

Letter from the President

April 30, 2008

Dear Shareholders and Friends:

Your Company reported net income of \$1,593,000, or \$0.256 per basic and diluted common share, for the quarter ended March 31, 2008. Net income for the quarter was 20.8 percent less than the \$2,012,000 reported for the same period of 2007 and earnings per diluted share for the quarter was 17.7 percent less than the \$0.311 reported a year earlier. The results for the first quarter of 2008 were in line with the fourth quarter of 2007 net income of \$1,606,000 or \$0.258 per diluted share.

The decline in net income and earnings per share between the first quarters of 2007 and 2008 was primarily the result of an increase in the provision for loan losses expense. The increase in the provision for possible loan losses was a direct response to the negative impact that general economic conditions have had on residential real estate in Indiana which in turn has caused us to experience an increase in non-performing assets. While I am certainly not pleased with the level of our problem assets, I take some



satisfaction from the fact that the level of nonperforming assets did not increase materially during the first quarter.

In spite of tightening economic circumstances, I have several positive outcomes to report in the first quarter. Our total assets grew 3.3% over the first quarter of 2007. Our trust operations grew in both income (25.4% increase from the first quarter of 2007) and assets under management (7.6% increase from the first quarter of 2007). Our total deposits grew 7.1% over the last twelve months and our loan portfolio grew 3.4% during that same timeframe.

The Company successfully opened a new full-service banking center in Avon in Hendricks County on January 14, 2008. This followed shortly after the opening on December 11, 2007 of a new banking center in Plainfield, also in Hendricks County. Grand opening ceremonies were held during the first quarter for both banking centers. The opening of these two banking centers completes the Company's transition from less visible, limited service branches in Hendricks County to more visible, strategically located full-service banking centers.

The Company added an online account opening option in January 2008. Electronic banking solutions for both personal and business customers have positioned the Bank to be accessible to both its traditional local markets as well as Internet users located beyond the Bank's footprint.

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

Respectfully,
Mark D. Bradford
Mark D. Bradford

Banking Locations
Monroe County
210 E. Kirkwood Avenue*
Bloomington, IN 47408
(812) 331-3518
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) 353-7720
Jackson County
1051 W. Spring Street*
Bloomington, IN 47220
(812) 358-3171

Lawrence County
2119 W. 16th Street*
Bedford, IN 47421
(812) 275-7800
Hendricks County
9720 E. US Highway 36*
Avon, IN 46123
(317) 272-7820
7517 Beechwood Centre Road
Suite 300
Avon, IN 46123
(317) 272-7898

1490 N. Green Street*
Brownsburg, IN 46112
(317) 858-2720
802 Edwards Drive*
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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Financial Highlights as of March 31 (Unaudited)

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

	2008	2007	%Change
Operating Results (1)			
Interest income	\$ 11,483	\$ 11,852	(3.1)%
Interest expense	5,607	6,121	(8.4)
Net interest income	5,876	5,731	2.5
Provision for			
loan losses	880	285	208.8
Income taxes	376	788	(52.3)
Net income	1,593	2,012	(20.8)

Per Share Data

	2008	2007	%Change
Basic earnings			
per share (1)	\$ 0.256	\$ 0.312	(17.9)%
Fully diluted earnings			
per share (1)	0.256	0.311	(17.7)
Dividends (1)	0.13	0.12	8.3
Book value at			
quarter end	9.03	8.19	10.3

March 31, Balances

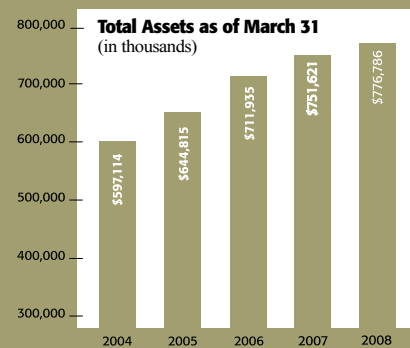
	2008	2007	%Change
Total assets	\$ 776,786	\$ 751,621	3.3%
Total deposits	637,230	595,061	7.1
Total loans (2)	581,956	562,724	3.4
Shareholders' equity	56,156	51,901	8.2

Selected Financial Ratios

	2008	2007
Return on average assets	0.82%	1.10%
Return on average equity	11.62	15.33
Allowance for loan losses as a percentage of portfolio loans	1.25	1.10

(1) Three months ended March 31

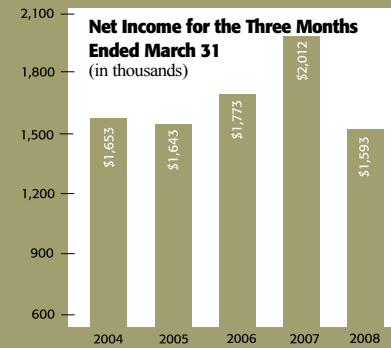
(2) Including loans held for sale



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

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

	2008	2007
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 14,472	\$ 23,079
Federal funds sold	2,565	4,210
Interest-earning deposits	16,087	3,927
Total cash and cash equivalents	33,124	31,216
Held-to-maturity securities	1,006	1,008
Available-for-sale securities	116,587	117,709
Trading securities	3,481	3,655
Loans, including loans held for sale, net of allowance for loan losses of \$7,273 and \$6,216	574,683	556,508
Bank premises and equipment	20,173	15,138
FHLB stock	2,312	2,312
Other assets	25,420	24,075
Total assets	\$ 776,786	\$ 751,621
Liabilities and Shareholders' Equity		
Deposits	\$ 637,230	\$ 595,061
Repurchase agreements	45,717	65,590
Other borrowings	11,107	21,305
Federal funds purchased	5,256	-
Trust preferred subordinated debentures	8,248	8,248
Other liabilities	13,072	9,516
Total liabilities	720,630	699,720
Shareholders' equity:		
Common stock, no par value 18,000,000 shares authorized, 6,227,550 and 6,353,342 shares issued and outstanding	137	137
Additional paid-in capital	4,376	6,433
Retained earnings	50,665	46,388
Accumulated other comprehensive loss	1,116	(823)
Unearned ESOT shares	(138)	(234)
Total shareholders' equity	56,156	51,901
Total liabilities and shareholders' equity	\$ 776,786	\$ 751,621



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

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

	2008	2007
Interest income	\$ 11,483	\$ 11,852
Interest expense	5,607	6,121
Net interest income	5,876	5,731
Provision for loan losses	880	285
Net interest income after provision for loan losses	4,996	5,446
Non-interest income	2,364	2,447
Non-interest expenses	5,391	5,093
Income before income tax	1,969	2,800
Income tax provision	376	788
Net income	1,593	2,012
Retained earnings - beginning of year	49,881	45,136
Dividends (\$0.13 per share in 2008 and \$0.12 per share in 2007)	(809)	(760)
Retained earnings - end of period	\$ 50,665	\$ 46,388
Basic earnings per share	\$ 0.256	\$ 0.312
Fully diluted earnings per share	0.256	0.311

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
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(812) 336-0201
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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.