

Letter from the President

August 20, 2009

Dear Shareholders and Friends:

I am pleased to announce we had net earnings of \$776,000 for the second quarter despite very challenging economic times, ongoing challenges with real estate related loans and the \$379,000 pretax impact of a special FDIC assessment. Our efforts to contain and manage our problem assets, control costs and actively build business have helped us achieve this positive result.

While pleased, I am not satisfied with our second quarter earnings. Your Board and Management team continue to focus on reducing the elevated levels of problem assets, increasing net income by reducing operating costs, pursuing better margins from our loan and deposit gathering activities and looking for opportunities to



Mark D. Bradford

increase fee income. One such opportunity has been created through our residential mortgage origination function, which has performed well this year largely due to a favorable interest rate environment and the reputation that we enjoy for mortgage services in Monroe County.

We also took steps during the second quarter to improve the strength of your Company by raising capital. On July 17, 2009 we were pleased to sell a total of \$13 million of a new issue of subordinated debentures in a public offering. The debentures will carry an interest rate of 10.0% and will mature on June 30, 2019. The Company intends to use the net proceeds of the offering to provide additional capital to Monroe Bank and for general corporate purposes.

On behalf of the Board of Directors, officers and staff, I would like to thank you for your ongoing support as we continue to respond to and overcome the challenges presented by the persistent economic recession.

Sincerely,

Mark D. Bradford
President and CEO

Forward-Looking Statements

This release contains forward-looking statements about the Company's plans and objectives which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These forward-looking statements speak only as of the date of this press release and Monroe Bancorp undertakes no obligation to update any such forward-looking statement to reflect events or circumstances that occur after the date hereof. 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.

Banking Locations

Monroe County

- 210 E. Kirkwood Avenue*
Bloomington, IN 47408
(812) 336-0201
- 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

Additional ATM Locations

- 306 E. Kirkwood Avenue
Bloomington, IN 47408
(812) 331-3510
- 111 S. Lincoln Street
Bloomington, IN 47408
(812) 331-3555
- 2801 Buick-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*
Browns town, IN 47220
(812) 358-3171

Lawrence County

- 2119 W. 16th Street*
Bedford, IN 47421
(812) 275-7800

Henricks County

- 9720 E. US Highway 36*
Avon, IN 46123
(317) 272-7820
(In front of Hobby Lobby)
- 7517 Beechwood Centre Road
Suite 300
Avon, IN 46123
(317) 272-7898

Additional ATM Locations

- 1490 N. Green Street*
Brownsburg, IN 46112
(317) 858-2720
- 802 Edwards Drive*
Plainfield, IN 46168
(317) 837-5201
(Corner of Stafford Rd. and SR267)
- Hamilton County**
15941 Cumberland Road*
Noblesville, IN 46060
(317) 565-5220
(Corner of SR37 / Greenfield Ave.)
- 200 Daniels Way*
Bloomington, IN
*Indicates 24-hour ATM access



PRSRSTD
U.S. Postage
PAID
Bloomington, IN
Permit #10



Financial Highlights as of June 30

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

	2009	2008	% Change
Operating Results (1)			
Interest income.....	\$ 18,554	\$ 21,848	(15.1)%
Interest expense.....	6,567	10,216	(35.7)
Net interest income...	11,987	11,632	3.1
Provision for			
loan losses.....	4,800	1,930	148.7
Income taxes.....	407	875	(53.5)
Net income.....	1,882	3,453	(45.5)

Per Share Data

	2009	2008	% Change
Basic earnings			
per share (1).....	\$ 0.303	\$ 0.555	(45.4)%
Fully diluted earnings			
per share (1).....	0.303	0.554	(45.3)
Dividends (1).....	0.14	0.26	(46.2)
Book value at			
quarter end.....	9.07	9.01	0.7

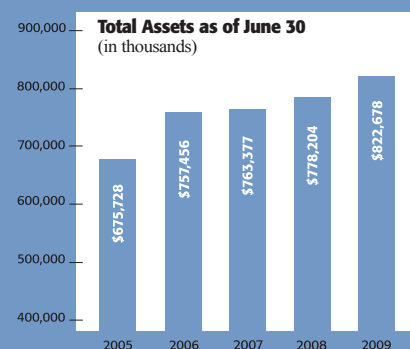
June 30, Balances

	2009	2008	% Change
Total assets.....	\$822,678	\$ 778,204	5.7%
Total deposits.....	672,992	623,871	7.9
Total loans (2).....	624,018	602,369	3.6
Shareholders' equity.....	56,455	56,032	0.8

Selected Financial Ratios

	2009	2008
Return on average		
assets.....	0.46%	0.89%
Return on average		
equity.....	6.75	12.46
Allowance for loan losses		
as a percentage		
of total loans (2).....	2.08	1.29

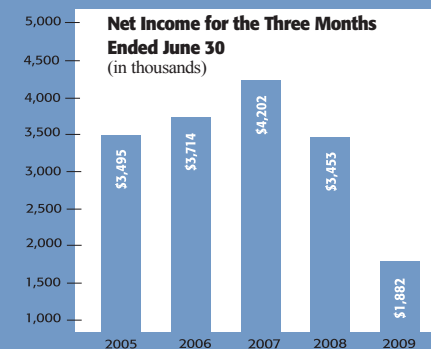
(1) Six months ended June 30
(2) Including loans held for sale



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

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

	2009	2008
Assets		
Cash and cash equivalents:		
Cash and due from banks.....	\$ 18,281	\$ 13,005
Federal funds sold.....	30,238	2,493
Interest-earning deposits.....	6,749	13,297
Total cash and cash equivalents....	55,268	28,795
Held-to-maturity securities.....	5,053	1,005
Available-for-sale securities.....	94,120	102,091
Trading securities.....	3,118	3,495
Loans, including loans held for sale,		
net of allowance for loan		
losses of \$12,960 and \$7,748.....	611,058	594,621
Bank premises and equipment.....	20,312	20,534
FHLB stock.....	2,353	2,312
Other assets.....	31,396	25,351
Total assets.....	<u>\$ 822,678</u>	<u>\$ 778,204</u>
Liabilities and Shareholders' Equity		
Deposits.....	\$ 672,992	\$ 623,871
Repurchase agreements.....	58,737	46,390
Other borrowings.....	19,418	21,275
Federal funds purchased.....	-	12,810
Trust preferred subordinated debentures	8,248	8,248
Other liabilities.....	6,828	9,578
Total liabilities.....	<u>766,223</u>	<u>722,172</u>
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.....	4,427	4,398
Retained earnings.....	51,639	51,718
Accumulated other		
comprehensive income (loss).....	332	(83)
Unearned ESOT shares.....	(80)	(138)
Total shareholders' equity.....	<u>56,455</u>	<u>56,032</u>
Total liabilities and		
shareholders' equity.....	<u>\$ 822,678</u>	<u>\$ 778,204</u>



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

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

	2009	2008
Interest income.....	\$ 18,554	\$ 21,848
Interest expense.....	6,567	10,216
Net interest income.....	11,987	11,632
Provision for loan losses.....	4,800	1,930
Net interest income after		
provision for loan losses.....	7,187	9,702
Non-interest income.....	6,448	5,388
Non-interest expenses.....	11,346	10,762
Income before income tax.....	2,289	4,328
Income tax provision.....	407	875
Net income.....	<u>1,882</u>	<u>3,453</u>
Retained earnings -		
beginning of year.....	50,628	49,881
Dividends (\$0.14 per share in 2009		
and \$0.26 per share in 2008).....	(871)	(1,616)
Retained earnings -		
end of period.....	<u>\$ 51,639</u>	<u>\$ 51,718</u>
Basic earnings per share.....	\$ 0.303	\$ 0.555
Fully diluted earnings per share.....	0.303	0.554

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) continued deterioration 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; (7) the Company's business development efforts in new markets in and around Hendricks and Hamilton Counties; (8) actions of the Federal Reserve Board; (9) changes in accounting principles and interpretations; and (10) actions of the Department of the Treasury and the Federal Deposit Insurance Corporation under the Emergency Economic Stabilization Act of 2008 and the Federal Deposit Insurance Act and other legislative and regulatory actions and reforms. These forward-looking statements speak only as of the date of this release and Monroe Bancorp undertakes no obligation to update any such forward-looking statement to reflect events or circumstances that occur after the date hereof. 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.