

Letter from the President

April 30, 2006

Dear Shareholders and Friends:

During the first quarter of 2006, your Company built upon the strong earnings trend reported in 2005. Net income for the quarter ended March 31, 2006 was \$1,773,000, or \$0.27 per basic and diluted common share. The Company earned \$1,643,000, or \$0.25 per basic and diluted common share for the same period in 2005. The 7.9 percent increase in net income was primarily the result of a 9.3 percent increase in net interest income after the provision for loan losses. Strong loan growth allowed us to increase net interest income in spite of the adverse impact of rising short-term rates and the flat yield curve.

Net interest income after the provision for loan losses increased to \$5,131,000 for the three months ended March 31, 2006 compared to \$4,696,000 for the same period in 2005. The tax-equivalent net interest margin for the quarter ended March 31, 2006 was 3.47 percent, which is 10 basis points higher than the margin for the quarter ended December 31, 2005 but 4 basis points lower than the margin for first quarter of 2005.

We continue to work toward achieving a balanced mix of noninterest income sources. The following areas contributed to the growth in noninterest income:

- Trust fees grew to \$409,000 for the three months ended March 31, 2006 compared to \$376,000 for the same period of 2005. The 8.8 percent increase was driven by growth in trust assets under management. Trust assets under management reached \$243,976,000 at March 31, 2006, growing 7.7 percent over the \$226,637,000 at March 31, 2005.
- Income derived from service charges on deposit accounts for the first quarter of 2006 totaled \$866,000 compared to \$756,000 for the same period in 2005, an increase of 14.6 percent.

In 2006, we made important investments to lay the foundation for future growth for our Company. The opening of the new full-service Brownsburg Banking Center in January of 2006 and related promotional activities contributed to the year-over-year increase in noninterest expenses. The expansion of the Bank's Operation Center and additions to staff necessary to support the growth of the Bank's Central Indiana expansion also contributed to the increase in operating expense.

I am very pleased that our efforts to maintain credit quality have resulted in lower levels of non-performing assets. Non-performing assets and 90-day past due loans totaled \$1,620,000 (0.23 percent of total assets) at March 31, 2006 compared to \$3,907,000 (0.61 percent of total assets) at



Mark
Bradford

March 31, 2005. This is a 58.5 percent reduction. Net charge-offs for the first quarter of 2006 totaled \$210,000 or 0.16 percent of total loans on an annualized basis.

Loans, including loans held for sale, totaled \$540,386,000 on March 31, 2006, a 10.5 percent increase from total loans on March 31, 2005, which were \$489,079,000. Loans increased by \$14,920,000 during the first quarter of 2006, an annualized rate of 11.4 percent. Our Central Indiana branches, located in counties surrounding Indianapolis, Indiana, contributed 78 percent of the first quarter 2006 loan growth. We are committed to continuing our expansion in the high-growth counties in Central Indiana.

Other Bank News

- The new full-service Brownsburg Banking Center officially opened its doors on January 16, 2006, replacing a limited-service office opened in 2002. The new banking center is already showing positive results. Excluding a large volatile public funds account, total deposits at this office increased by \$4,743,000 during the first quarter. The move from a limited-service facility to a full-service banking center is achieving the goal of attracting new customer relationships. The Brownsburg Banking Center had total deposits of \$24,381,000 as of March 31, 2006.
- A succession of well-attended events during the first quarter elevated the Monroe Bank name in the communities we serve and provided business leads. Events included a Women's Seminar, Investment Seminars, an Art Reception, a Business After Hours function in Brownsburg hosted by the Brownsburg Chamber of Commerce, and participation in the Bloomington Chamber of Commerce 2006 Business Expo, where the Bank's booth won an award for "Best Use of Theme".
- Your Company remains committed to the communities it serves through our employees' volunteer efforts. Employees participated in United Way's Annual Day of Caring in Monroe County for the 11th consecutive year. On April 12, 2006, Bank employees were provided a paid half-day off to volunteer for approximately a dozen local agencies.
- Monroe Bank was voted "Best Bank" in Monroe County for the fourth consecutive time by *The Herald-Times* Readers' Choice Awards. We also received the top award for our Mortgage department for the third year in a row and made the top five in the Investment firm category.
- The Company held its Annual Meeting of Shareholders on Thursday, April 27, 2006 at the Bloomington/Monroe County Convention Center in downtown Bloomington, Indiana.

On behalf of our Directors and employees, I thank you for your continued support.

Respectfully,

Mark D. Bradford
President and Chief Executive Officer

Use of Non-GAAP Financial Information

To supplement the Company's consolidated condensed financial statements presented on a GAAP basis, the Company has used non-GAAP additional measures of operating results, noninterest income, and noninterest expense adjusted to exclude certain costs, expenses, gains and losses it believes appropriate to enhance an overall understanding of the Company's past financial performance and also its prospects for the future. These adjustments to the Company's GAAP results are made with the intent of providing both management and investors a more complete understanding of the underlying operational results and trends and the Company's marketplace performance. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the numbers prepared in accordance with generally accepted accounting principles in the United States.

Banking Locations

Monroe County
210 E. Kirkwood Avenue*
Bloomington, IN 47408
(812) 331-3501
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 Bank-Cadillac Blvd.*
Bloomington, IN 47401
(812) 331-3506
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) 333-7722
3211 E. Moores Pike
Bloomington, IN 47401
(812) 333-7720
Jackson County
1051 W. Spring Street*
Brownsburg, IN 47220
(812) 338-3171

Lawrence County
2119 W. 16th Street*
Bedford, IN 47421
(812) 275-7800
Hamilton County
11711 N. Meridian Street
Suite 170
Carmel, IN 46032
(317) 571-2062
Hendricks County
7517 Beechwood Centre Road
Suite 300
Avon, IN 46123
(317) 272-7820

1490 N. Green Street*
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)
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 Community
College ATM)
*Indicates 24-hour ATM access



MONROE BANCORP
210 East Kirkwood Avenue
Bloomington, IN 47408

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

Quarterly
Financial
Statement



Built by employees, Monroe Bank's giant piggy bank float thrilled spectators at various local parades in Hendricks County. Active community involvement will help Monroe Bank achieve its future earnings growth objectives.



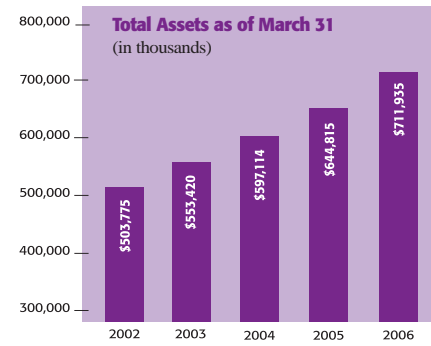
Financial Highlights as of March 31 (Unaudited)

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

	2006	2005	%Change
Operating Results*			
Interest income	\$ 10,175	\$ 7,788	30.6%
Interest expense	4,744	2,762	71.8
Net interest income	5,431	5,026	8.1
Provision for loan losses	300	330	(9.1)
Income taxes	785	818	(4.0)
Net income	1,773	1,643	7.9
Per Share Data			
Basic and fully diluted earnings per share (1)(2)	\$ 0.27	\$ 0.25	8.0
Dividends (1)(2)	0.1200	0.1182	1.5
Book value at quarter end	7.77	7.19	8.1
March 31, Balances			
Total assets	\$ 711,935	\$ 644,815	10.4
Total deposits	566,721	513,826	10.3
Total loans	540,386	489,079	10.5
Shareholders' equity	51,364	47,455	8.2
Selected Financial Ratios			
Return on average assets	1.01%	1.05%	
Return on average equity	14.05	13.94	
Allowance for loan losses as a percentage of portfolio loans	1.05	1.11	

(1) Three months ended March 31

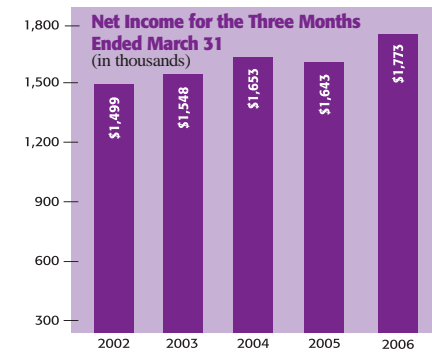
(2) 2005 dividend and earnings per share have been restated to give effect to the stock dividend authorized October 20, 2005



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

(\$ amounts in thousands, except share and per share data)

	2006	2005
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 17,409	\$ 19,185
Federal funds sold	575	-
Interest-earning deposits	818	614
Total cash and cash equivalents	18,802	19,799
Held-to-maturity securities	2,054	7,807
Available-for-sale securities	114,259	97,929
Trading securities	3,325	3,134
Loans, net of allowance for loan losses of \$5,675 and \$5,450	534,711	483,629
Bank premises and equipment	14,003	11,610
FHLB stock	2,545	2,464
Other assets	22,236	18,443
Total assets	\$ 711,935	\$ 644,815
Liabilities and Shareholders' Equity		
Deposits	\$ 566,721	\$ 513,826
Repurchase agreements	51,742	37,540
Other borrowings	34,223	34,603
Federal funds purchased	-	5,100
Other liabilities	7,885	6,291
Total liabilities	660,571	597,360
Shareholders' equity:		
Common stock, no par value 18,000,000 shares authorized, 6,639,842 shares issued and outstanding	137	137
Additional paid-in capital	11,303	1,595
Retained earnings	41,680	47,130
Accumulated other comprehensive loss	(1,421)	(993)
Unearned ESOT shares	(335)	(414)
Total shareholders' equity	51,364	47,455
Total liabilities and shareholders' equity	\$ 711,935	\$ 644,815



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

(\$ amounts in thousands, except share and per share data)

	2006	2005
Interest income	\$ 10,175	\$ 7,788
Interest expense	4,744	2,762
Net interest income	5,431	5,026
Provision for loan losses	300	330
Net interest income after provision for loan losses	5,131	4,696
Noninterest income	2,249	2,034
Noninterest expenses	4,822	4,269
Income before income tax	2,558	2,461
Income tax provision	785	818
Net income	1,773	1,643
Retained earnings - beginning of year	40,700	46,267
Dividends (\$0.1200 per share in 2006 and \$0.1182 per share in 2005)	(793)	(780)
Retained earnings - end of period	\$ 41,680	\$ 47,130
Basic and fully diluted earnings per share	\$ 0.27	\$ 0.25

Forward-Looking Statements

This release contains forward-looking statements about the Company which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. This release contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate" or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may" or words of similar meaning. These forward-looking statements, by their nature, are subject to risks and uncertainties. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) competitive pressures among depository institutions increase significantly; (2) changes in the interest rate environment reduce interest margins; (3) prepayment speeds, charge-offs and loan loss provisions; (4) general economic conditions, either national or in the markets in which the Company does business, are less favorable than expected; (5) legislative or regulatory changes adversely affect the business of the Company; and (6) changes in real estate values or the real estate markets. Further information on other factors which could affect the financial results of the Company is included in the Company's filings with the Securities and Exchange Commission.

Monroe Bancorp Board of Directors

Charles R. Royal, Jr., Chairman
Bradford J. Bomba Jr., M.D.
Mark D. Bradford, President and CEO
James D. Bremner
Steven R. Crider
Timothy D. Ellis
Joyce Clafflin Harrell
Harry F. McNaught, Jr.
Paul W. Mobley

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
dsayek@rtco.com

Investor Information

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

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.

