

October 30, 2007

Dear Shareholders and Friends:

Your Company continues to show favorable operating results in 2007. Year-to-date net income increased 7.5 percent over the same period in 2006 while fully diluted earnings per share increased by 12.2 percent. Our staff's dedication to service and focus on meeting the needs of our customers is at the core of our success.



Mark Bradford

Once again, a significant contributor to our results has been the growth of assets managed by our Wealth Management division. Trust assets under management reached \$348,653,000 at September 30, 2007, growing 33.7 percent over the \$260,848,000 at September 30, 2006. The addition in late 2006 of an experienced trust officer has contributed significantly to the growth pattern this year. The growth in trust assets under management and, in smaller measure, a fee increase, contributed to trust income totaling \$1,639,000 during the nine months ended September 30, 2007, a 31.3 percent increase over the \$1,248,000 in trust income for the same period of 2006. Management does not anticipate that trust assets will sustain this rate of growth on an ongoing basis.

I am equally excited by the Bank's expansion in Central Indiana and look forward to an increased level of visibility and success in this market over

the coming years. Both the Plainfield and Avon full-service banking centers in Hendricks County are close to completion and are slated to open for business in December 2007 and January 2008 respectively. A third banking center, to be located in Noblesville in Hamilton County, is expected to open during the summer of 2008.

The excitement that we feel over the growth of our wealth management area and new banking centers is somewhat dampened by economic conditions affecting loan growth and asset quality. While your Company has not been directly involved in the subprime loan problems that have been in the news the last couple of months, we have felt the impact of the related weakness in the housing and residential construction markets, as non-performing assets and charge-offs increased during the third quarter. The downturn in the housing and residential construction industry has made us mindful of the importance of keeping asset quality management issues at the forefront of our efforts as we grow the Company.

Notwithstanding the challenging economic circumstances faced during the third quarter, I remain pleased with our financial performance and I am excited by the opportunities that lie ahead. As the year draws to a close, I encourage you to take a moment to review our 2007 financial results as set out in this brochure.

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

Respectfully,

Mark D. Bradford, President and CEO

**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\*  
Brownsboro, 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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Permit #10



Christina A. LeBeau (standing), Vice President of Business Development, and Richard B. Morris (back), Vice President of Deposit Operations, demonstrate the finer points of a new product, Digital Deposit, with a customer.



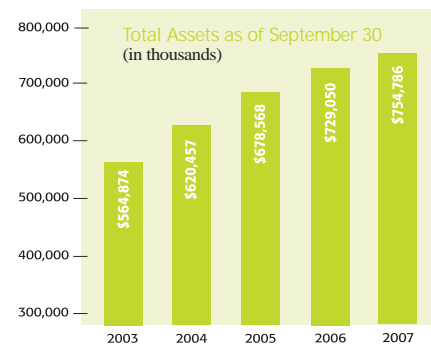
## Financial Highlights as of September 30 (Unaudited)

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

	2007	2006	%Change
<b>Operating Results (1)</b>			
Interest income	\$ 36,333	\$ 32,721	11.0%
Interest expense	19,045	15,813	20.4
Net interest income	17,288	16,908	2.2
Provision for			
loan losses	885	900	(1.7)
Income taxes	2,344	2,573	(8.9)
Net income	6,200	5,767	7.5
<b>Per Share Data</b>			
Basic earnings			
per share (1)	\$ 0.981	\$ 0.874	12.2%
Fully diluted earnings			
per share (1)	0.977	0.871	12.2
Dividends (1)	0.36	0.36	-
Book value at			
quarter end	8.52	8.08	5.4
<b>September 30, Balances</b>			
Total assets	\$ 754,786	\$ 729,050	3.5%
Total deposits	611,504	566,107	8.0
Total loans (2)	564,904	555,990	1.6
Shareholders' equity	52,922	52,685	0.4
<b>Selected Financial Ratios</b>			
Return on average			
assets	1.11%	1.06%	
Return on average			
equity	15.80	14.91	
Allowance for loan losses			
as a percentage			
of portfolio loans	1.09	1.10	

(1) Nine months ended September 30

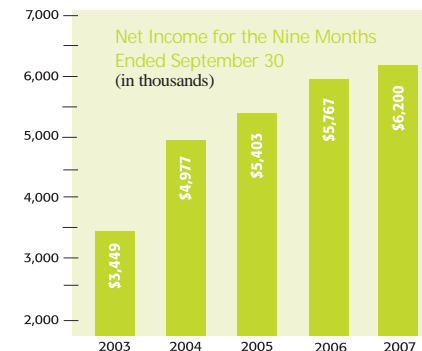
(2) Including loans held for sale



## Monroe Bancorp and Subsidiary Consolidated Balance Sheets September 30 (Unaudited)

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

	2007	2006
<b>Assets</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 12,847	\$ 15,023
Federal funds sold	10,149	282
Interest-earning deposits	2,224	1,879
Total cash and cash equivalents	25,220	17,184
Held-to-maturity securities	1,007	2,057
Available-for-sale securities	121,326	114,064
Trading securities	3,665	3,410
Loans, including loans held for sale,		
net of allowance for loan		
losses of \$6,147 and \$6,095	558,757	549,895
Bank premises and equipment	18,343	14,918
FHLB stock	2,312	2,391
Other assets	24,156	25,131
Total assets	\$ 754,786	\$ 729,050
<b>Liabilities and Shareholders' Equity</b>		
Deposits	\$ 611,504	\$ 566,107
Repurchase agreements	52,167	59,841
Other borrowings	20,213	26,408
Fed funds purchased	-	13,000
Trust preferred subordinated debentures	8,248	3,093
Other liabilities	9,732	7,916
Total liabilities	701,864	676,365
<b>Shareholders' equity:</b>		
Common stock, no par value		
18,000,000 shares authorized,		
6,227,550 and 6,545,342 shares		
issued and outstanding	137	137
Additional paid-in capital	4,320	9,757
Retained earnings	49,080	44,096
Accumulated other		
comprehensive loss	(381)	(970)
Unearned ESOT shares	(234)	(335)
Total shareholders' equity	52,922	52,685
Total liabilities and		
shareholders' equity	\$ 754,786	\$ 729,050



## Monroe Bancorp and Subsidiary Consolidated Statements of Income

Nine Months Ended September 30 (Unaudited)

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

	2007	2006
Interest income	\$ 36,333	\$ 32,721
Interest expense	19,045	15,813
Net interest income	17,288	16,908
Provision for loan losses	885	900
Net interest income after		
provision for loan losses	16,403	16,008
Non-interest income	7,783	7,117
Non-interest expenses	15,642	14,785
Income before income tax	8,544	8,340
Income tax provision	2,344	2,573
Net income	6,200	5,767
Retained earnings -		
beginning of year	45,136	40,700
Dividends (\$0.3600 per share in 2007		
and \$0.3600 per share in 2006)	(2,256)	(2,371)
Retained earnings -		
end of period	\$ 49,080	\$ 44,096
Basic earnings per share	\$ 0.981	\$ 0.874
Fully diluted earnings per share	\$ 0.977	\$ 0.871

### 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](http://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](http://www.sec.gov).