UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2007 Commission file number 000-31951

MONROE BANCORP
(Exact name of registrant as specified in its charter)

Indiana	35-1594017
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

210 East Kirkwood Avenue, Bloomington, Indiana 47408
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code:
(812) 336-0201

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, No Par Value	NASDAQ Stock Market LLC
(Title of Class)	(Name of each exchange on which registered)

Securities Registered Pursuant to Section 12(g) of the Act:

NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of Form 10-K or any amendment to this Form 10-K [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

The aggregate market value (not necessarily a reliable indication of the price at which more than a limited number of shares would trade) of the voting stock held by non-affiliates of the registrant was $92,362,000 on June 30, 2007, computed by reference to the closing price as reported by the NASDAQ Global Market system.

As of March 1, 2008 there were 6,227,550 outstanding common shares of common stock, without par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Part of Form 10-K Into Which Incorporated
Portions of the 2007 Annual Report to Shareholders	Part II
Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held April 24, 2008	Part III

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PART I

ITEM 1. BUSINESS.

GENERAL

Monroe Bancorp (the "Company") is a one-bank holding company formed as a general corporation under Indiana law in 1984. At December 31, 2007, on a consolidated basis the Company had total assets of $778,080,000, total loans of $584,831,000 and total deposits of $619,717,000. The Company holds all of the outstanding stock of Monroe Bank (the "Bank"), which was formed in 1892. The Bank is the primary business activity of the Company.

The Bank, headquartered in Bloomington, Indiana, conducts business from 16 locations in Monroe, Hendricks, Jackson and Lawrence counties in Indiana. Approximately 70 percent of the Bank's business is in Monroe County and is concentrated in and around the city of Bloomington. However, the Company's anticipated continued development of additional banking business in Hendricks County, and other counties in the greater Indianapolis area, is expected to gradually reduce this concentration.

The Company, as a bank holding company, engages in commercial banking through the Bank. The Company may also engage in certain non-banking activities closely related to banking and own certain other business companies that are not banks, subject to applicable laws and regulations, although it has no current plans to do so.

As of December 31, 2007, the Bank had 231 full-time equivalent employees.

The Bank is a traditional community bank, which provides a variety of financial services to its customers, including:

- accepting deposits;
- making commercial, mortgage and installment loans;
- originating residential mortgage loans that are generally sold into the secondary market;
- providing personal and corporate trust services;
- providing investment advisory and brokerage services; and
- providing fixed and variable annuities.

The majority of the Bank’s revenue is derived from interest and fees on loans and investments, and the majority of its expense is interest paid on deposits and general and administrative expenses related to its business.

The Company has increased its annual dividend each year for 20 years. Based upon a closing price of $16.00 for the Company's stock on December 31, 2007, the Company's $0.49 dividend per share provided a dividend yield of 3.06 percent. The Company’s stock trades on the NASDAQ Global Market under the symbol MROE.

Management believes that the Company's culture of community involvement, service quality, and customer focus has played a significant role in the Company's growth and success. Management also believes that other significant factors contributing to the Company’s growth include, but are not limited to, the attractiveness of the Company’s primary markets, an involved Board that sets high performance standards and the increased use of incentive and commission compensation plans.

The Company focused much of its effort during 2007 in five areas. The first area of focus was loan growth. Total loans at December 31, 2007 were $584,831,000, which was 4.5 percent greater than the December 31, 2006 balance of $559,463,000. The 4.5 percent loan growth experienced in 2007 is lower than the loan growth rate for 2006 (6.5 percent) and 2005 (10.1 percent). The lower growth rate experienced in 2007 resulted from a slowing economy, which reduced loan demand and other factors. Most of the loan growth took place at the Bank's locations in Central Indiana (Hendricks and Hamilton counties). At year-end 2007, the Bank had total loans of $165,720,000 at its Central Indiana locations, up from $146,122,000 at year-end 2006.

The second area of focus during 2007 was managing the deterioration of asset quality resulting from slowing economic activity and stresses in the multi-family residential housing markets. Management's efforts focused on developing methodologies to identify potentially weak credits as early as possible, which enabled a proactive and aggressive approach to managing these credits. Nonetheless, loans 30 days past due increased from $7,022,000 (1.3 percent of total loans) at December 31, 2006 to $10,084,000 (1.7 percent of total loans) at December 31, 2007. Past due loans increased during this period by $3,062,000 or 43.6 percent. During the same period, non-performing loans (non-accrual loans and troubled debt restructuring) increased from $1,712,000 (0.3 percent of total loans) to $6,938,000 (1.2 percent of total loans) at December 31, 2007. Of the non-performing loans outstanding at December 31, 2007, $6,868,000 were secured by real estate (net of any charge-downs previously taken). The increase in past due loans and non-performing loans was driven by loans internally defined as residential real estate development. Management believes the presence of real estate collateral mitigates the level of expected loss. Residential real estate development loans that were 30 days past due at year-end 2007 totaled $5,047,000 (11.2 percent of the Bank's total residential real estate development loans at year-end 2007). The total delinquencies in this category were comprised of four notes at year-end 2007.

The third area of Management focus was pricing discipline and other strategies to offset pressure on the Company's net interest margin created by the flat and sometimes inverted yield curve that existed during much of 2007 in addition to the margin impact created by an increase in non-accrual loans. To combat these adverse factors, Management's efforts to improve its net interest margin included the development of a loan pricing model, increased efforts to attract lower cost checking accounts, and a reduction in the use of relatively expensive brokered certificates of deposit. Despite these and other actions, the Company's tax-equivalent margin (as discussed in pages 24 to 25 of the Company's 2007 Annual Report to Shareholders under the caption "Management's Discussion and Analysis") decreased to 3.37 percent for 2007 compared to 3.42 percent for 2006. The five basis point decline experienced in 2007 contrasts to the one point increase that took place between 2005 (3.41 percent) and 2006 (3.42 percent). The tax-equivalent net interest margin was affected in 2007 by the increase in loans being placed on non-accrual during the year. Non-accrual loans totaled $6,919,000 at year-end 2007 compared to $1,670,000 at year-end 2006, an increase of $5,249,000 or 314.3 percent. The increase in non-accrual loans resulted from slowing economic activity and stresses in the residential housing market.

The fourth area of focus was noninterest income growth primarily in our Wealth Management Group and debit card interchange fees. Income from fiduciary activities (trust and asset management) increased by $542,000 or 31.9 percent over 2006. Trust assets under management grew to $353,668,000 at December 31, 2007, a 30.1 percent increase from the balance of $271,766,000 a year ago. Management does not anticipate that it will be able to sustain this rate of growth for trust assets on an ongoing basis. Debit card interchange fees were $950,000 for 2007, compared to $776,000 for 2006, an increase of 22.4 percent. The growth in these areas helped to offset a decline in income from mortgages sold in the secondary market. With the downturn in the economy, the demand for mortgage refinancing and new home loans decreased.

The fifth area of focus was investing in facilities and equipment to enable us to continue our growth. In December 2007, we opened a full-service banking center in Plainfield, Hendricks County, with another banking center opening in Avon, also in Hendricks County, in January 2008. The Company opened its first full-service banking center in Hendricks County (Brownsburg) in 2006. Prior to 2006, the Company serviced the Brownsburg market from a limited service branch located in a less visible location. Deposits at the Brownsburg banking center grew from an average of $25,996,000 for December 2005, $44,206,000 for December 2006 to $57,575,000 for December 2007. This reflects an increase of 30.2 percent since December, 2006. We also purchased land in Noblesville (Hamilton County) and expect to open our first full-service banking center in Hamilton County in the late summer of 2008.

Company Goals

The Company's business strategies are focused on five major areas:

- increasing the growth rate of net interest income,
- improving credit processes to ensure strong credit quality,
- managing interest rate risk,
- increasing the ratio of noninterest income to net interest income, and
- increasing operating efficiency.

Achievement of the Company's financial objectives will require continued strong loan and deposit growth from the Bank's initiatives in Hendricks County and Hamilton County, two attractive markets in the greater Indianapolis area, as well as from its core markets in and around Monroe County.

Management will measure its overall success in terms of earnings per share growth rate, return on equity, the ratio of nonperforming loans to total loans, service quality and staff retention rates.

Competition

The Company's market area is highly competitive. In addition to competition from commercial banks (including certain larger regional banks) and savings associations, the Company also competes with numerous credit unions, finance companies, insurance companies, mortgage companies, securities and brokerage firms, money market mutual funds, loan production offices and other providers of financial services. The Company competes with these firms in terms of pricing, delivery channels, product features, service quality, responsiveness and other factors.

The Company also competes directly with a large number of financial service providers who do not have a physical presence in our markets (e.g., Citicorp) but have been successful in selling their services using technology and sophisticated target marketing techniques. We fully expect these companies to increase their future efforts to attract business from our customers.

The Company's success, in view of the substantial competition, is felt to be a result of factors such as its history of community involvement and support, commitment to outstanding customer service, awareness of and responsiveness to customer needs, and its attractive mix of high touch and high tech delivery channels. The impact of these factors can be seen in the success the Company has had in increasing its share of deposits in Monroe County.

The Company has been able to increase its deposit market share in the Monroe County market through competitive pricing, marketing and an emphasis on service. According to data published annually by the Federal Deposit Insurance Company (FDIC), all FDIC insured deposits held by financial institutions in Monroe County grew by $346,630,000, or 29.4 percent, during the five-year period between June 30, 2002 and June 30, 2007. During the same period, the Company was able to grow its deposits within Monroe County by $130,940,000 (40.6 percent) and increase its market share from 27.4 percent in 2002 to 29.7 percent in 2007. Like many financial institutions, deposit growth over the last five years has not kept pace with the Company's growth in loans. In 2007, the Company addressed short-term liquidity needs by borrowing federal funds (short-term borrowings from other banks) and acquiring short-term public fund certificates of deposit.

Available Information

All reports filed electronically by the Company with the United States Securities and Exchange Commission (SEC), including the Annual Report on Form 10-K, quarterly reports on Form 10-Q, and current event reports on Form 8-K, as well as any amendments to those reports are accessible at no cost on the Company's Web site at www.monroebank.com. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information concerning issuers that file electronically with the SEC, and the Company's filings are accessible on the SEC's web site at www.sec.gov. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, N.W., Washington, DC 20549. The public may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

REGULATION AND SUPERVISION

Both the Company and the Bank operate in highly regulated environments and are subject to supervision and regulation by several governmental regulatory agencies, including the Board of Governors of the Federal Reserve (the "Federal Reserve"), the Federal Deposit Insurance Corporation (the "FDIC") and the Indiana Department of Financial Institutions (the "DFI"). The laws and regulations established by these agencies are generally intended to protect depositors, not shareholders. Changes in applicable laws, regulations, governmental policies, income tax laws and accounting principles may have a material effect on our business and prospects. The following summary is qualified by reference to the statutory and regulatory provisions discussed.

MONROE BANCORP

The Bank Holding Company Act. Because the Company owns all of the outstanding capital stock of the Bank, it is registered as a bank holding company under the federal Bank Holding Company Act of 1956, is subject to periodic examination by the Federal Reserve, and is required to file periodic reports of its operations and any additional information that the Federal Reserve may require.

Investments, Control, and Activities. With some limited exceptions, the Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve before acquiring another bank holding company or acquiring more than five percent of the voting shares of a bank (unless it already owns or controls the majority of such shares).

Bank holding companies are prohibited, with certain limited exceptions, from engaging in activities other than those of banking or of managing or controlling banks. They are also prohibited from acquiring or retaining direct or indirect ownership or control of voting shares or assets of any company which is not a bank or bank holding company, other than subsidiary companies furnishing services to or performing services for their subsidiaries, and other subsidiaries engaged in activities which the Federal Reserve Board determines to be so closely related to banking or managing or controlling banks as to be incidental to these operations. The Bank Holding Company Act does not place territorial restrictions on the activities of such nonbanking-related activities.

Effective as of March 11, 2001, the Gramm-Leach-Bliley Act allows bank holding companies which meet certain management, capital and CRA standards and which have elected to become a financial holding company to engage in a substantially broader range of nonbanking activities than was previously permissible, including insurance underwriting and agency, and underwriting and making merchant banking investments in commercial and financial companies. This act also removes various restrictions that previously applied to bank holding company ownership of securities firms and mutual fund advisory companies.

The Company does not currently plan to engage in any activity other than owning the stock of the Bank.

<u>Dividends</u>. The Federal Reserve's policy is that a bank holding company experiencing earnings weakness should not pay cash dividends exceeding its net income or which could only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Additionally, the Federal Reserve possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

<u>Source of Strength</u>. In accordance with Federal Reserve Board policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances in which the Company might not otherwise do so.

<u>Sarbanes-Oxley Act of 2002</u>. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") represents a comprehensive revision of laws affecting corporate governance, accounting obligations and corporate reporting. Among other requirements, the Sarbanes-Oxley Act established: (i) new requirements for audit committees of public companies, including independence, expertise, and responsibilities; (ii) additional responsibilities regarding financial statements for the chief executive officers and chief financial officers of reporting companies; (iii) new standards for auditors and regulation of audits; (iv) increased disclosure and reporting obligations for reporting companies regarding various matters relating to corporate governance, and (v) new and increased civil and criminal penalties for violation of the securities laws.

<u>MONROE BANK</u>

<u>General Regulatory Supervision</u>. The Bank is an Indiana-chartered banking corporation subject to examination by the DFI. The DFI and the FDIC regulate or monitor virtually all areas of the Bank's operations. The Bank must undergo regular on-site examinations by the FDIC and DFI and must submit annual reports to the FDIC and the DFI.

<u>Lending Limits</u>. Under Indiana law, the total loans and extensions of credit by an Indiana-chartered bank to a borrower outstanding at one time and not fully secured may not exceed 15 percent of the bank's capital and unimpaired surplus. In addition, the total amount of outstanding loans and extensions of credit to any borrower outstanding at one time and fully secured by readily marketable collateral may not exceed ten percent of the unimpaired capital and unimpaired surplus of the bank (this limitation is separate from and in addition to the above limitation).

<u>Deposit Insurance</u>. Deposits in the Bank are insured by the FDIC up to a maximum amount, which is generally $100,000 per depositor subject to aggregation rules. The Bank is subject to deposit insurance assessment by the FDIC pursuant to its regulations establishing a risk-related deposit insurance assessment system, based upon the institution's capital levels and risk profile. The Bank is also subject to assessment for the Financial Corporation (FICO) to service the interest on its bond obligations. The amount assessed on individual institutions, including the Bank, by FICO is in addition to the amount paid for deposit insurance according to the risk-related assessment rate schedule. Increases in deposit insurance premiums or changes in risk classification will increase the Bank's cost of funds, and it may not be able to pass these costs on to its customers.

Transactions with Affiliates and Insiders. The Bank is subject to limitations on the amount of loans or extensions of credit to, or investments in, or certain other transactions with, affiliates and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. Furthermore, within the foregoing limitations as to amount, each covered transaction must meet specified collateral requirements. Compliance is also required with certain provisions designed to avoid the taking of low quality assets. The Bank is also prohibited from engaging in certain transactions with certain affiliates and insiders unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies. Extensions of credit by the Bank to its executive officers, directors, certain principal shareholders, and their related interests must:

- be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties; and
- not involve more than the normal risk of repayment or present other unfavorable features.

Dividends. Under Indiana law, the Bank may pay dividends from its undivided profits in an amount declared by its Board of Directors, subject to prior approval of the DFI if the proposed dividend, when added to all prior dividends declared during the current calendar year, would be greater than the current year's "net profits" and retained "net profits" for the previous two calendar years.

Federal law generally prohibits the Bank from paying a dividend to the Company if the depository institution would thereafter be undercapitalized. The FDIC may prevent an insured bank from paying dividends if the bank is in default of payment of any assessment due to the FDIC. In addition, payment of dividends by a bank may be prevented by the applicable federal regulatory authority if such payment is determined, by reason of the financial condition of such bank, to be an unsafe and unsound banking practice.

Branching and Acquisitions. Branching by the Bank requires the prior approval of the FDIC and the DFI. Under current law, Indiana chartered banks may establish branches throughout the state and in other states. Congress authorized interstate branching, with certain limitations, beginning in 1997. Indiana law authorizes an Indiana bank to establish one or more branches in states other than Indiana through interstate merger transactions and to establish one or more interstate branches through de novo branching or the acquisition of a branch.

Community Reinvestment Act. The Community Reinvestment Act requires that the FDIC evaluate the record of the Bank in meeting the credit needs of its local community, including low and moderate income neighborhoods. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. Failure to adequately meet these criteria could result in the imposition of additional requirements and limitations on the Bank.

Capital Regulations. The federal bank regulatory authorities have adopted risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and account for off-balance sheet items. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet commitments to four risk-weighted categories of 0 percent, 20 percent, 50 percent, or 100 percent, with higher levels of capital being required for the categories perceived as representing greater risk. The guidelines are minimums, and the federal regulators have noted that banks and bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios in excess of the minimums. Neither the Company nor the Bank has received any notice indicating that either is subject to higher capital requirements.

The federal bank regulatory authorities have also implemented a leverage ratio to supplement to the risk-based guidelines. The principal objective of the leverage ratio is to place a constraint on the maximum degree to which a bank holding company may leverage its equity capital base.

The Bank is also subject to the FDIC's "prompt corrective action" regulations, which implement a capital-based regulatory scheme designed to promote early intervention for troubled banks. This framework contains five categories of compliance with regulatory capital requirements, including "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." As of December 31, 2007, the Bank was qualified as "well capitalized." It should be noted that a Bank's capital category is determined solely for the purpose of applying the FDIC's "prompt corrective action" regulations and that the capital category may not constitute an accurate representation of the Bank's overall financial condition or prospects. The degree of regulatory scrutiny of a financial institution increases, and the permissible activities of the institution decrease, as it moves downward through the capital categories. Bank holding companies controlling financial institutions can be required to boost the institutions' capital and to partially guarantee the institutions' performance.

<u>Other Regulations</u>. Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's loan operations are also subject to federal and state laws applicable to credit transactions, such as the:

- Truth-In-Lending Act and state consumer protection laws, governing disclosures of credit terms and prohibitive certain practices with regard to consumer borrowers;
- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act and other fair lending laws, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act of 1978 and Fair and Accurate Transactions Act of 2003, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The deposit operations of the Bank also are subject to the:

- Customer Information Security Guidelines. The federal bank regulatory agencies have adopted final guidelines (the "Guidelines") for safeguarding confidential customer information. The Guidelines require each financial institution, under the supervision and ongoing oversight of its Board of Directors, to create a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information; and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.
- Electronic Funds Transfer Act, and Regulation E. The Electronic Funds Transfer Act, which is implemented by Regulation E, governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking service.

Check Clearing for the 21st Century Act. Effective October 28, 2004, the Federal Reserve adopted final amendments to Regulation CC and its commentary to implement the Check Clearing for the 21st Century Act (the "Check 21 Act"). The Check 21 Act was enacted on October 28, 2003 and became effective on October 28, 2004.

To facilitate check truncation and electronic check exchange, the Check 21 Act authorizes a new negotiable instrument called a "substitute check" and provides that a properly prepared substitute check is the legal equivalent of the original check for all purposes. A substitute check is a paper reproduction of the original check that can be processed just like the original check. The Check 21 Act does not require any bank to create substitute checks or to accept checks electronically. The Federal Reserve's amendments: (i) set forth the requirements of the Check 21 Act that apply to all banks, including those that choose not to create substitute checks; (ii) provide a model disclosure and model notices relating to substitute checks; and (iii) set forth bank endorsement and identification requirements for substitute checks. The amendments also clarify some existing provisions of the rule and commentary.

USA Patriot Act. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act") is intended to strengthen the ability of U. S. Law Enforcement to combat terrorism on a variety of fronts. The potential impact of the USA Patriot Act on financial institutions is significant and wide-ranging. The USA Patriot Act contains sweeping anti-money laundering and financial transparency laws and requires financial institutions to implement additional policies and procedures with respect to, or additional measures designed to address, any or all of the following matters, among others: money laundering and currency crimes, suspicious activities, customer identification verification, cooperation among financial institutions, and currency transaction reporting.

Enforcement Powers. Federal regulatory agencies may assess civil and criminal penalties against depository institutions and certain "institution-affiliated parties," including management, employees, and agents of a financial institution, as well as independent contractors and consultants such as attorneys and accountants and others who participate in the conduct of the financial institution's affairs. In addition, regulators may commence enforcement actions against institutions and institution-affiliated parties. Possible enforcement actions include the termination of deposit insurance. Furthermore, regulators may issue cease-and-desist orders to, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions as determined by the regulator to be appropriate.

Effect of Governmental Monetary Policies. Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Bank's monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board have major effects upon the levels of bank loans, investments and deposits through its open market operations in United States government securities and through its regulation of the discount rate on borrowings of member banks and the reserve requirements against member bank deposits. It is not possible to predict the nature or impact of future changes in monetary and fiscal policies.

FORWARD-LOOKING STATEMENTS

Portions of information in this Form 10-K contain forward-looking statements about the Company which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. This document 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) competitive pressures among depository institutions; (2) changes in the interest rate environment; (3) prepayment speeds, charge-offs and loan loss provisions; (4) 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) unexpected and/or adverse outcomes in pending or future litigation; and (8) the Company's business development efforts in new markets in and around Hendricks and Hamilton counties.

Statistical Data.

Selected Financial Data

Financial Highlights

(dollar amounts in thousands, except share and per share data)

	At or for the Years Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Summary of operations					
Net interest income……	$ 23,039	$ 22,665	$ 20,824	$ 19,864	$ 19,140
Less: Provision for loan losses	2,035	1,200	1,140	1,320	3,920
Net interest income, after provision for loan losses	21,004	21,465	19,684	18,544	15,220
Noninterest income……	10,251	9,492	9,258	8,302	8,182
Noninterest expense……	20,626	20,098	18,054	16,921	16,285
Net income……	7,806	7,586	7,223	6,705	5,054
Per common share					
Basic earnings per share……	$ 1.240	$ 1.154	$ 1.094	$ 1.013	$ 0.751
Diluted earnings per share……	1.235	1.150	1.091	1.010	0.750
Cash dividends per share……	0.4900	0.4800	0.4745	0.4727	0.4455
Book value per common share……	8.76	8.24	7.64	7.18	6.81
Selected year-end balances					
Total assets……	$ 778,080	$ 748,193	$ 713,060	$ 633,970	$ 589,263
Total securities……	125,658	120,250	119,244	109,712	106,195
Total loans - including loans held for sale……	584,831	559,463	525,466	477,085	424,511
Total deposits……	619,717	589,328	576,181	483,534	436,683
Shareholders' equity……	54,452	53,505	50,514	47,384	45,375
Selected average balances					
Total assets……	$ 753,683	$ 730,137	$ 662,806	$ 607,619	$ 562,836
Total securities……	122,736	117,553	111,778	106,703	100,479
Total loans - including loans held for sale……	564,483	549,463	499,503	451,055	411,762
Total deposits……	611,907	582,762	521,235	459,765	425,378
Shareholders' equity……	52,774	52,001	48,387	46,428	45,188
Ratios based on average balances					
Return on assets (1)……	1.04 %	1.04 %	1.09 %	1.10 %	0.90 %
Return on equity (2)……	14.79 %	14.59 %	14.93 %	14.44 %	11.18 %
Dividend payout ratio (3)……	39.21 %	41.52 %	43.36 %	46.64 %	59.06 %
Equity to assets ratio (4)……	7.00 %	7.12 %	7.30 %	7.64 %	8.03 %

(1) Net income divided by average total assets

(2) Net income divided by average equity

(3) Dividends per share divided by net income per share

(4) Average equity divided by average total assets

Net Interest Income

The table on the following page presents information to assist in analyzing net interest income. The table of Average Balance Sheets and Interest Rates presents the major components of interest-earning assets and interest-bearing liabilities, related interest income and expense and the resulting yield or cost. For analytical purposes, interest income presented in the table has been adjusted to a tax-equivalent basis (as discussed in pages 24 to 25 of the Company's 2007 Annual Report to Shareholders under the caption "Management's Discussion and Analysis") assuming a 34 percent tax rate. The tax-equivalent adjustment recognizes the income tax savings when comparing taxable and tax-exempt assets. Management believes a table of the changes in tax-equivalent rates and margin is more relevant because it better explains changes in after-tax net income.

Average Balance Sheets and Interest Rates

(dollar amounts in thousands)

	Years Ended December 31,								
	2007			2006			2005		
ASSETS	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest-earning assets									
Taxable securities…………………………	$ 87,238	$ 4,063	4.66%	$ 87,267	$ 3,545	4.06%	$ 94,565	$ 3,260	3.45%
Tax-exempt securities (1)…………………	35,498	1,880	5.30%	30,286	1,530	5.05%	17,213	732	4.25%
Total securities……………………………	122,736	5,943	4.84%	117,553	5,075	4.32%	111,778	3,992	3.57%
Commercial loans……………………………	99,841	8,324	8.34%	97,043	7,574	7.80%	88,246	5,707	6.47%
Real estate loans……………………………	446,144	32,554	7.30%	433,385	30,395	7.01%	392,951	23,835	6.07%
Installment loans……………………………	18,498	1,494	8.08%	19,035	1,460	7.67%	18,306	1,342	7.33%
Total loans (2)……………………………	564,483	42,372	7.51%	549,463	39,429	7.18%	499,503	30,884	6.18%
Interest-earning deposits……………………	3,042	151	4.95%	3,514	158	4.51%	1,509	68	4.48%
FHLB Stock…………………………………	2,312	105	4.54%	2,467	121	4.90%	2,506	108	4.31%
Federal funds sold…………………………	11,102	599	5.40%	9,002	491	5.45%	2,796	104	3.72%
Total interest-earning assets………………	703,675	49,170	6.99%	681,999	45,275	6.64%	618,092	35,156	5.69%
Noninterest-earning assets									
Allowance for loan losses…………………	(6,354)			(5,891)			(5,500)		
Premises and equipment & other assets……	41,646			37,354			31,420		
Cash and due from banks……………………	14,716			16,675			18,794		
Total assets………………………………	$ 753,683			$ 730,137			$ 662,806		
LIABILITIES & SHAREHOLDERS' EQUITY									
Total interest-bearing deposits………………	$ 534,182	21,639	4.05%	$ 505,115	18,005	3.56%	$ 444,054	11,029	2.48%
Borrowed funds:									
Short-term borrowings……………………	51,968	2,350	4.52%	56,502	2,532	4.48%	46,032	1,273	2.77%
Other borrowings…………………………	28,791	1,446	5.02%	30,927	1,441	4.66%	39,072	1,753	4.49%
Total borrowed funds…………………	80,759	3,796	4.70%	87,429	3,973	4.54%	85,104	3,026	3.56%
Total interest-bearing liabilities……………	614,941	25,435	4.14%	592,544	21,978	3.71%	529,158	14,055	2.66%
Noninterest-bearing liabilities									
Noninterest-bearing demand deposits………	77,725			77,647			77,181		
Other liabilities………………………………	8,243			7,945			8,080		
Shareholders' equity…………………………	52,774			52,001			48,387		
Total liabilities and shareholders' equity…………………………	$ 753,683	25,435		$ 730,137	21,978		$ 662,806	14,055	
Interest margin recap									
Net interest income and interest rate spread									
Tax-equivalent net interest income margin..		23,735	2.85%		23,297	2.93%		21,101	3.03%
Tax-equivalent net interest margin as a percent of total average earning assets…			3.37%			3.42%			3.41%
Less: Tax-equivalent adjustment (3)…………..		696			632			277	
Net interest income………………………………..		$ 23,039			$ 22,665			$ 20,824	

(1) Interest income on tax-exempt securities has been adjusted to a tax-equivalent basis using a marginal income tax rate of 34% .

(2) Nonaccrual loans are included in average loan balances and loan fees are included in interest income.

(3) Interest income adjustment to convert tax-exempt investment securities interest to fully tax equivalent basis using a marginal rate of 34%.

The following table presents net interest income components on a tax-equivalent basis and reflects changes between periods attributable to movement in either the average balance or average interest rate for both earning assets and interest-bearing liabilities. The volume differences were computed as the difference in volume between the current and prior year times the interest rate of the prior year, while the interest rate changes were computed as the difference in rate between the current and prior year items times the volume of the prior year. Volume/rate variances have been allocated on the basis of the absolute relationship between volume variances and rate variances. Nonaccrual loans were included in the average loan balances used in determining the yields.

Volume / Rate Analysis
(dollar amounts in thousands)

	2007 Compared to 2006 Increase (Decrease) Due to			2006 Compared to 2005 Increase (Decrease) Due to			2005 Compared to 2004 Increase (Decrease) Due to		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest income									
Loans	$ 1,096	$ 1,847	$ 2,943	$ 3,279	$ 5,266	$ 8,545	$ 2,838	$ 3,006	$ 5,844
Securities:									
Taxable	(1)	519	518	(286)	571	285	195	104	299
Tax-exempt	273	77	350	640	158	798	(33)	(108)	(141)
Total securities interest	272	596	868	354	729	1,083	162	(4)	158
Interest-earning deposits	(13)	5	(8)	91	0	91	(77)	79	2
FHLB stock	(11)	(5)	(16)	(2)	15	13	5	(3)	2
Federal funds sold	116	(8)	108	320	67	387	57	37	94
Total interest income	1,460	2,435	3,895	4,042	6,077	10,119	2,985	3,115	6,100
Interest expense									
Interest-bearing deposits	1,077	2,557	3,634	1,674	5,302	6,976	1,126	3,424	4,550
Short-term borrowings	(201)	19	(182)	338	921	1,259	(91)	827	736
Long-term debt	(160)	165	5	(348)	36	(312)	(90)	(9)	(99)
Total interest expense	716	2,741	3,457	1,664	6,259	7,923	945	4,242	5,187
Change in net interest income (fully tax-equivalent basis)	$ 744	$ (306)	438	$ 2,378	$ (182)	2,196	$ 2,040	$ (1,127)	913
Tax-equivalent adjustment (1)			(64)			(355)			47
Change in net interest income			$ 374			$ 1,841			$ 960

(1) Interest income on tax-exempt securities has been adjusted to a tax-equivalent basis using a marginal income tax rate of 34% .

Allowance for Loan Loss and Asset Quality

The following table presents activity in the allowance for loan losses during the years indicated. The Company's policy is to charge off loans when, in management's opinion, the loan is deemed uncollectible. However, management makes a concerted effort to collect charged off loans.

Analysis of Allowance for Loan Losses
(dollar amounts in thousands)

	Years Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Balance at beginning of year	$ 6,144	$ 5,585	$ 5,194	$ 5,019	$ 4,574
Loans charged off					
Commercial and industrial	(274)	(142)	(353)	(502)	(1,091)
Real estate	(1,252)	(320)	(229)	(867)	(2,391)
Installment	(579)	(616)	(428)	(127)	(172)
Total charge-offs	(2,105)	(1,078)	(1,010)	(1,496)	(3,654)
Charge-offs recovered					
Commercial and industrial	118	63	47	127	47
Real estate	183	47	81	181	63
Installment	279	327	133	43	69
Total recoveries	580	437	261	351	179
Net loans charged off	(1,525)	(641)	(749)	(1,145)	(3,475)
Current year provision	2,035	1,200	1,140	1,320	3,920
Balance at end of year	$ 6,654	$ 6,144	$ 5,585	$ 5,194	$ 5,019
Loans at year end (excluding loans held for sale)	$ 581,857	$ 556,918	$ 524,158	$ 474,345	$ 422,292
Ratio of allowance to loans (excluding loans held for sale) at period end	1.14%	1.10%	1.07%	1.09%	1.19%
Average loans	$ 564,483	$ 549,463	$ 499,503	$ 451,055	$ 411,762
Ratio of net loans charged off to average loans	0.27%	0.12%	0.15%	0.25%	0.84%

The allocation of the allowance for loan losses along with the percentage of each loan type to total loans outstanding is illustrated in the following table. The Company regards the allowance as a general allowance which is available to absorb losses from all loans.

Allocation of the Allowance for Loan Losses
(dollar amounts in thousands)

	2007		2006		2005	
	Amount	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
Balance at December 31:						
Commercial, industrial and agricultural…….	$ 1,148	17.89 %	$ 1,482	17.38 %	$ 1,511	17.38 %
Real Estate………………………………….	5,217	78.98 %	4,202	78.84 %	3,607	78.84 %
Installment………………………………….	289	3.14 %	342	3.78 %	410	3.78 %
Unallocated………………………………….	-	N/A	118	N/A	57	N/A
Total allowance for loan losses…………	$ 6,654	100.00 %	$ 6,144	100.00 %	$ 5,585	100.00 %

	2004		2003	
	Amount	**Percent**	**Amount**	**Percent**
Balance at December 31:				
Commercial, industrial and agricultural…….	$ 1,584	22.54 %	$ 1,273	19.56 %
Real Estate………………………………….	2,921	68.34 %	2,690	75.65 %
Installment………………………………….	394	9.12 %	418	4.79 %
Unallocated………………………………….	295	N/A	638	N/A
Total allowance for loan losses…………	$ 5,194	100.00 %	$ 5,019	100.00 %

Nonperforming assets and their relative percentages to loan balances are presented in the table on the following page. The level of nonperforming loans is an important element in assessing asset quality and the relevant risk in the credit portfolio. Nonperforming loans include nonaccrual loans, restructured loans and loans delinquent 90 days or more and still accruing.

Loans are evaluated for nonaccrual status when payments are past due over 90 days or when management feels that there is a high probability that principal and interest are not fully collectible. Current year interest previously recorded but not deemed collectible is reversed and charged against current income. Interest income on these loans is then recognized after principal is collected. Loans significantly past due that are not well secured and in the process of collection are generally placed on nonaccrual status. Restructured loans are loans for which the contractual interest rate has been reduced or other concessions are granted to the borrower because of deterioration in the financial condition of the borrower resulting in the inability of the borrower to meet the original contractual terms of the loans. Another element associated with asset quality is other real estate owned (OREO), which represents properties acquired by the Company through loan defaults by customers.

Nonperforming Assets
(dollar amounts in thousands)

	December 31,				
	2007	2006	2005	2004	2003
Principal balance					
Nonaccrual……	$ 6,919	$ 1,670	$ 1,640	$ 3,283	$ 5,686
Restructured……	19	42	293	391	502
90 days or more past due and still accruing……	435	644	99	29	173
Total nonperforming loans……	$ 7,373	$ 2,356	$ 2,032	$ 3,703	$ 6,361
Nonperforming loans as a percent of total loans (including loans held for sale)……	1.26%	0.42%	0.39%	0.78%	1.50%
Other real estate owned (OREO)……	$ 841	$ 141	$ -	$ 350	$ 534
OREO as a percent of total loans (including loans held for sale)……	0.14%	0.03%	-	0.07%	0.13%
Allowance as a percent of nonperforming loans……	90.25%	260.78%	274.85%	140.26%	78.90%

Interest income of $244,000 for the year ended December 31, 2007, was recognized on the nonaccruing and restructured loans listed in the table above, whereas, interest income of $619,000 would have been recognized under their original terms.

Potential Problem Loans

In addition to loans classified for regulatory purposes, management also designates certain loans for internal monitoring purposes in a watch category. Loans may be placed on management's watch list as a result of delinquent status, concern about the borrower's financial condition or the value of the collateral securing the loan, substandard classification during regulatory examinations, or simply as a result of management's desire to monitor more closely a borrower's financial condition and performance. Watch category loans may include loans with loss potential that are still performing and accruing interest and may be current under the terms of the loan agreements; however, management may have a significant degree of concern about the borrowers' ability to continue to perform according to the terms of the loans. Loss exposure on these loans is typically evaluated based primarily upon adequacy of the cash flow repaying the loan or the estimated liquidation value of the collateral securing these loans. Also, watch category loans may include credits which, although adequately secured and performing, have past delinquency problems or where unfavorable financial trends are exhibited by borrowers.

All watch list loans are subject to additional scrutiny and monitoring on a monthly or quarterly basis. The Company's philosophy encourages loan officers to identify borrowers that should be monitored in this fashion and believes this process ultimately results in the identification of problem loans in a more timely fashion.

Management has identified $9,368,000 and $6,288,000 of loans on its watch list, which were not included in impaired or nonperforming loans at December 31, 2007 and 2006, respectively.

Noninterest Income and Expense

A comparative table and complete discussion of noninterest income and expense is contained in the 2007 Annual Report to Shareholders Managements Discussion and Analysis on pages 28 to 30 under the caption "Other Income and Expense."

Financial Condition

Securities

Held-to-maturity securities are those which the Company has both the positive intent and the ability to hold to maturity. They are reported at amortized cost. Available-for-sale securities are those which the Company may decide to sell if needed for liquidity, asset/liability management, or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains and losses included in other comprehensive income, net of tax.

Trading securities consist of investments in various mutual funds and Monroe Bancorp common stock held in grantor trusts formed by the Company related to the Monroe Bancorp Directors' Deferred Compensation Plan. The Company's obligations under the deferred compensation plan change in concert with the performance of the investments.

The tables on the following page summarize the carrying values of securities from December 31, 2005 through December 31, 2007. The maturity distribution of securities at December 31, 2007 is summarized by classification.

Securities
(dollar amounts in thousands)

	December 31, 2007	December 31, 2006	December 31, 2005
Available for sale			
Government agencies……………………….	$ 28,270	$ 38,733	$ 53,447
State and municipal…………………….….	37,832	34,097	26,645
Mortgage-backed & asset-backed…………	49,963	39,288	30,443
Corporate bonds……………….………….	1,981	-	-
Equity securities………………………….	2,959	2,922	2,948
Total available for sale…………………	121,005	115,040	113,483
Held to Maturity			
Government agencies……………………….	1,005	1,006	984
State and municipal…………………….….	-	645	1,365
Mortgage-backed & asset-backed…………	1	2	4
Total held to maturity…………………	1,006	1,653	2,353
Trading securities			
Mutual funds……………………………....	3,647	3,557	3,408
Total trading securities…………………	3,647	3,557	3,408
Total securities……………….…….	$ 125,658	$ 120,250	$ 119,244

Securities Maturity Schedule at December 31, 2007

	1 Year and Less		1 to 5 Years		5 to 10 Years		Over 10 Years		Total	
	Balance	**Rate**	**Balance**	**Rate**	**Balance**	**Rate**	**Balance**	**Rate**	**Balance**	**Rate**
Available for sale										
Government agencies……………………….	$ 9,899	4.51%	$ 17,648	4.70%	$ 723	5.72%	$ -		$ 28,270	4.66%
State and municipal………………………..	1,837	3.52%	28,468	3.47%	7,527	3.73%	-		37,832	3.52%
Corporate bonds……….…………………	997	5.17%	984	5.79%	-		-		1,981	5.48%
Mortgage-backed & asset-backed (1)……..	3,165	3.93%	27,589	4.84%	15,787	5.12%	3,422	5.36%	49,963	4.91%
Equity Securities (2)……………………….	2,959	4.42%	-		-		-		2,959	4.42%
Total available for sale…………………	$ 18,857		$ 74,689		$ 24,037		$ 3,422		$ 121,005	4.42%
Held to Maturity										
Government agencies……………………….	$ -		$ 1,005	4.85%	$ -		$ -		$ 1,005	4.85%
Mortgage-backed & asset-backed (1)...……	-		1	5.67%	-		-		1	5.67%
Total held to maturity…………………	$ -		$ 1,006		$ -		$ -		$ 1,006	4.85%
Trading Securities										
Mutual funds (2)………………………….	$ 3,647	3.63%	$ -		$ -		$ -		$ 3,647	3.63%
Total trading securities…………………	$ 3,647		$ -		$ -		$ -		$ 3,647	3.63%

(1) Mortgage-backed and asset-backed securities maturities are based on average life at the projected prepayment speed.
(2) Equity securities and mutual funds have no maturities

Securities (continued)

The majority of the securities portfolio is comprised of government agency securities, and mortgage-backed obligations. Trading securities consist solely of mutual funds and Monroe Bancorp stock held in a grantor trust, established for the Monroe Bancorp Directors' and Executives' Deferred Compensation Plan.

The securities portfolio carries varying degrees of risk. Investments in government agency and mortgage-backed securities have little or no credit risk. Obligations of states and political subdivisions and corporate securities are the areas of highest potential credit exposure in the portfolio. This risk is minimized through the purchase of high quality investments. The Company's investment policy requires that general obligations of other states and political subdivisions and corporate bonds must have a rating of A or better when purchased. In-state general obligation municipals must be rated Baa or better. In-state revenue municipals must be rated A or better and out-of-state revenue municipals must be rated AA or better at the time of purchase. The vast majority of these investments maintained their original ratings at December 31, 2007. No securities of an individual issuer, excluding the U.S. Government and its agencies, exceed 10 percent of the Company's shareholders' equity as of December 31, 2007. The Company does not use off-balance sheet derivative financial instruments. As of December 31, 2007 and December 31, 2006, the securities portfolio held no structured notes.

Loans

The loan portfolio constitutes the major earning asset of the Company, and offers the best alternative for maximizing interest spread above the cost of funds. The Company's loan personnel have the authority to extend credit under guidelines established and approved by the Board of Directors. Any credit which exceeds the authority of the loan officer, but is under $2,000,000 is reviewed by the Company's Officers' Loan Committee for approval. The committee is comprised of the President/CEO, the Senior Vice President Chief Credit Officer and several experienced loan officers. Aggregate relationships exceeding $2,000,000 are reviewed by the Board of Directors' Loan Committee for approval. This Loan Committee is comprised of six board members, one of whom is the President/CEO. The Loan Committee not only acts as an approval body to ensure consistent application of the Company's loan policy, but also provides valuable insight through communication and pooling of knowledge, judgment, and experience of its members.

The Company's primary lending area generally includes Monroe, Lawrence, Jackson, Hendricks, Hamilton and contiguous counties in Southern and Central Indiana. The Company extends out-of-area credit only to borrowers who are considered to be low risk, and then, only on a limited basis.

The following table reflects outstanding balances by loan type.

Loans Outstanding
(dollar amounts in thousands)

	December 31, 2007	2006	2005	2004	2003
Commercial and industrial……..	$ 103,069	$ 92,528	$ 89,850	$ 85,420	$ 81,989
Agricultural……………………	1,542	1,384	1,427	992	1,028
Real estate:					
One-to-four-family………….	91,530	94,817	99,180	104,541	104,739
Multi-family…………………	69,502	59,608	59,057	52,087	43,682
Commercial………………….	171,144	165,714	156,014	128,167	108,871
Construction…………………	101,011	97,006	68,066	61,828	40,560
Home equity…………………	25,222	26,515	28,792	26,188	21,760
Farm land……………………	3,462	3,195	3,216	1,450	1,538
Installment……………………	18,349	18,696	19,864	16,412	20,344
Total loans……………….	$ 584,831	$ 559,463	$ 525,466	$ 477,085	$ 424,511

The following table presents the composition of the loan portfolio expressed as a percent of total loans.

	December 31, 2007	2006	2005	2004	2003
Commercial and industrial…….	17.62 %	16.54 %	17.11 %	17.91 %	19.32 %
Agricultural……………………	0.26 %	0.25 %	0.27 %	0.21 %	0.24 %
Real estate:					
One-to-four-family………….	15.65 %	16.95 %	18.87 %	21.91 %	24.67 %
Multi-family…………………	11.89 %	10.65 %	11.24 %	10.92 %	10.29 %
Commercial………………….	29.27 %	29.62 %	29.69 %	26.86 %	25.65 %
Construction…………………	17.27 %	17.34 %	12.95 %	12.96 %	9.55 %
Home equity…………………	4.31 %	4.74 %	5.48 %	5.49 %	5.13 %
Farm land……………………	0.59 %	0.57 %	0.61 %	0.30 %	0.36 %
Installment……………………	3.14 %	3.34 %	3.78 %	3.44 %	4.79 %
Total………………………	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

The following table reflects the maturity schedule of loans. Also indicated are fixed and variable rate loans maturing after one year.

Loan Liquidity
(dollar amounts in thousands)

	Loan Maturities at December 31, 2007			
	1 Year and Less	1 - 5 Years	Over 5 Years	Total
Commercial and industrial	$ 64,867	$ 24,822	$ 14,922	$ 104,611
Real estate:				
One-to-four-family	3,576	6,967	80,987	91,530
Multi-family	292	11,069	58,141	69,502
Commercial	17,447	14,792	138,905	171,144
Construction	58,145	31,330	11,536	101,011
Home equity	75	-	25,147	25,222
Farm land	-	186	3,276	3,462
Installment	2,343	7,628	8,378	18,349
Total loans	$ 146,745	$ 96,794	$ 341,292	$ 584,831

Loans maturing after 1 year with:		
Fixed interest rates	$ 53,523	$ 70,420
Adjustable interest rates	43,271	270,872
	$ 96,794	$ 341,292

Deposits

The Company offers a wide variety of deposit products and services to individual and commercial customers, such as noninterest-bearing and interest-bearing checking accounts, savings accounts, money market accounts, and certificates of deposit. The deposit base provides the major funding source for earning assets.

The following table shows the average amount of deposits and average rates of interest paid thereon for the years indicated.

Deposit Information
(dollar amounts in thousands)

	2007		2006		2005	
	Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Noninterest-bearing……………….	$ 77,725		$ 77,647		$ 77,181	
Interest-bearing demand…………..	231,010	3.23%	226,905	3.10%	195,171	1.79%
Savings deposits……………………	17,940	0.50%	19,448	0.50%	22,103	0.36%
Time………………………………..	285,232	4.94%	258,762	4.21%	226,780	3.29%
Total average deposits……….	$ 611,907	4.05%	$ 582,762	3.56%	$ 521,235	2.48%

Certificates of deposit and other time deposits of $100,000 or more mature as follows:

CD's over $100,000
(dollar amounts in thousands)

	At December 31,		
	2007	**2006**	**2005**
3 months or less………..….	$ 32,831	$ 28,161	$ 26,571
3 through 6 months……….	30,023	21,369	12,479
6 through 12 months………	42,791	51,081	58,625
Over 12 months……………	22,957	15,430	39,731
	$ 128,602	$ 116,041	$ 137,406

Certificates of deposit of $100,000 or more totaled $128,602,000 at December 31, 2007, which was an increase of $12,561,000 compared to December 31, 2006. The Company began using brokered certificates of deposit as an alternative funding source in 2005. Beginning in 2006 and continuing through 2007, the Company has reduced its reliance on brokered certificates of deposit as retail and business certificates of deposit have increased. While the Company's primary focus for 2008 will be on growing core deposits, management anticipates it will continue to use brokered certificates of deposit as an alternative funding source in the future.

Borrowings

A detailed schedule of short-term borrowings follows:

Short-term Borrowings
(dollar amounts in thousands)

	December 31,		
	2007	**2006**	**2005**
Repurchase agreements outstanding……….………………………	$ 43,195	$ 70,784	$ 40,519
Federal funds purchased…………………………………………	24,850	2,075	-
Total short-term borrowings……………………..…..………	$ 68,045	$ 72,859	$ 40,519
Average federal funds purchased during the year………………	$ 2,085	$ 1,858	$ 6,779
Average repurchase agreements during the year…………………	$ 49,884	$ 54,644	$ 39,254
Maximun month-end federal funds purchased……………………	$ 24,850	$ 13,000	$ 31,000
Maximum month-end repurchase agreements…….………………	$ 65,589	$ 70,784	$ 46,622
YTD average interest rate on federal funds purchased…………	5.34%	5.15%	3.13%
Average interest rate at end of period on federal funds purchased	4.30%	5.51%	-
YTD Average interest rate on repurchase agreements………….	4.49%	4.46%	2.70%
Average interest rate at end of period on repurchase agreements.	3.73%	4.71%	3.68%

Repurchase agreements are borrowings which mature daily, and are secured by U.S. government agency obligations.

The Bank became a member of the Federal Home Loan Bank of Indianapolis ("FHLB") in 1997 and has the authority of the Company's Board of Directors to borrow up to $57,000,000 from the FHLB. All current and any future borrowings are secured by a blanket collateral pledge of the Bank's one-to-four family residential loans and multi-family loans. Other borrowings, consisting of FHLB advances, loans sold under repurchase agreements, a line of credit with another financial institution and two trust preferred debentures, were $28,376,000 and $25,220,000, as of December 31, 2007 and 2006, respectively. The FHLB borrowings accounted for the vast majority of other borrowings. The Company expects to primarily use deposit growth in the future as a source of loan funding and for general liquidity, but may continue to supplement this with additional FHLB advances.

Liquidity

A table detailing the maturity and repricing of the Company's assets accompanied by a discussion of the Company's interest rate sensitivity and liquidity is presented in the 2007 Annual Report to Shareholders Management's Discussion and Analysis on pages 25 to 27 under the caption "Interest Rate Sensitivity and Disclosures about Market Risk" and on page 27 under the caption "Liquidity."

The following table details the main components of cash flows for the years ended December 31, 2007 and 2006.

Funding Uses and Sources
(dollar amounts in thousands)

	Year Ended December 31, 2007			Year Ended December 31, 2006		
	Average	Increase/(Decrease)		Average	Increase/(Decrease)	
	Balance	Amount	Percent	Balance	Amount	Percent
Funding Uses						
Loans, net of unearned income	$ 564,483	$ 15,020	2.73 %	$ 549,463	$ 49,960	10.00 %
Taxable securities	87,238	(29)	(0.03) %	87,267	(7,298)	(7.72) %
Tax-exempt securities	35,498	5,212	17.21 %	30,286	13,073	75.95 %
Interest-earning deposits	3,042	(472)	(13.43) %	3,514	2,005	132.87 %
FHLB stock	2,312	(155)	(6.28) %	2,467	(39)	(1.56) %
Federal funds sold	11,102	2,100	23.33 %	9,002	6,206	221.96 %
Total uses	$ 703,675	$ 21,676	3.18 %	$ 681,999	$ 63,907	10.34 %
Funding Sources						
Noninterest-bearing deposits	$ 77,725	$ 78	0.10 %	$ 77,647	$ 466	0.60 %
Interest-bearing demand, savings & time	534,182	29,067	5.75 %	505,115	61,061	13.75 %
Short-term borrowings	51,968	(4,534)	(8.02) %	56,502	10,470	22.75 %
Other borrowings	28,791	(2,136)	(6.91) %	30,927	(8,145)	(20.85) %
Total sources	$ 692,666	$ 22,475	3.35 %	$ 670,191	$ 63,852	10.53 %

Capital Adequacy

Management believes the Company and Bank met all the capital requirements as of December 31, 2007 and 2006, and the Bank was well-capitalized under the guidelines established by the banking regulators. To be well-capitalized, the Bank must maintain the prompt corrective action capital guidelines discussed in the “Capital Regulations” subsection of the “Regulation and Supervision” portion of this document. Consolidated capital amounts and ratios are presented in the following table. Bank capital levels are substantially similar.

At December 31, 2007 management was not aware of any current recommendations by banking regulatory authorities which, if they were to be implemented, would have, or are reasonably likely to have, a material effect on the Company's consolidated liquidity, capital resources or operations.

Capital
(dollar amounts in thousands)

	At December 31, 2007	At December 31, 2006
Tier 1 capital		
Shareholders' equity………………………………….	$ 54,452	$ 53,505
Less: Intangibles……..………………………………	-	-
Add: Unrealized (gain)/loss on securities……..……..	(223)	818
Add: Qualifying trust preferred securities…………..	8,248	3,093
Deduct: Unrealized loss on available for sale equities.	(25)	(47)
Total Tier 1 capital……..…………………………	$ 62,452	$ 57,369
Total risk-based capital		
Tier 1 capital…………………...…………………….	$ 62,452	$ 57,369
Tier 2 capital…………………………..……………..	6,654	6,144
Total risk-based capital……………………………	$ 69,106	$ 63,513
Risk weighted assets……………………………………	$ 607,801	$ 573,145
Quarterly average assets……..…...……………………….	$ 767,537	$ 744,993
Risk-based ratios:		
Tier 1 capital (to risk-weighted assets)………………	10.28%	10.01%
Total risk-based capital (to risk-weighted assets)…….	11.37%	11.08%
Leverage ratio (Tier 1 capital to average assets)……..	8.14%	7.70%

ITEM 1A. RISK FACTORS

SLOWER THAN ANTICIPATED GROWTH IN THE BANK'S NEW BANKING CENTERS COULD RESULT IN REDUCED NET INCOME

The Company has placed a strategic emphasis on expanding the banking center network of the Bank. The Company opened a full service banking center in Brownsburg, Hendricks County, Indiana in January of 2006, opened a full service banking center in Plainfield, Hendricks County, Indiana in December of 2007, and opened a full service banking center in Avon, Hendricks County, Indiana in January of 2008. Additionally, the Company is currently constructing a full service banking center in Noblesville, Hamilton County, Indiana that is expected to open in the late summer of 2008. Executing this strategy carries risks of slower than anticipated growth in the new banking centers. New banking centers require a significant investment of both financial and personnel resources. Lower than expected loan and deposit growth in the new banking centers could result in lower than expected revenues and net income generated by those investments. Opening new banking centers could result in more additional expenses than anticipated and divert resources from current core operations.

INABILITY TO HIRE OR RETAIN CERTAIN KEY PROFESSIONALS, MANAGEMENT AND STAFF COULD ADVERSELY AFFECT OUR REVENUES AND NET INCOME

The Company relies on key personnel to manage and operate its business, including major revenue generating functions such as the loan and deposit portfolios. The loss of key staff may adversely affect the Company's ability to maintain and manage these portfolios effectively, which could negatively affect the Company's revenues. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which could cause a decrease in the Company's net income.

THE COMPANY IS SUBJECT TO INTEREST RATE RISK

The Company's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the Company's control, including general economic conditions and policies of various governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect the Company's ability to originate loans and obtain deposits and the fair value of the Company's financial assets and liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Company's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

THE COMPANY'S ALLOWANCE FOR POSSIBLE LOAN LOSSES MAY BE INSUFFICIENT

The Company maintains an allowance for possible loan losses, which is a reserve established through a provision for possible loan losses charged to expense that represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for possible loan losses inherently involves a high degree of subjectivity and requires management to make significant estimates of current credit risks and future trends, all of which may undergo material changes. In addition, bank regulatory agencies periodically review the Company's allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. If charge-offs in future periods exceed the allowance for possible loan losses, the Company will need additional provisions to increase the allowance for possible loan losses. Any increases in the allowance for possible loan losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Company's financial condition and results of operations.

THE COMPANY IS SUBJECT TO ENVIRONMENTAL LIABILITY RISK ASSOCIATED WITH LENDING ACTIVITIES

A significant portion of the Company's loan portfolio is secured by real property. During the ordinary course of business, the Company may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Company may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Company to incur substantial expenses and may materially reduce the affected property's value or limit the Company's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Company's exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Company's financial condition and results of operations.

THE COMPANY IS SUBJECT TO EXTENSIVE GOVERNMENT REGULATION AND SUPERVISION

The Company, primarily through the Bank, is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products the Company may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations.

THE COMPANY'S CONTROLS AND PROCEDURES MAY FAIL OR BE CIRCUMVENTED

Management regularly reviews and updates the Company's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations and financial condition.

THE COMPANY'S INFORMATION SYSTEMS MAY EXPERIENCE AN INTERRUPTION OR BREACH IN SECURITY

The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, deposit, loan and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of the Company's information systems could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

CHANGES IN TECHNOLOGY COULD BE COSTLY

The banking industry is undergoing technological innovation. In order to maintain its competitive position, the Company must react to these innovations and evaluate the technologies to enable it to compete on a cost-effective basis. The cost of such technology, including personnel, may be high in both absolute and relative terms. There can be no assurance, given the fast pace of change and innovation, that the Company's technology will meet or continue to meet its needs.

THE TRADING VOLUME IN THE COMPANY'S COMMON STOCK IS LESS THAN THAT OF OTHER LARGER FINANCIAL SERVICES COMPANIES

Although the Company's common stock is listed for trading on NASDAQ Global Market, the trading volume in its common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. Given the lower trading volume of the Company's common stock, significant sales of the Company's common stock, or the expectation of these sales, could cause the Company's stock price to fall.

WE MAY NOT BE ABLE TO PAY DIVIDENDS IN THE FUTURE IN ACCORDANCE WITH PAST PRACTICES

The Company may not be able to pay dividends in accordance with past practice. The Company traditionally pays a quarterly dividend to stockholder. The payment of dividends is subject to legal and regulatory restrictions and, therefore, any payment of dividends in the future will depend in large part on the Company's earnings, capital requirements, financial conditions and other factors considered relevant by the Company's board of directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The Company, through the Bank, currently operates its business from its main office in downtown Bloomington, Indiana and from sixteen additional locations in Monroe, Jackson, Hendricks, and Lawrence counties in Indiana. The Company opened an additional banking center (included in the aforementioned totals) located in Avon, Hendricks County, Indiana in January 2008 and also has an operations center located in Bloomington, Monroe County, Indiana. Information about those locations is set forth in the table on the following page.

NAME OF OFFICE	LOCATION	OWNED/LEASED
Downtown Main Office	210 East Kirkwood Avenue Bloomington, IN 47408	Owned
Business Center	111 South Lincoln Street Bloomington, IN 47408	Owned
Ellettsville Banking Center	4616 West Richland Plaza Bloomington, IN 47404	Owned
Highland Village Banking Center	4191 West Third Street Bloomington, IN 47404	Owned
Kinser Crossing Banking Center	1825 North Kinser Pike Bloomington, IN 47404	Leased
Kirkwood Auto Branch	306 East Kirkwood Avenue Bloomington, IN 47408	Owned
Mall Road Banking Center	2801 Buick-Cadillac Boulevard Bloomington, IN 47401	Owned
Walnut Park Banking Center	2490 South Walnut Street Bloomington, IN 47403	Owned
Brownstown Banking Center	1051 West Spring Street Brownstown, IN 47220	Owned
Avon Banking Center (Opened January 2008)	9720 East US Highway 36 Avon, IN 46123	Owned
Brownsburg Banking Center	1490 North Green Street Brownsburg, IN 46112	Owned
Indianapolis Commercial Center	7517 Beechwood Centre Road Avon, IN 46123	Leased
Plainfield Banking Center	802 Edwards Drive Plainfield, IN 46168	Owned
Bedford Banking Center	Limestone Business Center, 2119 West 16th Street Bedford, IN 47421	Leased
Bell Trace Banking Center	800 Bell Trace Circle Bloomington, IN 47408	Leased
Meadowood Banking Center	2455 Tamarack Trail Bloomington, IN 47408	Leased
Redbud Hills Banking Center	3211 East Moores Pike Bloomington, IN 47401	Leased
Operations Center	5001 North State Road 37-Business Bloomington, IN 47404	Leased

The Company owns its main office. It owns ten of its other banking center locations and leases space for six banking centers. The Company also leases its Operations Center. The main office contains approximately 18,656 square feet of space, and is occupied solely by the Company. The Company's data processing center, bookkeeping, loan operations and deposit operations departments are located at the Operations Center.

ITEM 3. LEGAL PROCEEDINGS.

There are no material pending legal proceedings, other than routine litigation incidental to the business of the Company or the Bank, to which the Company or the Bank is a party or of which any of its property is subject. Further, there is no material legal proceeding in which any director, officer, principal shareholder, or affiliate of the Company, or any associate of such director, officer, principal shareholder or affiliate is a party, or has a material interest, adverse to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted during the fourth quarter of 2007 to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's common stock is quoted on the NASDAQ Global Market under the symbol "MROE." The following table sets forth, for the periods indicated, the high and low sales prices for the Company's common stock as reported by the NASDAQ Global Market:

Price Per Share

	2007		2006		Dividends Declared	
Quarter	**High**	**Low**	**High**	**Low**	**2007**	**2006**
First Quarter	$ 17.96	$ 16.20	$ 16.00	$ 15.00	$ 0.12	$ 0.12
Second Quarter	17.54	16.00	15.93	15.10	0.12	0.12
Third Quarter	18.77	16.50	16.74	15.46	0.12	0.12
Fourth Quarter	17.99	15.42	17.31	16.38	0.13	0.12

In each quarter during 2007 and 2006, the Company declared and paid the cash dividends listed in the table above for a per share total of $0.49 and $0.48 for 2007 and 2006, respectively. The Company has paid a regular cash dividend for over twenty-six consecutive years. The Company currently expects that comparable cash dividends will continue to be paid in the future, although we can give no assurance as to this.

Without prior approval, current regulations allow the Bank to pay dividends to the Company not exceeding net profits (as defined) for the current year plus those for the previous two years. The Bank normally restricts dividends to a lesser amount because of the need to maintain an adequate capital structure. Total shareholders' equity of the Bank at December 31, 2007 was $62,025,000 of which $52,397,000 was restricted from dividend distribution to the Company. The Company does not anticipate that this regulatory limitation will affect the future payment of dividends.

As of March 1, 2008, there were approximately 264 shareholders of record.

During 2007, no stock options were exercised and there were no sales of unregistered securities.

Stock Repurchased During the Fourth Quarter of 2007

None.

The stock repurchase plan was announced June 16, 2006. Total dollar amount approved: $10,000,000. The plan has no expiration date, but the Board of Directors may terminate the plan at anytime. The Board of Directors suspended repurchase activities for the fourth quarter of 2007 and the first quarter of 2008. The Company's most recent stock repurchase transaction took place on August 7, 2007.

ITEM 6. SELECTED FINANCIAL DATA.

The information required under this item is incorporated by reference to pages 18 through 19 of the Company's 2007 Annual Report to Shareholders under the caption "Five-Year Financial Summary."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required under this item is incorporated by reference to pages 20 through 31 of the Company's 2007 Annual Report to Shareholders under the caption "Management's Discussion and Analysis."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information required under this item is incorporated by reference to pages 25 through 27 of the Company's 2007 Annual Report to Shareholders under the caption "Management's Discussion and Analysis - Interest Rate Sensitivity and Disclosures about Market Risk."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required under this item are incorporated herein by reference to pages 33 through 55 of the Company's 2007 Annual Report to Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls And Procedures

The Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) based on their evaluation of these controls and procedures as required by Rule 13a-15 as of the end of the period covered by this Form 10-K are effective in ensuring that information required to be disclosed by the Company in a report that it files or submits under the Securities Exchange

Act of 1934, it is recorded, processed, summarized and reported within the time period specified by the rules and forms of the Securities and Exchange Commission, and are accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2007.

The Company's independent registered public accounting firm has issued their report on the effectiveness of the Company's internal control over financial reporting. That report follows under the heading, Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Attestation Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Shareholders
Monroe Bancorp
Bloomington, Indiana

We have audited Monroe Bancorp's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Monroe Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Monroe Bancorp and our report dated February 29, 2008, expressed an unqualified opinion thereon.

BKD, LLP

Indianapolis, Indiana
February 29, 2008

ITEM 9B. OTHER INFORMATION.

On December 12, 2007, the Company's Compensation Committee approved the following 2008 compensation for the Company's directors.

The directors of the Company and the Bank other than the Chairman of the Board will be compensated for their services in the amount of $800 per board meeting held. All directors, other than inside directors, also will receive a fee of $500 for each committee meeting held. The Chair of the Audit Committee will receive a fee of $2,000 for each Audit Committee meeting held. All other committee chairpersons will receive $650 for each committee meeting held. The Chairman of the Board of Directors will receive an annual fee of $38,000 and will not receive any additional compensation for meetings attended.

Directors may defer receipt of fees into a grantor trust established by the Company. Amounts which are deferred are invested in various mutual funds or Monroe Bancorp common stock at the participant's direction.

2007 Schedule of Executive Officer Compensation

On December 12, 2007, the Company's Compensation Committee approved the following 2008 salaries for the Company's named executive officers:

Name and Principal Position	Salary
Mark D. Bradford, President, CEO and Director	$225,002
John E. Christy, President, Central Indiana Region	$155,000
Gordon M. Dyott, Executive Vice President, Chief Financial Officer	$147,750
Christopher G. Tietz, Senior Vice President, Chief Credit Officer	$145,250
R. Scott Walters, Senior Vice President, Wealth Management Group	$123,450
J. Scot Davidson, Senior Vice President, Retail Banking	$106,986

Monthly and Annual Variable Incentive Compensation. The Named Executive Officers are also compensated under the monthly and annual variable incentive compensation program.

The monthly component of incentive compensation provides the executives with a fixed amount each month if the Bank's rolling three-month net income exceeded the Bank's budgeted rolling three-month net income as of the end of the specific month. In January, this incentive is based on the Bank's January net income and in February, it is based on the Bank's net income for the two months ended February 29, 2008. For 2008, Mr. Bradford is eligible to receive $2,500 per month under this component of incentive compensation; Mr. Dyott is eligible to receive $2,000 per month; Mr. Walters is eligible to receive $1,000 per month; Mr. Tietz is eligible to receive $1,000 per month; Mr. Christy is eligible to receive $1,000 per month; and Mr. Davidson is eligible to receive $750 per month.

Under the annual variable incentive compensation component of the program, there is specified a percentage of the annual increase in the Bank's net income over the prior year's net income that each executive officer will receive. These amounts cannot be determined and will not be paid until the Bank's final performance results for 2008 have been determined.

In addition, all of the executive officers except Mr. Bradford may also receive variable incentive compensation based on performance criteria established for the various areas of the Company directly under their control. Mr. Bradford will not have his payments under the annual variable incentive compensation program be contingent on any other performance criteria, other than the increase in Bank's income as discussed above.

The target payout for each Executive Officer participating in the program is based upon bonus targets for equivalent positions at peer group companies. For 2008, the target payout for Mr. Bradford is 14.8% of his base salary; the target payout for Mr. Dyott is 20.0% of his base salary; the target payout for Mr. Walters is 41.9% of his base salary; the target payout for Mr. Tietz is 18.6% of his base salary; the target payout for Mr. Davidson is 26.5% of his base salary; and, the target payout for Mr. Christy is 23.6% of his base salary.

During 2008 Mark Bradford will also receive from the Company certain perquisites with a total value estimated at approximately $16,000. These perquisites consist of a car allowance and social club memberships. While the other executive officers enjoy certain perquisites, such perquisites do not exceed $10,000 and are not required to be disclosed by applicable rules of the Securities and Exchange Commission.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

In accordance with the provisions of General Instruction G to Form 10-K, the information required for the remainder of the required disclosures under Item 10 is not set forth herein because the Company intends to file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A not later than 120 days following the end of its 2007 fiscal year, which Proxy Statement will contain such information. The information required by Item 10 is incorporated herein by reference to such Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

In accordance with the provisions of General Instruction G to Form 10-K, the information required for the remainder of the required disclosures under Item 11 is not set forth herein because the Company intends to file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A not later than 120 days following the end of its 2007 fiscal year, which Proxy Statement will contain such information. The information required by Item 11 is incorporated herein by reference to such Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by securities holders	371,250	$ 18.25	125,950
Equity compensation plans not approved by security holders	-	-	-
Total	371,250	$ 18.25	125,950

In accordance with the provisions of General Instruction G to Form 10-K, the information required for the remainder of the required disclosures under Item 12 is not set forth herein because the Company intends to file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A not later than 120 days following the end of its 2007 fiscal year, which Proxy Statement will contain such information. The information required by Item 12, with the exception of the table presented above, is incorporated herein by reference to such Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

In accordance with the provisions of General Instruction G to Form 10-K, the information required for the remainder of the required disclosures under Item 13 is not set forth herein because the Company intends to file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A not later than 120 days following the end of its 2007 fiscal year, which Proxy Statement will contain such information. The information required by Item 13 is incorporated herein by reference to such Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In accordance with the provisions of General Instruction G to Form 10-K, the information required for the remainder of the required disclosures under Item 14 is not set forth herein because the Company intends to file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A not later than 120 days following the end of its 2007 fiscal year, which Proxy Statement will contain such information. The information required by Item 14 is incorporated herein by reference to such Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

* The page numbers indicated refer to pages of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2007, which is incorporated herein by reference.

(a) 2. Financial statement schedules:

All schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or related notes.

(a) 3. Exhibits:

Exhibit No:	Description of Exhibit:
3(i)	Monroe Bancorp Articles of Incorporation are incorporated by reference to registrant's Form 10 filed November 14, 2000.
3(ii)	Monroe Bancorp By-laws as Amended and Restated August 16, 2007, are incorporated by reference to registrant's Form 8-K filed August 22, 2007.
10(i)*	1999 Directors' Stock Option Plan of Monroe Bancorp is incorporated by reference to registrant's Form 10 filed November 14, 2000.
10(ii)*	1999 Management Stock Option Plan of Monroe Bancorp is incorporated by reference to registrant's Form 10 filed November 14, 2000.
10 (iii)*	Deferred Compensation Trust for Monroe Bancorp is incorporated by reference to registrant's Form 10 filed November 14, 2000.
10(iv)*	Monroe County Bank Agreement for Supplemental Death or Retirement Benefits is incorporated by reference to registrant's Form 10 filed November 14, 2000.
10(v)*	Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001 is incorporated by reference to registrant's Form 10-Q filed November 13, 2002.

10(vi)*	Monroe Bancorp Employee Stock Ownership Plan as Amended and Restated January 1, 2001 is incorporated by reference to registrant's Form 10-Q filed November 13, 2002.
10(vii)*	Third Amendment to the Monroe Bancorp Employees' Stock Ownership Plan is incorporated by reference to registrant's Form 10-K filed March 29, 2004.
10(viii)*	Monroe Bancorp Directors' Deferred Compensation Plan as Amended and Restated Effective January 1, 1999 and First and Second Amendments are incorporated by reference to registrant's Form 10-K filed March 29, 2004.
10(ix)*	Monroe Bancorp Executives' Deferred Compensation Plan as Amended and Restated Effective January 1, 1999 and First, Second and Third Amendments are incorporated by reference to registrant's Form 10-K filed March 29, 2004.
10(x)*	Form of agreement under the 1999 Management Stock Option Plan of Monroe Bancorp is incorporated by reference to registrant's Form 10-K filed March 15, 2005.
10(xi)*	Schedule of 2007 Directors Compensation Arrangements is incorporated by reference to registrant's Form 8-K filed December 13, 2006.
10(xii)*	Schedule of 2007 Executive Officers Compensation Arrangements is incorporated by reference to registrant's Form 8-K filed December 13, 2006.
10(xiii)*	Fourth Amendment to the Monroe Bancorp Employees' Stock Ownership Plan is incorporated by reference to Form 10-Q filed May 9, 2005.
10(xiv)*	Monroe Bancorp Directors' 2005 Deferred Compensation Plan incorporated by reference to Form 10-K filed March 14, 2006.
10(xv)*	Monroe Bancorp Executives' 2005 Deferred Compensation Plan incorporated by reference to Form 10-K filed March 14, 2006.
10(xvi)*	Form of agreement under the Monroe Bancorp Directors' 2005 Deferred Compensation Plan incorporated by reference to Form 10-K filed March 14, 2006.
10(xvii)*	Form of agreement under the Monroe Bancorp Executives' 2005 Deferred Compensation Plan incorporated by reference to Form 10-K filed March 14, 2006.
10(xviii)*	First Amendment to the Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001, incorporated by reference to Form 10-Q filed May 9, 2006.
10(xix)*	Second Amendment to the Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001, incorporated by reference to Form 10-Q filed May 9, 2006.
10(xx)*	Third Amendment to the Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001, incorporated by reference to Form 10-Q filed May 9, 2006.
10(xxi)*	Fourth Amendment to the Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001, incorporated by reference to Form 10-Q filed May 9, 2006.

10(xxii)*	Fifth Amendment to the Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001, incorporated by reference to Form 10-Q filed May 9, 2006.
10(xxiii)*	Sixth Amendment to the Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001, incorporated by reference to Form 10-Q filed May 8, 2007.
10(xxiv)*	Seventh Amendment to the Monroe Bancorp Thrift Plan as Amended and Restated January 1, 2001, incorporated by reference to Form 10-K filed March 13, 2008.
10(xxv)*	Fifth Amendment to the Monroe Bancorp Employees' Stock Ownership Plan is incorporated by reference to Form 10-K filed March 13, 2008.
13	Annual Report to Shareholders for the year ended December 31, 2007.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31(i)	Certification for Annual Report on Form 10-K by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(ii)	Certification for Annual Report on Form 10-K by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(i)	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(ii)	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement

(b) Exhibits.

See the list of exhibits in Item 15(a)(3).

(c) Financial Statement Schedules.

All schedules are omitted as the required information either is not applicable or is included in the 2007 Annual Report to Shareholders or related notes.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 13th day of March 2008.

MONROE BANCORP

By: /s/ Mark D. Bradford
Mark D. Bradford, President, Chief Executive Officer, (Principal Executive Officer)

By: /s/ Gordon M. Dyott
Gordon M. Dyott
Executive Vice President, Chief Financial Officer, (Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature Date	Title/Capacity
/s/ Mark D. Bradford Mark D. Bradford Date: March 4, 2008	President, Chief Executive Officer (Principal Executive Officer) and Director
/s/ Gordon M. Dyott Gordon M. Dyott Date: March 4, 2008	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
/s/ David T. Meier David T. Meier Date: March 6, 2008	Vice President, Director of Finance (Principal Accounting Officer)
/s/ Charles R. Royal, Jr. Charles R. Royal, Jr. Date: March 3, 2008	Director, Chairman
/s/ James D. Bremner James D. Bremner Date: March 4, 2008	Director
/s/ Bradford J. Bomba, Jr. M.D. Bradford J. Bomba, Jr. M.D. Date: March 4, 2008	Director
/s/ Steven R. Crider Steven R. Crider Date: March 5, 2008	Director
/s/ James G. Burkhart James G. Burkhart Date: March 5, 2008	Director
/s/ Joyce Claflin Harrell Joyce Claflin Harrell Date: March 4, 2008	Director
/s/ Harry F. McNaught, Jr. Harry F. McNaught, Jr. Date: March 4, 2008	Director
/s/ Paul W. Mobley Paul W. Mobley Date: March 5, 2008	Director

Exhibit 13 - 2007 Annual Report

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Exhibit 21 – Subsidiaries of the Registrant

Name	State of Incorporation
Monroe Bank	Indiana
MB Portfolio Management, Inc. (Subsidiary of the Bank)	Delaware
MB REIT, Inc. (Subsidiary of MB Portfolio Management, Inc.)	Maryland

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (file number 333-117270) of our report, dated February 29, 2008 on our audits of the consolidated financial statements of Monroe Bancorp as of December 31, 2007 and 2006 and for each of the years in the three-year period ended December 31, 2007, which report is incorporated by reference in Monroe Bancorp's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. We also consent to the incorporation by reference of our report dated February 29, 2008, on our audit of the internal control over financial reporting of Monroe Bancorp as of December 31, 2007, which report is included in this Annual Report on Form 10-K.

/s/BKD, LLP

Indianapolis, Indiana
March 11, 2008

Exhibit 31(i)

Certification for Annual Report on Form 10-K by Principal Executive Officer

I, Mark D. Bradford, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Monroe Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2008

/s/ Mark D. Bradford
Mark D. Bradford
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31(ii)

Certification for Annual Report on Form 10-K by Principal Financial Officer

I, Gordon M. Dyott, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Monroe Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   c) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2008

/s/ Gordon M. Dyott
Gordon M. Dyott
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32(i)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Monroe Bancorp (the "Company") on Form 10-K for the year ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark D. Bradford, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Mark D. Bradford

Mark D. Bradford
President, Chief Executive Officer
(Principal Executive Officer)
March 13, 2008

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed for any other purpose.

Exhibit 32(ii)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Monroe Bancorp (the "Company") on Form 10-K for the year ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gordon M. Dyott, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Gordon M. Dyott

Gordon M. Dyott
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)
March 13, 2008

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed for any other purpose.