

1 2010 Quarterly Financial Statement

Letter from the President

May 15, 2010

Dear Shareholders and Friends:

Our results for the first quarter of 2010 were significantly impacted by asset quality related issues which were created in part by the economic recession and the downturn in the housing market. In the first quarter of 2010, Monroe Bank (the "Bank") recognized a provision for loan losses of \$3,200,000 in order to insure that it had adequate funds set aside to cover the projected losses inherent in its portfolio. The first quarter 2010 provision represented a \$600,000 increase over the amount recognized in the first quarter of 2009 and a \$1,650,000 decrease from the amount recognized in the fourth quarter of 2009. Identifying and resolving asset quality issues remain Management's highest priority.

Our net loss for the first quarter of 2010 was \$102,000, or \$0.016 per diluted share compared to net income of \$1,107,000, or \$0.178 per diluted share in the first quarter of 2009. Our first quarter 2010 net loss was an improvement from the net loss of \$617,000, or \$0.099 per diluted share in the fourth quarter of 2009.

Our first quarter results fell short of our expectations and we are working diligently to resolve troubled assets and reduce their drag on our performance. However, I am pleased to say that during the last two months we have received increased interest from potential purchasers in the assets securing many of the loans on our watch list and in other real estate owned assets. These indications of interest are at levels we believe are supportive of the valuations we have for the respective assets. At the same time, steps are being implemented to actively increase revenue and reduce expenses to improve overall efficiency and profitability.

While I am disappointed by our first quarter results, your Company achieved positive results in a number of areas, including:

- Trust income increased \$95,000, or 18.0 percent in the first quarter of 2010 compared to the same period in 2009 due to an improving stock market and an increase in trust assets under management.
- Commission income generated by the Investment Sales Division increased \$54,000, or 31.6 percent in the first quarter of 2010 compared to the same period in 2009, due to increased investment activity created in part, by an improving stock market.

- Debit card interchange income increased \$37,000, or 13.4 percent in the first quarter of 2010 compared to the same period in 2009, due to increased Monroe Bank debit card usage.
- Gains on the sale of mortgage loans totaled \$249,000 and continued to be strong in the first quarter of 2010 and were less dependent on home refinancing activity than the same period of 2009. The increased level of home purchase transactions is another good sign for the local economy.
- Our operating expenses (excluding the impact of the deferred compensation plan) declined \$65,000 or 1.2 percent in the first quarter of 2010 compared to the same quarter of 2009.

I want to mention one additional item before ending this letter. On April 29, 2010 the Bank entered a Memorandum of Understanding ("MOU") with our two primary regulators, the Federal Deposit Insurance Corporation ("FDIC") and the Indiana Department of Financial Institutions ("DFI"). The MOU is an informal administrative agreement in which the Bank has agreed to take certain actions and comply with certain requirements to facilitate improvement in its financial condition.

In accordance with the MOU, the Bank agreed, among other things, to maintain certain capital ratios (as set forth in the chart below), refrain from paying cash dividends without prior regulatory approval, and develop and implement plans to reduce the amounts of its assets classified "Substandard" or "Doubtful" in its most recent FDIC examination.

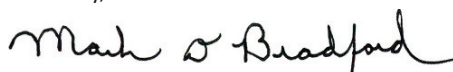
The following chart compares the Leverage Capital Ratio and the Total Risk-Based Capital Ratio required under the MOU to the ratios of the Bank as of March 31, 2010 and December 31, 2009.

	Required under the MOU	Actual as of March 31, 2010	Actual as of December 31, 2009
Leverage Capital Ratio	8.00%	8.58%	8.65%
Total Risk-Based Capital Ratio	12.00%	13.29%	13.33%

The MOU will remain in effect until modified or terminated by the FDIC and the DFI. We do not expect the actions called for by the MOU to change our ongoing efforts to improve the performance of the Bank by reducing non-performing assets and increasing earnings in any material respect.

On behalf of the Board of Directors, Officers and Staff, I would like to thank you for your ongoing support as we concentrate our efforts on overcoming the challenges presented by the current economic climate.

Sincerely,



Mark D. Bradford
President and CEO
Monroe Bancorp/Monroe Bank

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 Clafflin Harrell
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
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Stock Symbol NASDAQ: MROE

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Current News/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.



1 2010 Quarterly Financial Statement

Financial Highlights as of March 31 (Unaudited)

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

	2010	2009	%Change
Operating Results (1)			
Interest income	\$ 8,284	\$ 9,378	(11.7)%
Interest expense	2,708	3,436	(21.2)
Net interest income	5,576	5,942	(6.2)
Provision for loan losses	3,200	2,600	23.1
Income taxes (benefit)	(229)	274	(183.6)
Net income (loss)	(102)	1,107	(109.2)

Per Share Data

Basic earnings per share (1)	\$ (0.016)	\$ 0.178	(109.0)%
Fully diluted earnings per share (1)	(0.016)	0.178	(109.0)
Dividends (1)	0.01	0.13	(92.3)
Book value at quarter end	9.00	9.00	-

March 31, Balances

Total assets	\$ 823,510	\$ 823,702	- %
Total deposits	669,651	676,557	(1.0)
Total loans (2)	569,076	630,842	(9.8)
Shareholders' equity	56,066	55,977	0.2

Selected Financial Ratios

Return on average assets	(0.05)%	0.54%
Return on average equity	(0.74)	8.00
Allowance for loan losses as a percentage of total loans (2)	2.79	1.96

(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)

	2010	2009
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 10,161	\$ 18,667
Federal funds sold	33,602	16,150
Interest-earning deposits	24,913	9,372
Total cash and cash equivalents	68,676	44,189
Held-to-maturity securities	6,943	5,054
Available-for-sale securities	124,174	100,196
Interest-bearing time deposits	7,750	-
Trading securities	3,536	2,836
Loans, including loans held for sale, net of allowance for loan losses of \$15,898 and \$12,336	553,178	618,506
Bank premises and equipment	19,704	20,605
FHLB stock	2,353	2,312
Other assets	37,196	30,004
Total assets	\$ 823,510	\$ 823,702

Liabilities and Shareholders' Equity

Deposits	\$ 669,651	\$ 676,557
Repurchase agreements	51,716	58,686
Other borrowings	17,358	18,136
Subordinated debentures	13,000	-
Trust preferred subordinated debentures	8,248	8,248
Other liabilities	7,471	6,098
Total liabilities	767,444	767,725

Shareholders' equity:

Common stock, no par value 18,000,000 shares authorized, 6,228,547 and 6,227,550 shares issued and outstanding, respectively	137	137
Additional paid-in capital	4,400	4,423
Retained earnings	51,443	50,926
Accumulated other comprehensive income	108	571
Unearned ESOT shares	(22)	(80)
Total shareholders' equity	56,066	55,977
Total liabilities and shareholders' equity	\$ 823,510	\$ 823,702

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

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

	2010	2009
Interest Income	\$ 8,284	\$ 9,378
Interest expense	2,708	3,436
Net interest income	5,576	5,942
Provision for loan losses	3,200	2,600
Net interest income after provision for loan losses	2,376	3,342
Non-interest income	2,710	3,262
Non-interest expenses	5,417	5,223
Income (loss) before income tax	(331)	1,381
Income tax provision (benefit)	(229)	274
Net income (loss)	(102)	1,107
Retained earnings - beginning of year	51,607	50,628
Dividends (\$0.01 per share in 2010 and \$0.13 per share in 2009)	(62)	(809)
Retained earnings - end of period	\$ 51,443	\$ 50,926
Basic earnings per share	\$ (0.016)	\$ 0.178
Fully diluted earnings per share	(0.016)	0.178

Forward-Looking Statements

This report 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.