

**Letter from the President**

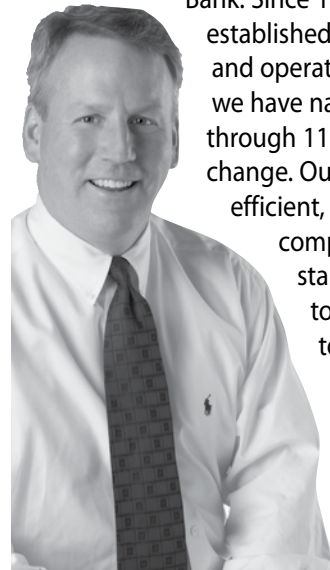
November 13, 2008

Dear Shareholders and Friends:

Net income for our Company for the nine month period ending September 30, 2008 was \$4,188,000 or \$0.673 per diluted common share, compared to \$6,200,000 or \$0.977 per diluted common share for the same period in 2007. The year over year decline in net income was almost entirely the result of asset quality related factors which affected the provision for loan losses. While I am not pleased with the impact that asset quality issues are having on the Company's earnings, I take some satisfaction from the fact that we have continued to post net income and maintain strong capital ratios during a time that has been very difficult for our industry.

With the ongoing uncertainty in the financial sector, I would like to take this opportunity to reassure you about the safety and soundness of Monroe

Bank. Since 1892, when we were established as a locally owned and operated community bank, we have navigated successfully through 116 years of economic change. Our goal is to be an efficient, strong and profitable company. Our longevity and stability stand testimony to our commitment to our shareholders, customers, employees, and the communities we serve.



Monroe Bank is financially sound, well capitalized, and dedicated to serving our individual and business customers. Monroe Bank has a long history of prudent financial decision-making. It has been our practice, for example, not to originate or hold the types of loans or participate in other activities that are at the heart of the current financial crisis.

Please know that the instability in the financial markets in no way impacts the safety of FDIC-insured deposits; all deposit accounts are FDIC-insured up to the maximum amount allowed by law. On October 3, 2008, the FDIC temporarily increased insurance coverage from \$100,000 to \$250,000 per depositor through December 31, 2009. Customers with more than \$250,000 at Monroe Bank will be fully insured as long as their accounts meet certain requirements. If you have any questions about the amount of deposit insurance on your accounts at Monroe Bank, you should contact the Deposit Customer Call Center at (812) 331-3436.

Additionally, we recently introduced the Certificate of Deposit Account Registry Service (CDARS) program at Monroe Bank. Customers who sign up for CDARS have access to FDIC insurance on Certificate of Deposit balances up to \$50 million per customer.

We are evaluating all aspects of the Emergency Economic Stabilization Act, signed into law on October 3, 2008, in the coming weeks in order to determine the potential benefits to the Company.

Monroe Bancorp remains committed to providing you with an attractive return on your investment in the Company. I thank you for your loyalty and your continued confidence in Monroe Bancorp.

Sincerely,

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) 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

**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



PRSR STD  
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Permit #10

## Financial Highlights as of September 30 (Unaudited)

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

|                              | 2008      | 2007      | %Change |
|------------------------------|-----------|-----------|---------|
| <b>Operating Results (1)</b> |           |           |         |
| Interest income              | \$ 32,320 | \$ 36,333 | (11.0)% |
| Interest expense             | 14,709    | 19,045    | (22.8)  |
| Net interest income          | 17,611    | 17,288    | 1.9     |
| Provision for                |           |           |         |
| loan losses                  | 4,730     | 885       | 434.5   |
| Income taxes                 | 800       | 2,344     | (65.9)  |
| Net income                   | 4,188     | 6,200     | (32.5)  |

### Per Share Data

|                                      | 2008     | 2007     | %Change |
|--------------------------------------|----------|----------|---------|
| Basic earnings per share (1)         | \$ 0.674 | \$ 0.981 | (31.3)% |
| Fully diluted earnings per share (1) | 0.673    | 0.977    | (31.1)  |
| Dividends (1)                        | 0.39     | 0.36     | 8.3     |
| Book value at quarter end            | 8.95     | 8.52     | 5.0     |

### September 30, Balances

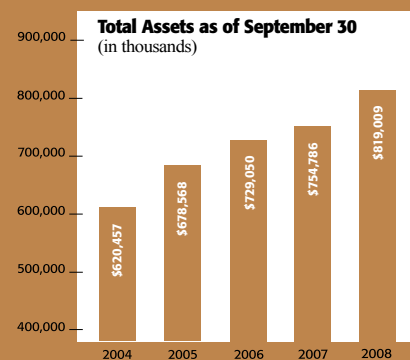
|                      | 2008       | 2007       | %Change |
|----------------------|------------|------------|---------|
| Total assets         | \$ 819,009 | \$ 754,786 | 8.5%    |
| Total deposits       | 679,421    | 611,504    | 11.1    |
| Total loans (2)      | 616,226    | 564,904    | 9.1     |
| Shareholders' equity | 55,692     | 52,922     | 5.2     |

### Selected Financial Ratios

|  | 2008  | 2007  |
|--|-------|-------|
| Return on average assets                                     | 0.71% | 1.11% |
| Return on average equity                                     | 10.01 | 15.80 |
| Allowance for loan losses as a percentage of portfolio loans | 1.53  | 1.09  |

(1) Nine months ended September 30

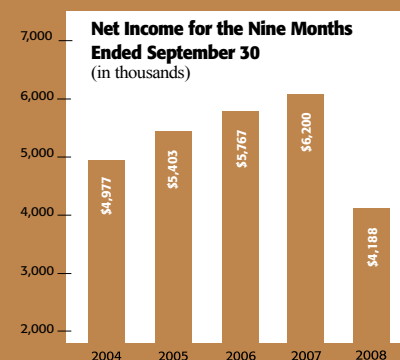
(2) Including loans held for sale



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

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

|  | 2008       | 2007       |
|--|------------|------------|
| <b>Assets</b>  |            |            |
| Cash and cash equivalents:   |            |            |
| Cash and due from banks  | \$ 14,712  | \$ 12,847  |
| Federal funds sold   | 26,593     | 10,149     |
| Interest-earning deposits  | 18,963     | 2,224      |
| Total cash and cash equivalents  | 60,268     | 25,220     |
| Held-to-maturity securities  | 1,005      | 1,007      |
| Available-for-sale securities  | 95,500     | 121,326    |
| Trading securities   | 3,290      | 3,665      |
| Loans, including loans held for sale, net of allowance for loan losses of \$9,397 and \$6,147    | 606,829    | 558,757    |
| Bank premises and equipment  | 20,836     | 18,343     |
| FHLB stock   | 2,312      | 2,312      |
| Other assets   | 28,969     | 24,156     |
| Total assets   | \$ 819,009 | \$ 754,786 |
| <b>Liabilities and Shareholders' Equity</b>  |            |            |
| Deposits   | \$ 679,421 | \$ 611,504 |
| Repurchase agreements  | 46,568     | 52,167     |
| Other borrowings   | 21,138     | 20,213     |
| Federal funds purchased  | -          | -          |
| Trust preferred subordinated debentures  | 8,248      | 8,248      |
| Other liabilities  | 7,942      | 9,732      |
| Total liabilities  | 763,317    | 701,864    |
| Shareholders' equity:  |            |            |
| Common stock, no par value 18,000,000 shares authorized, 6,227,550 shares issued and outstanding | 137        | 137        |
| Additional paid-in capital   | 4,415      | 4,320      |
| Retained earnings  | 51,645     | 49,080     |
| Accumulated other comprehensive loss   | (367)      | (381)      |
| Unearned ESOT shares   | (138)      | (234)      |
| Total shareholders' equity   | 55,692     | 52,922     |
| Total liabilities and shareholders' equity   | \$ 819,009 | \$ 754,786 |



## Monroe Bancorp and Subsidiary Consolidated Statements of Income Nine Months Ended September 30 (Unaudited)

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

|   | 2008      | 2007      |
|---|-----------|-----------|
| Interest income   | \$ 32,320 | \$ 36,333 |
| Interest expense  | 14,709    | 19,045    |
| Net interest income   | 17,611    | 17,288    |
| Provision for loan losses   | 4,730     | 885       |
| Net interest income after provision for loan losses               | 12,881    | 16,403    |
| Non-interest income   | 7,937     | 7,783     |
| Non-interest expenses   | 15,830    | 15,642    |
| Income before income tax  | 4,988     | 8,544     |
| Income tax provision  | 800       | 2,344     |
| Net income  | 4,188     | 6,200     |
| Retained earnings - beginning of year                             | 49,881    | 45,136    |
| Dividends (\$0.39 per share in 2008 and \$0.36 per share in 2007) | (2,424)   | (2,256)   |
| Retained earnings - end of period                                 | \$ 51,645 | \$ 49,080 |
| Basic earnings per share  | \$ 0.674  | \$ 0.981  |
| Fully diluted earnings per share                                  | 0.673     | 0.977     |

### 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](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).