

Letter from the President

July 30, 2008

Dear Shareholders and Friends:

Your Company earned nearly \$1.9 million or \$0.299 per share during the second quarter of 2008. While not as strong as our record earnings in 2007, in light of general economic conditions and challenges affecting the housing market, we remain, on the whole, pleased by our level of earnings.

Having said this, I want you to know that problem asset resolution is the number one priority of your Board and Management team. We are devoting significant time to resolving our problem assets and we will not be satisfied until they are reduced to a level more in line with our low historic levels.

It is important to note that Monroe Bank has demonstrated consistent financial performance for 116 years. Many of the banks that have faced financial difficulty recently have grown very rapidly, and have been in existence for a relatively short time. In addition, many of the banks feeling higher levels of housing related financial stress operate in markets that saw tremendous appreciation in



residential real estate values over the last decade, and are now faced with dramatic decreases in real estate values. We have benefited from the fact that the markets served by Monroe Bancorp did not experience these types of peaks and valleys.

While asset quality issues are receiving appropriate levels of attention, I am pleased to report that your Company continues to perform well in areas critical to our long-term success. Recent positive trends in the growth of our loan portfolio, trust operations and asset base have continued this quarter. Our loan portfolio grew 6.8% to \$602 million over the last twelve months and our total deposits grew 1.5% to \$624 million during that same timeframe. Our trust operations grew in both income (18.1% increase from the second quarter of 2007) and assets under management (3.0% increase from June 30, 2007). Our total assets grew to \$778 million, up \$15 million (1.9%) from June 30, 2007.

The Company continued to focus on the growth of its new full-service banking centers in Avon and Plainfield in Hendricks County during the second quarter. A series of promotions during this timeframe has continued to achieve our overall goal of market awareness and growth of core consumer relationships. A new banking center, to be located in Noblesville, in Hamilton County, is expected to open during September 2008.

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*
Brownsburg, 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
Hamilton County
15941 Cumberland Road*
Noblesville, IN 46060
(317) 565-5220
(Opens September 2008)

Additional ATM Locations
512 College Mall Road*
Bloomington, IN
1400 E. Third Street*
Bloomington, IN
1789 E. Tenth Street*
Bloomington, IN
4681 W. Richland Plaza
Bloomington, IN
601 W. Second Street*
Bloomington, IN
200 Daniels Way*
Bloomington, IN

*Indicates 24-hour ATM access



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Bloomington, IN
Permit #10

Financial Highlights as of June 30 (Unaudited)

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

	2008	2007	%Change
Operating Results (1)			
Interest income	\$ 21,848	\$ 24,101	(9.3)%
Interest expense	10,216	12,517	(18.4)
Net interest income	11,632	11,584	0.4
Provision for			
loan losses	1,930	540	257.4
Income taxes	875	1,615	(45.8)
Net income	3,453	4,202	(17.8)

Per Share Data

	2008	2007	%Change
Basic earnings			
per share (1)	\$ 0.555	\$ 0.660	(15.9)%
Fully diluted earnings			
per share (1)	0.554	0.657	(15.7)
Dividends (1)	0.26	0.24	8.3
Book value at			
quarter end	9.01	8.23	9.5

June 30, Balances

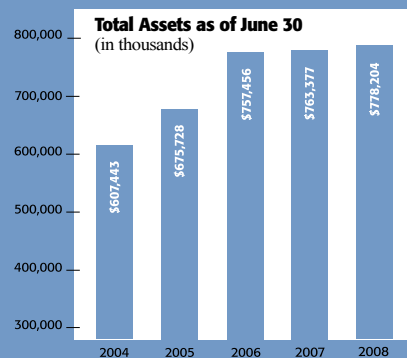
	2008	2007	%Change
Total assets	\$ 778,204	\$ 763,377	1.9%
Total deposits	623,871	614,592	1.5
Total loans (2)	602,369	563,989	6.8
Shareholders' equity	56,032	51,595	8.6

Selected Financial Ratios

	2008	2007
Return on average		
assets	0.89%	1.14%
Return on average		
equity	12.46	16.09
Allowance for loan losses		
as a percentage		
of portfolio loans	1.30	1.16

(1) Six months ended June 30

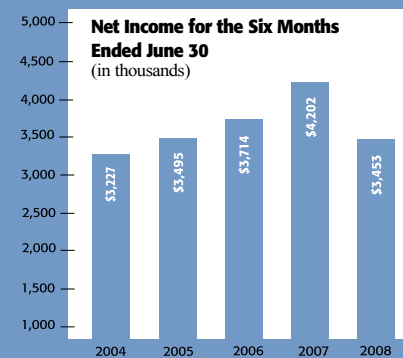
(2) Including loans held for sale



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

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

	2008	2007
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 13,005	\$ 15,300
Federal funds sold	2,493	20,533
Interest-earning deposits	13,297	3,432
Total cash and cash equivalents	28,795	39,265
Held-to-maturity securities	1,005	1,007
Available-for-sale securities	102,091	116,931
Trading securities	3,495	3,592
Loans, including loans held for sale, net of allowance for loan losses of \$7,748 and \$6,487	594,621	557,502
Bank premises and equipment	20,534	17,674
FHLB stock	2,312	2,312
Other assets	25,351	25,094
Total assets	<u>\$ 778,204</u>	<u>\$ 763,377</u>
Liabilities and Shareholders' Equity		
Deposits	\$ 623,871	\$ 614,592
Repurchase agreements	46,390	58,699
Other borrowings	21,275	22,257
Federal funds purchased	12,810	-
Trust preferred subordinated debentures	8,248	8,248
Other liabilities	9,578	7,986
Total liabilities	<u>722,172</u>	<u>711,782</u>
Shareholders' equity:		
Common stock, no par value 18,000,000 shares authorized, 6,227,550 and 6,283,592 shares issued and outstanding	137	137
Additional paid-in capital	4,398	5,260
Retained earnings	51,718	47,827
Accumulated other comprehensive loss	(83)	(1,395)
Unearned ESOT shares	(138)	(234)
Total shareholders' equity	<u>56,032</u>	<u>51,595</u>
Total liabilities and shareholders' equity	<u>\$ 778,204</u>	<u>\$ 763,377</u>



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

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

	2008	2007
Interest income	\$ 21,848	\$ 24,101
Interest expense	10,216	12,517
Net interest income	11,632	11,584
Provision for loan losses	1,930	540
Net interest income after provision for loan losses	9,702	11,044
Non-interest income	5,388	5,132
Non-interest expenses	10,762	10,359
Income before income tax	4,328	5,817
Income tax provision	875	1,615
Net income	<u>3,453</u>	<u>4,202</u>
Retained earnings - beginning of year	49,881	45,136
Dividends (\$0.26 per share in 2008 and \$0.24 per share in 2007)	(1,616)	(1,511)
Retained earnings - end of period	<u>\$ 51,718</u>	<u>\$ 47,827</u>
Basic earnings per share	\$ 0.555	\$ 0.660
Fully diluted earnings per share	0.554	0.657

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) changes in competitive pressures among depository institutions; (2) changes in the interest rate environment; (3) changes in prepayment speeds, charge-offs and loan loss provisions; (4) changes in 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 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.