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*For Immediate Release*

**Monroe Bancorp Reports Earnings of \$776,000 or \$0.125 Per Share For the Second Quarter of 2009**

**BLOOMINGTON, IN – July 28, 2009** – Monroe Bancorp (the “Company”) (NASDAQ: MROE), the independent Bloomington-based holding company for Monroe Bank (the “Bank”), today reported net income of \$776,000 or \$0.125 per diluted common share for the quarter ended June 30, 2009 compared to \$1,860,000 or \$0.299 per diluted common share for the same period in 2008. This represents a 58.3 percent decrease in net income and a 58.2 percent decrease in diluted earnings per share. Return on average assets and return on average equity for the second quarter of 2009 were 0.38 percent and 5.53 percent, respectively, compared to 0.96 percent and 13.26 percent, respectively, for the second quarter of 2008. As discussed below, the decrease in year over year net income is largely related to the increased provision for loan losses and increased FDIC expenses, including a special FDIC assessment that was applied during the second quarter of 2009.

Net income for the second quarter of 2009 decreased by \$331,000 or 29.9 percent compared to net income for the first quarter of 2009.

Net income for the first six months of 2009 totaled \$1,882,000 or \$0.303 per diluted common share compared to \$3,453,000 or \$0.554 per diluted common share for the same period of 2008. This represents a 45.5 percent decrease in net income and a 45.3 percent decrease in diluted earnings per share. Return on average assets and return on average equity were 0.46 percent and 6.75 percent, respectively, for the first six months of 2009 compared to 0.89 percent and 12.46 percent, respectively, for the first six months of 2008.

The decline in net income between the second quarter of 2009 and the second quarter of 2008 was largely the result of asset quality issues and increased FDIC expense. The provision for loan losses totaled \$2,200,000 for the second quarter of 2009 compared to \$1,050,000 for the same period of 2008. An increase in non-accrual loans impacted net interest income. Nonperforming loans totaled \$18,576,000 on June 30, 2009, compared to \$13,696,000 on March 31, 2009 and \$15,906,000 on June 30, 2008. Additional asset quality information is presented in the section titled Asset Quality.

The provision for loan losses in the second quarter of 2009 was \$400,000 less than the \$2,600,000 made during the first quarter of 2009.

FDIC expense, partially due to a special assessment expensed during the second quarter, totaled \$650,000 for the second quarter of 2009, compared to \$283,000 for the first quarter of 2009 and \$156,000 for the second quarter of 2008.

The combination of the increased provision and increased FDIC expense reduced pre-tax income by \$1,644,000 during the second quarter of 2009 compared to the second quarter of 2008. The combined impact of these two expenses was \$33,000 less in the second quarter of 2009 than the first quarter of 2009 and therefore did not contribute to the decline in net income between those periods. The primary cause of the decline in net income between the first and second quarter of 2009 was a \$664,000 decrease in gains from the sale of securities.

Pretax income was also unfavorably impacted by a reduced level of gains on the sale of securities in the Bank's investment portfolio. Total gains on the sale of securities during the second quarter were \$364,000 compared to \$439,000 for the same quarter of 2008 and \$1,028,000 for the first quarter of 2009.

During the second quarter, we took steps to strengthen our capital and the capital of the Bank. On July 17, 2009, Monroe Bancorp raised \$13 million of Tier 2 capital through the issuance of subordinated debentures. The subordinated debentures were issued as the result of a public offering underwritten by Howe Barnes Hoefler & Arnett, Inc. The debentures carry an interest rate of 10.0% and will mature on June 30, 2019. The Company has the right to call the debt at any time after three years. The offering closed on July 17, 2009. The subordinated debentures were issued pursuant to the prospectus filed as part of the Company's registration statement under the Securities Act of 1933. The net proceeds from the offering will provide additional capital to Monroe Bank in order to solidify our balance sheet against future credit losses and, eventually, to support our continued growth. Proceeds from the offering will also be used for general corporate purposes at the holding company level.

"While continuing to feel the pressure of the economic downturn, ongoing issues with real estate related loans and the special FDIC assessment, I am pleased we were able to produce over \$700,000 of net income during the quarter," said Mark D. Bradford, President and Chief Executive Officer. "Our efforts to contain and manage our problem assets, control costs and actively build business have helped us achieve this positive result. We are also pleased that we improved the capital of the Company and the Bank."

### **Financial Performance**

Net interest income before the provision for loan losses increased 5.0 percent to \$6,045,000 for the three months ended June 30, 2009 compared to \$5,756,000 for the same period in 2008. The increase is largely attributable to lower funding costs and a \$37,521,000 increase in average loans. The tax-equivalent net interest margin as a percentage of average earning assets for the quarter ended June 30, 2009 was 3.21 percent, compared to 3.20 percent for the quarter ended March 31, 2009 and 3.31 percent for the second quarter of 2008.

Net interest income before the provision for loan losses, increased \$355,000 or 3.1 percent to \$11,987,000 for the six months ended June 30, 2009 compared to \$11,632,000 for the same period in 2008. The tax-equivalent net interest margin for the first six months of 2009 was 3.20 percent, compared to 3.33 percent for the first six months of 2008. A reconciliation of the non-GAAP tax-equivalent net interest margin to the GAAP net interest margin is provided in a table entitled "Reconciliation of GAAP Net Interest Margin to Non-GAAP Net

Interest Margin on a Tax-Equivalent Basis,” included at the end of the attached financial summary.

Noninterest income totaled \$3,186,000 for the second quarter of 2009 compared to \$3,024,000 for the same period of 2008. Excluding the effect of the Company’s deferred compensation plan, discussed in the “Use of Non-GAAP Financial Information” section of this release, noninterest income totaled \$2,964,000 for the second quarter of 2009 compared to \$3,066,000 for the same period of 2008, a decrease of \$102,000 or 3.3 percent. The decrease in noninterest income was driven by declines in deposit related service charges (declined \$98,000), trust fees (declined \$105,000) and other operating income (declined \$151,000) offsetting a \$279,000 increase in fees earned on the sale of residential mortgages.

Noninterest income totaled \$6,448,000 for the first six months of 2009 compared to \$5,388,000 for the same period of 2008. Excluding the effect of the Company’s deferred compensation plan, noninterest income totaled \$6,358,000 for the first six months of 2009 compared to \$5,622,000 for the same period of 2008. The \$736,000 or 13.1 percent increase over the same period of 2008 was primarily the result of an \$813,000 increase in gains from the sale of securities.

Noninterest expense was \$6,123,000 for the three months ended June 30, 2009, compared to \$5,371,000 for the same period of 2008. Noninterest expense, adjusted to remove the effect of the Company’s deferred compensation plan, was \$5,883,000 for the three months ended June 30, 2009, compared to \$5,390,000 for the same period of 2008. A reconciliation of the non-GAAP noninterest income and expense, adjusted to remove the effect of the Company’s deferred compensation plan, is provided in a table entitled “Reconciliation of GAAP Noninterest Income & Expense to Noninterest Income & Expense Without the Financial Impact of the Deferred Compensation Plan”, included at the end of the attached financial summary. The \$493,000 or 9.1 percent increase in noninterest expense is largely the result of the \$494,000 increase in FDIC expense. The increase in FDIC expense resulted primarily from a special FDIC assessment that took place during the second quarter.

Noninterest expense totaled \$11,346,000 for the first six months of 2009 compared to \$10,762,000 for the same period of 2008. Noninterest expense, excluding the effect of the Company’s deferred compensation plan, was \$11,220,000 for the first six months of 2009, compared to \$10,941,000 for the same period of 2008. The \$279,000, or 2.6 percent increase is driven by a \$731,000 increase in FDIC expense which more than offset a \$266,000 or 6.0 percent decrease in salaries and wages.

### **Asset Quality**

Nonperforming assets and 90-day past due loans totaled \$22,959,000 (2.79 percent of total assets) at June 30, 2009 compared to \$17,289,000 (2.10 percent of total assets) at March 31, 2009 and \$16,472,000 (2.12 percent of total assets) at June 30, 2008.

Net charge-offs for the second quarter of 2009 totaled \$1,576,000 or 1.01 percent of total loans compared to \$1,436,000 (0.91 percent of total loans) for the first quarter of 2009 and \$575,000 (0.38 percent of total loans) for the second quarter of 2008.

The Bank employs an internal system called the “Watch List” to bring attention to credits with varying degrees of concern over the prospects of complete repayment, including both principal and all interest. These concerns may be objectively based on the borrower’s financial and payment performance or on subjective concerns that Bank management has with the markets and conditions that the borrower operates within. Loans on this list include:

- Loans with well defined weaknesses where the prospect of complete repayment of principal and interest is remote and loans placed on non-accrual where specific reserves and charge-offs are applied as needed, and
- Loans with potential weaknesses (whether borrower specific or due to market/economic considerations) that need to be resolved in order to avoid jeopardizing the complete repayment of principal and interest and the loan is subjected to additional scrutiny and assessment and internal documentation.

Loans on the Watch List tend to be more dependent on collateral if the borrower’s repayment capacity is diminished and the Bank devotes additional attention to revaluing the collateral as appropriate in assessing the probability of loss.

	6/30/2009	03/31/2009	12/31/2008	6/30/2008
Total Loans \$	624,018,000	630,842,000	633,091,000	602,369,000
Total Watch List Loans	76,720,000	79,073,000	59,172,000	27,911,000
Number of Watch List Customers	69	67	52	42
Total Watch List \$ > 30 Days Past Due	17,368,000	22,370,000	14,751,000	16,129,000
Total Watch List \$ Customers Secured by Real Estate	70,697,000	72,005,000	55,507,000	24,929,000
Total Watch List \$ Secured by Non R/E	5,855,000	6,878,000	3,268,000	2,782,000
Total Watch List \$ Unsecured	168,000	190,000	397,000	200,000
Total Non Performing Loans \$	18,576,000	13,696,000	14,329,000	15,906,000

As of June 30, 2009, 77.4 percent of the Watch List exposure was less than thirty days past due, compared to 71.7 percent as of March 31, 2009 and 42.2 percent as of June 30, 2008. Of the \$76,720,000 of loans on the watch list on June 30, 2009, \$57,337,000 (74.7 percent) were originated out of our Central Indiana (greater Indianapolis) offices.

The chart that follows provides details of watch list loans by collateral type.

	<b>Total Bank Owned Balance</b>	<b>Watch List</b>	<b>% on Watch List</b>	<b>Non Accrual</b>	<b>Total \$ &gt; 30 Days Late</b>
Total Loans at 6/30/09	624,018,000	76,720,000	12.3%	17,076,000	18,656,000
Loans in Process	4,053,000	NA	NA	NA	NA
Loans Analyzed Below:	619,965,000	76,720,000	12.4%	17,076,000	18,656,000
<b>Secured by Real Estate</b>					
1-4 Family Owner Occupied and Rentals	137,695,000	6,651,000	4.8%	1,213,000	1,564,000
Pre Sold 1-4 Residential Construction	2,353,000	1,568,000	66.6%	-	180,000
Spec 1-4 Residential Construction	16,863,000	9,983,000	59.2%	3,373,000	3,374,000
Multi Family - Construction	4,032,000	-	0.0%	-	-
Multi Family - Other than Construction	84,843,000	1,992,000	2.3%	-	-
Other CRE Owner Occupied Construction	2,851,000	-	0.0%	-	-
Other CRE Non-Owner Occupied Construction	11,604,000	-	0.0%	-	-
Other CRE Loans - Other Than Construction	227,743,000	23,890,000	10.5%	9,160,000	9,676,000
Land Development Commercial	928,000	328,000	35.4%	328,000	328,000
Land Development Residential	33,167,000	26,285,000	79.2%	2,239,000	2,239,000
Sub Total - Secured by Real Estate:	522,079,000	70,697,000	13.5%	16,313,000	17,361,000
<b>Other Secured Loans</b>					
Business Assets	62,043,000	5,502,000	8.9%	398,000	560,000
Consumer Products	10,699,000	4,000	0.0%	-	158,000
Financial Assets	10,262,000	349,000	3.4%	350,000	540,000
Sub Total: Other Secured Loans:	83,004,000	5,855,000	7.1%	748,000	1,258,000
<b>Unsecured Loans</b>					
Unsecured Loans	14,882,000	168,000	1.1%	15,000	37,000

“While I am pleased by the drop in total watch list loans, I remain disappointed with the Company’s overall level of problem assets and the impact that they are having on our income. Problem asset resolution is our number one priority, and we are devoting a significant amount of time and effort to identifying and resolving asset quality issues,” said Mr. Bradford.

### **Financial Condition**

Total assets grew 5.7 percent from June 30, 2008, reaching \$822,678,000 on June 30, 2009. Loans, including loans held for sale, totaled \$624,018,000 on June 30, 2009, a 3.6 percent increase from total loans on June 30, 2008, which were \$602,369,000. Deposits increased 7.9 percent to \$672,992,000 at June 30, 2009 compared to \$623,871,000 a year earlier.

### **About Monroe Bancorp**

Monroe Bancorp, headquartered in Bloomington, Indiana, is an Indiana bank holding company with Monroe Bank as its wholly owned subsidiary. Monroe Bank was established in Bloomington in 1892, and offers a full range of financial, trust and investment services through its locations in Central and South Central Indiana. The Company's common stock is traded on the NASDAQ® Global Stock Market under the symbol MROE.

See attachments for additional financial information. For further information, contact: Mark D. Bradford, President and Chief Executive Officer, (812) 331-3455.

### **Use of Non-GAAP Financial Information**

To supplement the Company's consolidated condensed financial statements presented on a GAAP basis, the Company has used the following non-GAAP measures of reporting:

(1) The net interest margin is reported on a tax equivalent basis. The tax equivalent adjustment to net interest income recognizes the income tax savings when comparing taxable and tax-exempt assets and assumes a marginal income tax rate of 34 percent. Management believes that it is a standard practice in the banking industry to present net interest margin and net interest income on a fully tax equivalent basis. Therefore, management believes these measures provide useful information to investors by allowing them to make peer comparisons. A table entitled "Reconciliation of GAAP Net Interest Margin to Non-GAAP Net Interest Margin on a Tax-Equivalent Basis," included at the end of the attached financial summary, reconciles the non-GAAP financial measure "net interest income (tax-equivalent)" with net interest income calculated and presented in accordance with GAAP. The table also reconciles the non-GAAP financial measure "net interest margin (tax-equivalent)" with net interest margin calculated and presented in accordance with GAAP.

(2) Noninterest income and noninterest expense are reported without the effect of income and expenses related to securities held in a rabbi trust for the deferred compensation plan. A table entitled "Reconciliation of GAAP Noninterest Income & Expense to Noninterest Income & Expense Without the Financial Impact of the Deferred Compensation Plan", included at the end of the attached financial summary, details all the items included in noninterest income and expense associated with the deferred compensation plan / rabbi trust and reconciles the GAAP numbers to the non-GAAP numbers. The activity in the rabbi trust has no effect on the Company's net income, therefore, management believes a more accurate comparison of current and prior year noninterest income and noninterest expense can be made if items related to the rabbi trust are removed.

The Company believes these adjustments are appropriate to enhance an overall understanding of the Company's past financial performance and also its prospects for the future. These adjustments to the Company's GAAP results are made with the intent of providing both management and investors a more complete understanding of the underlying operational results and trends and the Company's marketplace performance. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the numbers prepared in accordance with generally accepted accounting principles in the United States.

### **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.