

July 30, 2007

Dear Shareholders and Friends:

As the result of a sound business plan, an ongoing focus on asset quality, and the hard work of the staff and management of your Company, we were able to post a solid increase in earnings for the six months ended June 30, 2007. Year to date net income increased 13.1 percent over the same period of 2006 while diluted earnings per share increased by 17.3 percent.



Mark Bradford

A significant contributor to 2007 results was the growth of assets managed by our Wealth Management division. Assets managed by our trust officers increased by \$84 million or 34.2 percent between June 30, 2006 and June 30, 2007 and now total \$329 million. The growth in assets under management contributed to an increase in trust related fees. Trust fees for the six months ended June 30, 2007 totaled \$1,022,000 compared to \$813,000 for the same period of 2006, an increase of 25.7 percent. While Wealth Management continues to be a focus for your management team, we do not anticipate that trust assets will sustain this rate of growth on an ongoing basis.

We also experienced a bittersweet moment with the announcement in June of the resignation of Timothy D. Ellis, a member of the Board of Directors since 1996. The Board and I are deeply appreciative of his service and the many

contributions he made to Monroe Bancorp. At the same time, it gives me great pleasure to welcome James G. Burkhardt, CPA, to the Board. Mr. Burkhardt is Chief Executive Officer for American Senior Communities, LLC, the largest senior housing company in Indiana that serves today's seniors by providing a multitude of lifestyle choices with integrated services and amenities. We look forward to his input and guidance as the Company moves closer to achieving its planned growth goals.

The Bank's expansion into Central Indiana is gaining momentum with the breaking of ground for two of three full-service banking centers the Bank plans to open over the next fifteen months. The Avon and Plainfield banking centers in Hendricks County are now under construction and are expected to open in the fourth quarter of 2007. Both will replace the limited service offices. The third banking center will open in Noblesville, also a high growth community located in Hamilton County, just north of Indianapolis. The Noblesville banking center is expected to open during the summer of 2008.

The Bank has reached an exciting phase in its development and we are pleased with our financial performance this year. I encourage you to review all of our 2007 financial results set out in this brochure.

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

Respectfully,

Mark D. Bradford

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 Buck-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) 353-7722
 3211 E. Moores Pike
 Bloomington, IN 47401
 (812) 333-7720
Jackson County
 1051 W. Spring Street*
 Brownstown, 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



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With the Bank's mascot, Sara Glass, Ellettsville Banking Center Manager, gives school children tips on how to save. Monroe Bank participates in national "Teach a Child to Save Day" each April. Glass's encouraging demeanor and willingness to assist customers and staff alike allowed her to win an Award for Excellent Service.

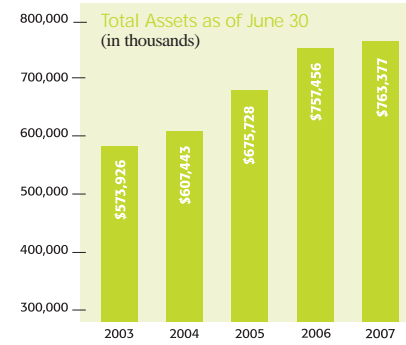


Financial Highlights as of June 30 (Unaudited)

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

	2007	2006	%Change
Operating Results (1)			
Interest income	\$ 24,101	\$ 21,131	14.1%
Interest expense	12,517	10,017	25.0
Net interest income	11,584	11,114	4.2
Provision for loan losses	540	600	(10.0)
Income taxes	1,615	1,646	(1.9)
Net income	4,202	3,714	13.1
Per Share Data			
Basic earnings per share (1)	\$ 0.660	\$ 0.562	17.4%
Fully diluted earnings per share (1)	0.657	0.560	17.3
Dividends (1)	0.24	0.24	-
Book value at quarter end	8.23	7.86	4.7
June 30, Balances			
Total assets	\$ 763,377	\$ 757,456	0.8%
Total deposits	614,592	593,856	3.5
Total loans (2)	563,989	559,281	0.8
Shareholders' equity	51,595	51,984	(0.7)
Selected Financial Ratios			
Return on average assets	1.14%	1.04%	
Return on average equity	16.09	14.55	
Allowance for loan losses as a percentage of portfolio loans	1.16	1.05	

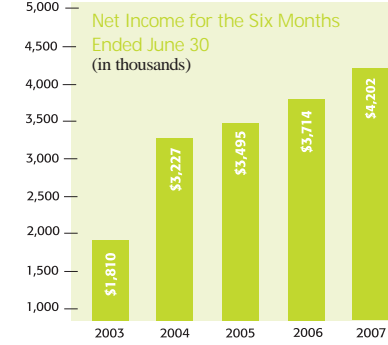
(1) Six months ended June 30
(2) Including loans held for sale



Monroe Bancorp and Subsidiary
Consolidated Balance Sheets June 30 (Unaudited)

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

	2007	2006
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 15,300	\$ 19,567
Federal funds sold	20,533	22,550
Interest-earning deposits	3,432	8,706
Total cash and cash equivalents	39,265	50,823
Held-to-maturity securities	1,007	2,055
Available-for-sale securities	116,931	108,977
Trading securities	3,592	3,320
Loans, including loans held for sale, net of allowance for loan losses of \$6,487 and \$5,817	557,502	553,464
Bank premises and equipment	17,674	14,004
FHLB stock	2,312	2,545
Other assets	25,094	22,268
Total assets	\$ 763,377	\$ 757,456
Liabilities and Shareholders' Equity		
Deposits	\$ 614,592	\$ 593,856
Repurchase agreements	58,699	69,574
Other borrowings	22,257	31,694
Trust preferred subordinated debentures	8,248	-
Other liabilities	7,986	10,348
Total liabilities	711,782	705,472
Shareholders' equity:		
Common stock, no par value 18,000,000 shares authorized, 6,283,592 and 6,639,842 shares issued and outstanding	137	137
Additional paid-in capital	5,260	11,329
Retained earnings	47,827	42,827
Accumulated other comprehensive loss	(1,395)	(1,974)
Unearned ESOT shares	(234)	(335)
Total shareholders' equity	51,595	51,984
Total liabilities and shareholders' equity	\$ 763,377	\$ 757,456



Monroe Bancorp and Subsidiary
Consolidated Statements of Income
Six Months Ended June 30 (Unaudited)

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

	2007	2006
Interest income	\$ 24,101	\$ 21,131
Interest expense	12,517	10,017
Net interest income	11,584	11,114
Provision for loan losses	540	600
Net interest income after provision for loan losses	11,044	10,514
Non-interest income	5,132	4,620
Non-interest expenses	10,359	9,774
Income before income tax	5,817	5,360
Income tax provision	1,615	1,646
Net income	4,202	3,714
Retained earnings - beginning of year	45,136	40,700
Dividends (\$0.24 per share in 2007 and \$0.24 per share in 2006)	(1,511)	(1,587)
Retained earnings - end of period	\$ 47,827	\$ 42,827
Basic earnings per share	\$ 0.660	\$ 0.562
Fully diluted earnings per share	\$ 0.657	\$ 0.560

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; (2) changes in the interest rate environment; (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; (5) legislative or regulatory changes adversely affecting the business of the Company; (6) changes in real estate values or the real estate markets; and (7) The Company's business development efforts in new markets in and around Hendricks and Hamilton Counties. 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
James G. Burkhart
Steven R. Crider
Joyce Clafin 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
frodriguez@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 Info

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.

