our efforts to face the challenges of the nine months ended September 30, 2003. The difficult interest rate environment, with rates at historical lows, continued to pressure our net interest margin. Additionally, the special provision that was discussed in my last letter has had a significant impact on our earnings.

Net income for the nine months ended September 30, 2003, was \$3,449,000 or \$0.56 per common share, compared to \$4,719,000 or \$0.77 per common share for the nine months ended September 30, 2002. The special provision, which was announced in May, had an after-tax impact of \$1,389,000 on net income for the first nine months of 2003. Excluding the impact of the \$2,300,000 special provision, the Company's net income for the nine months ended September 30, 2003, was \$4,838,000 or \$0.79 per common share, a 2.5 percent increase in net income.

Growth in Non-Interest Income

I am extremely pleased with our ability to increase fee income during the first nine months of 2003:

- While the low interest rate environment added pressure to our net interest margin, it did provide favorable conditions for our lenders to produce strong mortgage results. Revenue derived from the sale of fixed rate mortgages was up 128.5 percent, or \$812,000, compared to the same period of 2002.
- Fees for trust services totaled \$793,000 for the nine months ended September 30, 2003, up from \$710,000 in 2002. This represents an increase of \$83,000 or 11.7 percent, and is the result of an increase in assets under management.
- Commissions earned on the sale of investment products for the nine months ended September 30, 2003, was \$647,000, up 6.8 percent from \$606,000 for the same period in 2002.

Enhanced Shareholder Value

Enhancing shareholder value is always a priority with your Company. Several of our recent value-enhancing initiatives are listed below:

- The Company announced a \$2,000,000 stock buy-back program late in the third quarter.



Mark
Bradford

- We added two more lenders to our offices west of Indianapolis during the third quarter. With the added expertise and experience of these lenders, we will be able to expand our reach into the business and commercial real estate sector of the vibrant markets surrounding the capitol city.

Community Commitment

You may have noticed that three of the photographs on the front cover of this report feature Monroe Bank employees busy at non-banking activities. For eight years, we have maintained a unique tradition with a special day of volunteering that we call our Day of Caring. Partnering with local United Way and other charitable organizations to coordinate an afternoon of volunteer projects, we close most of our branches for the afternoon and send our employees out in the community with a paid afternoon off and one goal in mind—to work together to make a difference.

On October 14, all but two Monroe County locations closed for the afternoon, and more than 120 employees painted, scrubbed, sorted, hammered, sawed and otherwise volunteered at fourteen charitable organizations. Two of Monroe Bank's three Hendricks County offices closed for a half-day on September 12, allowing employees time to volunteer at a local park and clean up damage from severe floods that had recently affected Central Indiana. Monroe Bank in Brownstown closed early on May 20 so employees could clean carpets, build shelves and paint walls for the Brownstown Senior Center. The six employees of Monroe Bank in Bedford sorted through food donations from a U.S. Post Office food drive and organized other donations at the Bedford Community Care Center during their May 14 Day of Caring.

The Day of Caring is just one example of the distinctive manner in which we carry out our commitment to our communities. We are extremely proud of our volunteer tradition and consider it an integral part of the character of Monroe Bank. How we live up to our community commitment year in and year out is what bonds us together as an organization, and what sets us apart from our competitors.

The Board of Directors, the officers and staff of Monroe Bank and I deeply value your continued support. Thank you.

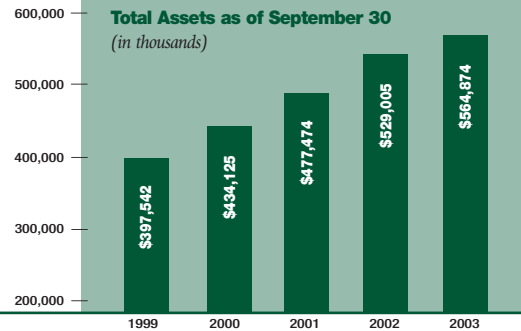
Respectfully,



Mark D. Bradford
President and Chief Executive Officer

Forward Looking Statements

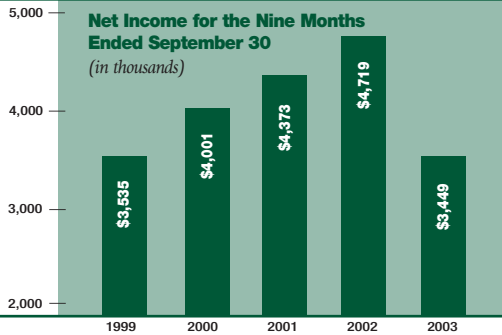
Special Note: Statements in this letter that relate to future results and events (including statements about future financial and operating performance) are based on the Company's current expectations. Actual results in future periods may differ materially from those currently expected or desired because 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.


Financial Highlights as of September 30
(\$ in thousands, except per share data)

	2003	2002	%Change
Operating Results*			
Interest income	\$ 21,047	\$ 22,495	(6.4)%
Interest expense	6,734	8,505	(20.8)
Net interest income	14,313	13,990	2.3
Provision for loan losses ..	3,515	957	267.3
Income taxes	1,312	2,348	(44.1)
Net income	3,449	4,719	(26.9)
Per Share Data			
Net income—basic and diluted*	0.56	0.77	(27.3)
Dividends*	0.36	0.36	0.0
Book value at quarter end	7.41	7.13	3.9
September 30, Balances			
Total assets	564,874	529,005	6.8
Total deposits	426,571	404,291	5.5
Net loans	403,905	386,433	4.5
Shareholders' equity	45,181	43,506	3.9
Selected Financial Ratios			
Return on average assets	0.82%	1.22%	
Return on average equity	10.23	14.98	
Allowance for loan losses as a percentage of portfolio loans	1.54	1.01	

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

	2003	2002
Assets		
Cash and cash equivalents:		
Cash and non-interest bearing deposits	\$ 16,967	\$ 16,705
Federal funds sold	11,250	—
Total cash and cash equivalents ..	28,217	16,705
Held-to-maturity securities	41,004	63,448
Available-for-sale securities	58,091	37,560
Trading securities	3,136	2,707
Loans, net of allowance for loan losses of \$6,246 and \$3,931	403,905	386,433
Bank premises and equipment	11,586	11,923
FHLB stock	2,302	1,882
Accrued interest receivable	2,495	1,912
Other assets	14,138	6,435
Total assets	<u>\$ 564,874</u>	<u>\$ 529,005</u>
Liabilities and Shareholders' Equity		
Deposits	\$ 426,571	\$ 404,291
Repurchase agreements	43,401	39,274
Other borrowings	44,824	36,288
Accrued interest payable	668	887
Other liabilities	4,229	4,759
Total liabilities	<u>519,693</u>	<u>485,499</u>
Shareholders' equity:		
Common stock, no par value 18,000,000 shares authorized, 6,139,540 shares issued and outstanding	137	137
Additional paid-in capital	3,230	3,365
Retained earnings	41,871	39,972
Net unrealized gain on available-for-sale securities	476	625
Unearned ESOT shares	(533)	(593)
Total shareholders' equity	<u>45,181</u>	<u>43,506</u>
Total liabilities and shareholders' equity	<u>\$ 564,874</u>	<u>\$ 529,005</u>


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

	2003	2002
Interest income	\$ 21,047	\$ 22,495
Interest expense	<u>6,734</u>	<u>8,505</u>
Net interest income	14,313	13,990
Provision for loan losses	<u>3,515</u>	<u>957</u>
Net interest income after provision for loan losses	10,798	13,033
Other operating income	6,114	4,238
Other operating expenses	<u>12,151</u>	<u>10,204</u>
Income before income tax	4,761	7,067
Income tax provision	<u>1,312</u>	<u>2,348</u>
Net income	3,449	4,719
Retained earnings— beginning of year	40,619	37,449
Dividends (\$.36 per share in 2003 and 2002)	<u>(2,197)</u>	<u>(2,196)</u>
Retained earnings— end of period	<u>\$ 41,871</u>	<u>\$ 39,972</u>
Basic and diluted net income per share	<u>\$ 0.56</u>	<u>\$ 0.77</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
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. The Web site address is www.sec.gov.



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

- 2119 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
(O'Malia'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
(Buehler's Buy-Low 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

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