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March 3, 2009

Neil M. Barofsky, Special Inspector General  
Office of the Special Inspector General  
Troubled Asset Relief Program  
1500 Pennsylvania Avenue, N.W., Suite 1064  
Washington, D.C. 20220

Dear Mr. Barofsky;

The purpose of this correspondence is to reply to your request for information regarding our participation in the Capital Purchase Program as outlined in your letter dated February 6, 2009. The United States Treasury invested \$2,000,000 in preferred stock in Surrey Bancorp on January 9, 2009 under the "Private Company" rules of the Capital Purchase Program. We have numbered our response to correspond with your numbered paragraphs.

1. (a) Anticipated Use of the TARP

(b) (8)

(b) (8)

First, our institution is an active business lender. We utilize government lending programs under the Small Business Administration and United States Department of Agriculture. As of January 31, 2009, Surrey Bank & Trust, our bank subsidiary, had total assets of \$210,000,000. Due to our small size and capital constraints, our institution must sell participations in business loans to meet our policy and regulatory guidelines to adhere to sound lending practices. (b) (4)

(b) (4)

Currently, our bank has approximately \$30mm in sold loan participations. At the time of our original application, the secondary market for purchase of loan participations and whole loans had declined dramatically. The secondary market for purchase of loans remains limited. (b) (4)

(b) (4)

1. (b) Segregation of TARP Funds

Since the Treasury invested the CPP funds in our company as capital, the TARP funds were treated as any other form of capital and not segregated. As required by generally accepted accounting practices, the funds were pooled with other funds capital funds of our institution and designated as preferred stock on the balance sheet as Tier 1 capital.

1. (c) Use of TARP Funds

Surrey Bank & Trust remains actively involved in lending to customers in its service area. The institution made \$23,768,000 in new loans from November 2008 through January 2009. Gross loans outstanding increased by \$4,012,000 (double the amount of the CPP investment) during the period to \$174,322,000, an increase of 2.4%. Based on the current loan pipeline, the company should continue to experience loan growth over the next ninety days.

1. (d) Use of Unspent TARP Funds

The CCP funds are part of our capital base, which will be used to support loan growth opportunities cited above and, under certain circumstances, restructure existing loans for customers who are experiencing problems with their current obligations. (b) (4)

(b) (4)

2. Executive Compensation Requirements

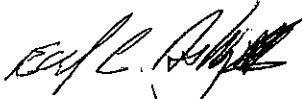
The Board of Directors Compensation Committee held a meeting on February 27, 2009 to review the base salary and incentive compensation programs for senior officers affected by the CPP investment for 2009. Based on the small size of our company and the rural markets in which we operate, our compensation levels for senior officers have historically been moderate and are well below the maximum amount prescribed in the regulation. Additionally, the Committee assessed budgeted loan growth and revenues related to loan generation to their respective compensation programs. Loan growth is only one component of our incentive compensation program. (b) (4)

(b) (4)

(b) (4) The committee found the compensation agreements did not encourage or reward unnecessary and excessive-risk taking that would undermine the stability of the institution. The minutes of the meeting and supporting documentation will be reviewed at the March meeting of the Board of Directors of Surrey Bancorp. The institution has four senior officers with employment agreements and deferred compensation agreements. These agreements were reviewed and amended by legal counsel in December 2008 to comply regulations issued by the Treasury at that time. The amendments were made prior to our receipt of the CPP preferred shares. We have not amended any deferred compensation or other compensation plans in order to offset the CPP limitations on executive compensation. The institution's legal counsel is currently reviewing the company's executive compensation agreements to insure they remain in compliance with the CPP program. Additionally, legal counsel is reviewing all information related to compensation to insure all certifications provided to the treasury are properly supported.

I certify that the information is true and correct to the best of my knowledge and belief, pursuant to title 18, United State Code, Section 1001.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward C. Ashby, III". The signature is stylized and somewhat cursive, with a prominent initial "E" and "A".

Edward C. Ashby, III  
President/CEO

Attachments:

Press Release

Pipeline Report- Pending Commercial Loan Requests\*

November, December & January Gross Loan Balances\*

November, December & January Loan Volume Reports\*

Letter of Support to FDIC for TARP Request\*

Internal Budget for 2009\*

\*Confidential Information



Post Office Box 1227  
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For Immediate Release  
January 9, 2009

For additional information, please contact:  
Ted Ashby, CEO, or Mark Towe, CFO  
(336) 783-3900

## **Surrey Bancorp Completes \$2 Million Capital Offering Under U.S. Treasury Capital Purchase Plan**

MOUNT AIRY, NC -- Surrey Bancorp (SRYB) announced today that it has raised \$2 million in capital as a result of its participation in the U. S. Treasury's Capital Purchase Program of the Emergency Economic Stabilization Act of 2008.

The Company issued 2,000 shares of Surrey Bancorp preferred stock at a 5 percent annual dividend rate for the first five years, increasing to 9 percent in subsequent years if the shares are not redeemed. These shares can be redeemed after three years.

In addition, related warrants will allow the Treasury to obtain additional shares of preferred stock at an annual dividend rate of 9 percent. Shares purchased with the warrants can also be redeemed after three years.

The Company's Tier 1 capital ratio, a measure of financial strength and soundness, will increase from 14.83 percent as of September 30, 2008, to 16.01 percent as a result of its participation in the program.

"Surrey Bancorp has always been extremely well capitalized, but given the uncertain economic climate, we felt it prudent to further strengthen our capital position," Edward C. (Ted) Ashby III, President and CEO said. "The additional capital will also extend our lending capability." The Company has a five-star Superior rating from BauerFinancial, Inc.

Surrey Bancorp is the holding company for Surrey Bank & Trust and is located at 145 North Renfro Street, Mount Airy, North Carolina. Surrey Bank & Trust operates full service branch offices at 145 North Renfro Street, 1280 West Pine Street, and 2050 Rockford Street in Mount Airy. Full-service branch offices are also located at 653 South Key Street in Pilot Mountain, North Carolina, and 940 Woodland Drive in Stuart, Virginia.

Surrey Bank & Trust is engaged in the sale of insurance through its wholly-owned subsidiary, SB&T Insurance, located at 199 North Renfro Street in Mount Airy. The Bank also owns Surrey Investment Services, Inc., which provides full-service brokerage and investment advice through an association with UVest Financial Services, and Freedom Finance, LLC, a sales finance company located at 165 North Renfro Street in Mount Airy.

Surrey Bank & Trust can be found online at [www.surreybank.com](http://www.surreybank.com).

*Information in this press release contains "forward-looking statements." These statements involve risks and uncertainties that could cause actual results to differ materially, including without limitation, the effects of future economic conditions, governmental fiscal and monetary policies, legislative and regulatory changes, the risks of changes in interest rates and the effects of competition. Additional factors that could cause actual results to differ materially are discussed in Surrey Bancorp's recent filings with the Securities and Exchange Commission, included but not limited to its Annual Report on Form 10-K and its other periodic reports.*

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PIPELINE REPORT

OUTSTANDING COMMERCIAL LOAN COMMITMENTS  
JANUARY 2009

Borrower	Credit Amount	Loan Officer	Competing Bank	Status of Request	Date of Application	Comments
b(4), b(6)	\$262,500	(b) (6)	(b) (4)	In Process	December-08	Inventory & Equipment
	\$262,500					
	\$0					
	\$112,250					
	\$120,000					
\$25,000			Committed	January-09	Closed 2/9/09	
\$257,250			Committed	December-09	Closed 2/2/09	
			Committed	January-09	Closed 2/6/09	
<b>Total</b>	<b>\$519,750</b>					

PENDING RESTRUCTURES/RENEWALS  
JANUARY 2009

Borrower	Credit Amount	Loan Officer	Status of Request	Date of Application	Comments
b(4), b(6)	\$82,500	(b) (6)	Approved		Real Estate Balloon Renewal
	\$55,000				
	\$37,265				
	\$121,825				
	\$37,000				
	\$66,000		In Process	Annual Renewal	
	\$378,590				
	\$300,000				
	\$300,000				
	\$0				
\$0			In process		Annual Renewal
<b>Total</b>	<b>\$678,590</b>				

PENDING COMMERCIAL LOAN REQUESTS  
JANUARY 2009

Borrower	Credit Amount	Loan Officer	Status of Request	Date of Application	Comments					
b(4), b(6)	\$1,000,000	(b) (6)	Pending	April-08	Line of Credit					
	\$1,000,000									
	\$62,000					In Process	Real Estate & Equipment			
	\$550,000									
	\$500,000									
	\$760,000									
	\$30,000									
	\$92,000									
	\$1,994,000									
	\$6,500,000							In Process	USDA Loan	
	\$4,550,000									
	\$1,950,000							In Process	Waiting on USDA to approve rate changes	
	\$13,000,000									
	\$1,600,000					Approved	Real Estate			
	\$280,000									
	\$50,000									
	\$45,000									
	\$60,000									
	\$200,000									
	\$54,400									
	\$2,295,400									
	\$10,000							In Process	Inventory; SBA Guaranty	
	\$52,000									
	\$172,000									
	\$36,120									
	\$90,000									
	\$360,120							In Process	February	Real Estate
								In Process	February	Real Estate
			In Process	February	Real Estate					
			In Process	February	Real Estate					
			In Process	March	Real Estate					
<b>TOTAL</b>	<b>\$18,653,520</b>									

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**SURREY BANK & TRUST  
STATEMENT OF CONDITION  
NOVEMBER 30, 2008**

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<u>ASSETS</u>	<u>CURRENT BALANCE</u>	<u>PCT OF ASSETS</u>	<u>PREVIOUS BALANCE</u>	<u>PCT OF ASSETS</u>
TOTAL CASH	\$1,325,841.78	0.652%	\$1,169,349.74	0.570%
TOTAL PETTY CASH	1,500.00	0.001%	1,500.00	0.001%
TOTAL CASH	1,327,341.78	0.652%	1,170,849.74	0.571%
TOTAL CASH ITEMS	281.66	0.000%	0.00	0.000%
TOTAL DUE FROM BANKS	196,907.04	0.097%	239,219.09	0.117%
TOTAL CASH AND DUE FROM BANKS	1,524,530.48	0.749%	1,410,068.83	0.687%
TOTAL FED FUNDS SOLD	300,000.00	0.147%	300,000.00	0.146%
TOTAL TIME DEPOSITS (CDARS)	2,000,000.00	0.983%	0.00	0.000%
TOTAL US TREASURY NOTES	0.00	0.000%	0.00	0.000%
TOTAL US AGENCY BONDS	2,012,881.17	0.989%	2,012,921.62	0.981%
TOTAL US AGENCY POOLS	101,100.17	0.050%	101,878.68	0.050%
TOTAL CORPORATE BONDS	550,000.00	0.270%	550,000.00	0.258%
TOTAL FHLB DIA ACCOUNT	12,263,411.99	6.028%	16,439,747.20	8.014%
TOTAL SILVERTON BANK-SWEEP ACCOUNT	3,459,763.58	1.700%	3,765,963.94	1.835%
TOTAL FHLB STOCK	1,038,263.53	0.509%	1,038,263.53	0.505%
UNREALIZED GAIN (LOSS) ON INVESTMENTS	(16,655.20)	-0.008%	(28,898.67)	-0.014%
TOTAL INVESTMENTS	21,706,765.24	10.687%	24,177,876.40	11.788%
TOTAL COMMERCIAL LOANS	85,293,942.94	41.912%	84,635,259.88	41.256%
TOTAL SBA LOANS	24,532,273.66	12.055%	24,618,443.89	12.000%
TOTAL GOVT GUARANTEED LOANS	10,961,368.62	5.396%	11,042,213.79	5.383%
TOTAL CONSUMER LOANS	8,662,717.06	4.252%	8,800,765.19	4.290%
TOTAL CASH RESERVE LOANS	248,816.95	0.122%	250,766.36	0.122%
TOTAL REAL ESTATE LOANS	19,743,215.68	9.702%	19,650,286.74	9.579%
TOTAL OD PRIVILEGE REPAYMENT PLAN	57,593.89	0.028%	57,690.52	0.028%
TOTAL CASH LINE LOANS	304,273.93	0.150%	341,927.00	0.167%
TOTAL HOME EQUITY LOANS	15,375,251.83	7.555%	15,015,374.36	7.319%
TOTAL R/E INSURED 2ND MORTGAGE	0.00	0.000%	0.00	0.000%
TOTAL CONSTRUCTION LOANS	4,353,561.29	2.139%	4,224,213.21	2.059%
TOTAL OVERDRAFTS (DDA&SAV)	155,985.77	0.077%	154,714.99	0.075%
TOTAL NON ACCRUAL LOANS	545,538.15	0.268%	546,113.15	0.265%
PARTICIPATIONS SOLD	0.00	0.000%	0.00	0.000%
TOTAL LOANS IN PROCESS	84,747.92	0.042%	10,002.32	0.005%
TOTAL GROSS LOANS	170,309,387.68	83.688%	169,347,751.40	82.550%
TOTAL DEFERRED LOAN FEES/COST	21,421.11	0.011%	31,758.10	0.016%
TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,134,975.48)	-1.541%	(2,843,453.57)	-1.386%
TOTAL NET LOANS	167,195,833.31	82.158%	166,536,055.93	81.179%
TOTAL LAND	881,869.58	0.433%	881,869.58	0.430%
TOTAL LAND IMPROVEMENTS	722,674.54	0.355%	722,674.54	0.352%
TOTAL BUILDING	3,629,177.90	1.783%	3,629,177.90	1.769%
TOTAL LEASEHOLD IMPROVEMENTS	144,193.34	0.071%	144,193.34	0.070%
TOTAL FURNITURE & FIXTURES	449,037.74	0.221%	449,037.74	0.219%
TOTAL EQUIPMENT	1,564,689.13	0.769%	1,564,689.13	0.763%
TOTAL VEHICLES	59,846.98	0.029%	59,846.98	0.029%
TOTAL DATA PROCESSING SOFTWARE	282,753.17	0.139%	282,753.13	0.138%
TOTAL CONSTRUCTION IN PROCESS	7,542.00	0.004%	0.00	0.000%
TOTAL ACCUMULATED DEPRECIATION	(2,678,869.49)	-1.316%	(2,643,379.46)	-1.285%
TOTAL PREMISES/FURN/EQUIP	5,062,914.89	2.488%	5,090,862.68	2.482%
TOTAL OTHER REAL ESTATE OWNED	0.00	0.000%	0.00	0.000%
TOTAL I.E.N.C. INVESTMENTS	20,892.61	0.010%	12,453.99	0.006%
TOTAL I.E.N.C. LOANS	785,005.10	0.386%	773,997.71	0.377%
TOTAL I.E.N.C.	805,897.71	0.396%	786,451.70	0.383%
TOTAL INVESTMENT IN SUBSIDIARIES	2,042,610.27	1.004%	2,026,958.29	0.988%
TOTAL INVESTMENT IN BOLI	3,051,146.00	1.499%	3,042,273.00	1.483%
TOTAL PREPAID EXPENSE AND OTHER ASSETS	2,116,503.96	1.040%	2,075,544.07	1.012%
TOTAL PREPAID EXPENSE AND OTHER ASSETS	7,210,259.23	3.543%	7,144,775.36	3.483%
<b>TOTAL ASSETS</b>	<b>\$203,506,200.86</b>	<b>100.000%</b>	<b>\$205,146,091.10</b>	<b>100.000%</b>
<b>INTEREST EARNING ASSETS AS % OF TOTAL ASSETS</b>	<b>96.45%</b>		<b>96.45%</b>	

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SURREY BANK & TRUST  
STATEMENT OF CONDITION  
DECEMBER 31, 2008

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ASSETS	CURRENT BALANCE	PCT OF ASSETS	PREVIOUS BALANCE	PCT OF ASSETS
TOTAL CASH	\$1,058,224.23	0.518%	\$1,325,841.78	0.652%
TOTAL PETTY CASH	1,500.00	0.001%	1,500.00	0.001%
TOTAL CASH	1,059,724.23	0.519%	1,327,341.78	0.652%
TOTAL CASH ITEMS	0.00	0.000%	281.66	0.000%
TOTAL DUE FROM BANKS	203,108.37	0.100%	196,907.04	0.097%
TOTAL CASH AND DUE FROM BANKS	1,262,832.60	0.618%	1,524,530.48	0.749%
TOTAL FED FUNDS SOLD	200,000.00	0.098%	300,000.00	0.147%
TOTAL TIME DEPOSITS (CDARS)	4,000,000.00	1.959%	2,000,000.00	0.983%
TOTAL US TREASURY NOTES	0.00	0.000%	0.00	0.000%
TOTAL US AGENCY BONDS	1,512,502.82	0.741%	2,012,881.17	0.989%
TOTAL US AGENCY POOLS	100,456.95	0.049%	101,100.17	0.050%
TOTAL CORPORATE BONDS	550,000.00	0.269%	550,000.00	0.270%
TOTAL FHLB DIA ACCOUNT	7,819,132.72	3.829%	12,263,411.99	6.026%
TOTAL SILVERTON BANK-SWEEP ACCOUNT	4,684,184.65	2.294%	3,459,763.58	1.700%
TOTAL FHLB STOCK	1,047,463.53	0.513%	1,036,263.53	0.509%
UNREALIZED GAIN (LOSS) ON INVESTMENTS	(2,177.67)	-0.001%	(16,655.20)	-0.008%
TOTAL INVESTMENTS	19,911,563.00	9.751%	21,706,765.24	10.667%
TOTAL COMMERCIAL LOANS	88,988,668.40	43.579%	85,293,942.94	41.912%
TOTAL SBA LOANS	25,091,433.69	12.288%	24,532,273.65	12.055%
TOTAL GOVT GUARANTEED LOANS	10,925,915.82	5.351%	10,961,368.62	5.386%
TOTAL CONSUMER LOANS	8,483,164.86	4.154%	8,652,717.06	4.252%
TOTAL CASH RESERVE LOANS	258,266.48	0.127%	248,816.95	0.122%
TOTAL REAL ESTATE LOANS	19,690,265.73	9.843%	19,743,215.68	9.702%
TOTAL OD PRIVILEGE REPAYMENT PLAN	54,417.97	0.027%	57,593.89	0.028%
TOTAL CASH LINE LOANS	333,627.92	0.163%	304,273.93	0.150%
TOTAL HOME EQUITY LOANS	15,322,148.29	7.503%	15,375,251.83	7.555%
TOTAL R/E INSURED 2ND MORTGAGE	0.00	0.000%	0.00	0.000%
TOTAL CONSTRUCTION LOANS	3,925,722.54	1.923%	4,353,561.29	2.139%
TOTAL OVERDRAFTS (DDA&SAV)	79,363.83	0.039%	155,985.77	0.077%
TOTAL NON ACCRUAL LOANS	497,528.94	0.244%	545,638.15	0.268%
PARTICIPATIONS SOLD	0.00	0.000%	0.00	0.000%
TOTAL LOANS IN PROCESS	(18,275.53)	-0.009%	84,747.92	0.042%
TOTAL GROSS LOANS	173,632,248.94	85.030%	170,309,387.68	83.688%
TOTAL DEFERRED LOAN FEES/COST	26,497.86	0.013%	21,421.11	0.011%
TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,186,682.95)	-1.561%	(3,134,975.48)	-1.541%
TOTAL NET LOANS	170,472,063.85	83.482%	167,195,833.31	82.158%
TOTAL LAND	881,869.58	0.432%	881,869.58	0.433%
TOTAL LAND IMPROVEMENTS	693,750.48	0.340%	722,674.54	0.355%
TOTAL BUILDING	3,629,177.90	1.777%	3,629,177.90	1.783%
TOTAL LEASEHOLD IMPROVEMENTS	144,193.34	0.071%	144,193.34	0.071%
TOTAL FURNITURE & FIXTURES	449,037.74	0.220%	449,037.74	0.221%
TOTAL EQUIPMENT	1,562,506.36	0.765%	1,564,689.13	0.769%
TOTAL VEHICLES	44,846.98	0.022%	59,846.98	0.029%
TOTAL DATA PROCESSING SOFTWARE	282,753.13	0.139%	282,753.17	0.139%
TOTAL CONSTRUCTION IN PROCESS	24,642.00	0.012%	7,542.00	0.004%
TOTAL ACCUMULATED DEPRECIATION	(2,678,994.97)	-1.312%	(2,678,869.49)	-1.316%
TOTAL PREMISES/FURN/EQUIP	5,033,782.54	2.465%	5,062,914.89	2.488%
TOTAL OTHER REAL ESTATE OWNED	28,208.00	0.014%	0.00	0.000%
TOTAL I.E.N.C. INVESTMENTS	30,380.01	0.015%	20,892.61	0.010%
TOTAL I.E.N.C. LOANS	786,187.34	0.375%	785,005.10	0.386%
TOTAL I.E.N.C.	796,547.35	0.390%	805,897.71	0.396%
TOTAL INVESTMENT IN SUBSIDIARIES	2,024,658.64	0.992%	2,042,510.27	1.004%
TOTAL INVESTMENT IN BOLI	3,062,150.00	1.500%	3,051,145.00	1.499%
TOTAL PREPAID EXPENSE AND OTHER ASSETS	1,609,751.04	0.788%	2,116,503.96	1.040%
TOTAL PREPAID EXPENSE AND OTHER ASSETS	6,896,559.68	3.279%	7,210,259.23	3.543%
<b>TOTAL ASSETS</b>	<b>\$204,201,557.02</b>	<b>100.000%</b>	<b>\$203,506,200.86</b>	<b>100.000%</b>
<b>INTEREST EARNING ASSETS AS % OF TOTAL ASSETS</b>	<b>96.97%</b>		<b>96.45%</b>	

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**SURREY BANK & TRUST**  
**STATEMENT OF CONDITION**  
**JANUARY 31, 2009**

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<b>ASSETS</b>	<b>CURRENT BALANCE</b>	<b>PCT OF ASSETS</b>	<b>PREVIOUS BALANCE</b>	<b>PCT OF ASSETS</b>
TOTAL CASH	\$1,210,824.21	0.576%	\$1,058,224.23	0.518%
TOTAL PETTY CASH	1,500.00	0.001%	1,500.00	0.001%
TOTAL CASH	1,212,324.21	0.577%	1,059,724.23	0.519%
TOTAL CASH ITEMS	0.00	0.000%	0.00	0.000%
TOTAL DUE FROM BANKS	203,031.83	0.097%	203,108.37	0.100%
TOTAL CASH AND DUE FROM BANKS	1,415,355.84	0.673%	1,262,832.60	0.618%
TOTAL FED FUNDS SOLD	300,000.00	0.143%	200,000.00	0.098%
TOTAL TIME DEPOSITS (CDARS)	1,000,000.00	0.476%	4,000,000.00	1.959%
TOTAL US TREASURY NOTES	0.00	0.000%	0.00	0.000%
TOTAL US AGENCY BONDS	1,511,610.79	0.719%	1,512,502.82	0.741%
TOTAL US AGENCY POOLS	99,470.41	0.047%	100,456.95	0.049%
TOTAL CORPORATE BONDS	550,000.00	0.262%	550,000.00	0.269%
TOTAL FHLB DIA ACCOUNT	14,565,302.07	6.929%	7,818,132.72	3.829%
TOTAL SILVERTON BANK-SWEEP ACCOUNT	6,093,989.05	2.899%	4,684,184.65	2.294%
TOTAL FHLB STOCK	1,180,013.53	0.552%	1,047,463.53	0.513%
UNREALIZED GAIN (LOSS) ON INVESTMENTS	(15,618.48)	-0.007%	(2,177.67)	-0.001%
TOTAL INVESTMENTS	25,264,767.37	12.019%	19,911,569.00	9.751%
TOTAL COMMERCIAL LOANS	89,986,768.71	42.808%	88,988,668.40	43.579%
TOTAL SBA LOANS	24,957,454.33	11.873%	25,091,433.68	12.288%
TOTAL GOVT GUARANTEED LOANS	10,879,831.27	5.176%	10,825,915.82	5.351%
TOTAL CONSUMER LOANS	8,235,041.91	3.918%	8,483,164.86	4.154%
TOTAL CASH RESERVE LOANS	261,053.23	0.124%	258,266.48	0.127%
TOTAL REAL ESTATE LOANS	19,411,259.63	9.234%	19,690,265.73	9.643%
TOTAL OD PRIVILEGE REPAYMENT PLAN	54,311.20	0.026%	54,417.97	0.027%
TOTAL CASH LINE LOANS	343,889.92	0.164%	333,827.92	0.163%
TOTAL HOME EQUITY LOANS	15,308,700.74	7.282%	15,322,148.29	7.503%
TOTAL F/E INSURED 2ND MORTGAGE	0.00	0.000%	0.00	0.000%
TOTAL CONSTRUCTION LOANS	3,904,896.27	1.858%	3,925,722.54	1.923%
TOTAL OVERDRAFTS (DDA&SAV)	169,618.14	0.081%	79,363.83	0.039%
TOTAL NON ACCRUAL LOANS	662,408.58	0.315%	497,528.94	0.244%
PARTICIPATIONS SOLD	0.00	0.000%	0.00	0.000%
TOTAL LOANS IN PROCESS	148,554.29	0.071%	(18,275.53)	-0.009%
TOTAL GROSS LOANS	174,321,788.22	82.927%	173,632,248.94	85.030%
TOTAL DEFERRED LOAN FEES/COST	16,280.64	0.008%	26,497.86	0.013%
TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,348,637.33)	-1.593%	(3,186,682.95)	-1.561%
TOTAL NET LOANS	170,989,431.53	81.342%	170,472,063.85	83.482%
TOTAL LAND	881,869.58	0.420%	881,869.58	0.432%
TOTAL LAND IMPROVEMENTS	693,750.48	0.330%	693,750.48	0.340%
TOTAL BUILDING	3,629,177.90	1.728%	3,629,177.90	1.777%
TOTAL LEASEHOLD IMPROVEMENTS	144,193.34	0.069%	144,193.34	0.071%
TOTAL FURNITURE & FIXTURES	449,037.74	0.214%	449,037.74	0.220%
TOTAL EQUIPMENT	1,562,506.36	0.743%	1,562,506.36	0.765%
TOTAL VEHICLES	44,846.98	0.021%	44,846.98	0.022%
TOTAL DATA PROCESSING SOFTWARE	282,753.13	0.135%	282,753.13	0.139%
TOTAL CONSTRUCTION IN PROCESS	29,642.00	0.014%	24,642.00	0.012%
TOTAL ACCUMULATED DEPRECIATION	(2,701,182.52)	-1.285%	(2,678,994.97)	-1.312%
TOTAL PREMISES/FURN/EQUIP	5,016,594.99	2.386%	5,033,782.54	2.465%
TOTAL OTHER REAL ESTATE OWNED	28,208.00	0.013%	28,208.00	0.014%
TOTAL I.E.N.C. INVESTMENTS	27,442.64	0.013%	30,380.01	0.015%
TOTAL I.E.N.C. LOANS	746,751.42	0.355%	766,187.34	0.375%
TOTAL I.E.N.C.	774,194.06	0.368%	796,547.35	0.390%
TOTAL INVESTMENT IN SUBSIDIARIES	2,017,913.22	0.960%	2,024,658.64	0.992%
TOTAL INVESTMENT IN BOLI	3,071,022.00	1.461%	3,062,150.00	1.500%
TOTAL PREPAID EXPENSE AND OTHER ASSETS	1,633,875.55	0.777%	1,609,751.04	0.788%
TOTAL PREPAID EXPENSE AND OTHER ASSETS	6,722,810.77	3.198%	6,696,559.68	3.279%
<b>TOTAL ASSETS</b>	<b>\$210,211,362.56</b>	<b>100.000%</b>	<b>\$204,201,557.02</b>	<b>100.000%</b>
<b>INTEREST EARNING ASSETS AS % OF TOTAL ASSETS</b>	<b>96.88%</b>		<b>96.97%</b>	

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**TOTAL PRODUCTION 2008**

	<b>Loan Balances</b>	<b>Renewals</b>	<b>New Loans</b>	<b>Sold Participations</b>
\$ 166,784,646				
January	\$166,607,579	\$ 6,499,091	\$ 6,480,322	\$ (260,000)
February	\$165,048,728	\$ 1,856,686	\$ 10,289,036	\$ -
March	\$168,074,061	\$ 3,242,572	\$ 9,006,366	\$ -
April	\$168,419,211	\$ 5,518,274	\$ 5,387,601	\$ -
May	\$171,746,302	\$ 5,679,510	\$ 8,893,705	\$ -
June	\$172,415,895	\$ 6,242,343	\$ 4,879,301	\$ -
July	\$172,085,257	\$ 4,313,200	\$ 8,049,796	\$ (600,000)
August	\$168,584,391	\$ 2,632,950	\$ 4,558,869	\$ -
September	\$171,889,281	\$ 4,926,777	\$ 5,371,831	\$ (1,849,020)
October	\$169,239,557	\$ 10,920,321	\$ 5,430,281	\$ -
November	\$170,124,882	\$ 5,145,246	\$ 12,128,019	\$ -
December	\$173,630,147	\$ 8,699,982	\$ 6,128,180	\$ -
<b>Totals</b>		<b>\$ 65,676,952</b>	<b>\$ 86,603,307</b>	<b>\$ (2,709,020)</b>

**(b) (4)**

Monthly  
 Originations  
 Fees  
 Yield Spread  
 Max. Past Due %  
 Fee Yield to date

	<b>Goal</b>	<b>Attainment</b>
	\$ 9,250,000	\$ 6,128,180
	<b>(b) (4)</b>	<b>(4)</b>

Yearly Goal  
 Fees  
 Yield Spread  
 Portfolio Growth

	<b>Goal</b>	<b>Attainment</b>	
	\$111,000,000	\$ 86,603,307	78.02%
	<b>(b) (4)</b>	<b>(4)</b>	

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TOTAL PRODUCTION 2009

	Loan Balances	Renewals	New Loans	Sold Participations
\$ 173,630,147				
January	\$174,062,092	\$ 7,994,664	\$ 5,509,523	\$ -
February	\$ -	\$ -	\$ -	\$ -
March	\$ -	\$ -	\$ -	\$ -
April	\$ -	\$ -	\$ -	\$ -
May	\$ -	\$ -	\$ -	\$ -
June	\$ -	\$ -	\$ -	\$ -
July	\$ -	\$ -	\$ -	\$ -
August	\$ -	\$ -	\$ -	\$ -
September	\$ -	\$ -	\$ -	\$ -
October	\$ -	\$ -	\$ -	\$ -
November	\$ -	\$ -	\$ -	\$ -
December	\$ -	\$ -	\$ -	\$ -
<b>Totals</b>		<b>\$ 7,994,664</b>	<b>\$ 5,509,523</b>	<b>\$ -</b>

(b) (4)

	Goal	Attainment
Monthly Originations	\$ 9,250,000	\$ 5,509,523
Fees	(b) (4)	(b) (4)
Yield Spread	(b) (4)	(b) (4)
Max. Past Due %	(b) (4)	(b) (4)
Fee Yield to date	(b) (4)	(b) (4)

	Goal	Attainment	(b) (4)
Yearly Goal	(b) (4)	\$ 5,509,523	(b) (4)
Fees	(b) (4)	(b) (4)	(b) (4)
Yield Spread	(b) (4)	(b) (4)	(b) (4)
Portfolio Growth	(b) (4)	(b) (4)	(b) (4)


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(b) (8)

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EPA

(b) (8)

Sincerely,

  
Ted Ashby  
President

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LOAN CONCENTRATIONS BY NAICS INDUSTRY CLASSIFICATION

3RD QUARTER 2008

NET TIER 1 CAPITAL \$ 21,353,266  
 NET LOAN OUTSTANDINGS \$ 169,225,913  
 NET LOAN LOSS RESERVE \$ 2,774,282

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Rank	NAICS	Industry	Outstandings	# of Loans	% of Portfolio	% of Capital
1	531000	Real Estate	\$ 17,014,995.41	162	10.05%	79.68%
2	237000	Heavy and Civil Engineering Construction	\$ 8,970,397.46	56	5.30%	42.01%
3	332000	Fabricated Metal Product Manufacturing	\$ 8,620,655.93	42	5.09%	40.37%
4	236000	Construction of Buildings	\$ 6,341,294.51	84	3.75%	29.70%
5	484000	Truck Transportation	\$ 5,829,671.25	129	3.44%	27.30%
6	610000	Educational Services	\$ 5,072,634.32	7	3.00%	23.76%
7	811000	Repair and Maintenance	\$ 4,997,213.72	39	2.95%	23.40%
8	321000	Wood Product Manufacturing	\$ 4,673,201.79	17	2.76%	21.89%
9	722000	Food Services and Drinking Places	\$ 4,155,296.93	27	2.46%	19.46%
10	512000	Motion Picture and Sound Recording Industries	\$ 3,821,561.78	24	2.26%	17.90%
11	441000	Motor Vehicle and Parts Dealers	\$ 3,794,569.08	125	2.24%	17.77%
12	327000	Nonmetallic Mineral Product Manufacturing	\$ 3,220,308.42	11	1.90%	15.08%
13	111000	Crop Production	\$ 3,097,387.58	59	1.83%	14.51%
14	238000	Specialty Trade Contractors	\$ 2,799,853.61	55	1.65%	13.11%
15	337000	Furniture and Related Product Manufacturing	\$ 2,731,093.41	21	1.61%	12.79%
16	813000	Religious, Grantmaking, Civic, Professional, and Similar Organizations	\$ 2,678,507.86	27	1.58%	12.54%
17	444000	Building Material and Garden Equipment and Supplies Dealers	\$ 2,460,446.06	15	1.45%	11.52%
18	447000	Gasoline Stations	\$ 2,356,718.24	4	1.39%	11.04%
19	814000	Private Households	\$ 1,907,600.38	29	1.13%	8.93%
20	423000	Merchant Wholesalers, Durable Goods	\$ 1,886,835.78	19	1.11%	8.84%
21	112000	Animal Production	\$ 1,878,621.39	29	1.11%	8.80%
22	339000	Miscellaneous Manufacturing	\$ 1,876,622.61	13	1.11%	8.79%
23	212000	Mining (except Oil & Gas)	\$ 1,689,291.46	8	1.00%	7.91%
24	621000	Offices of Physicians	\$ 1,568,564.83	13	0.93%	7.35%
25	812000	Personal and Laundry Services	\$ 1,530,608.06	26	0.90%	7.17%

SURREY BANCORP  
BREAKDOWN OF CONSOLIDATED BUDGETED INCOME STATEMENT

Income Statement

Interest income  
Interest expense

Net interest income

Provision for loan losses  
Net interest income after provision for  
loan losses

Other non-interest income  
Proceeds from life insurance

Other non-interest expenses

Income before income taxes  
Income tax expense

Net income, before preferred dividends

Preferred dividends:

Series A  
Series B, net  
Series C, net

Net income available for common shareholders

(b) (4)

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SURREY BANK & TRUST

With Incentive, Life  
Insurance and Increase  
Reserve

PROJECTED BALANCE SHEETS  
THREE YEAR-ENDS 2009 - 2011

End of  
2009

End of  
2010

End of  
2011

ASSETS

Cash and due from banks  
Investments  
Loans  
Less Allowance for loan losses  
Premises and equipment (net)  
Non-earning assets

Total Assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Deposits:

Demand deposit accounts  
NOW accounts  
Money market, passbook  
Savings  
Time deposits

Total Deposits

Repos

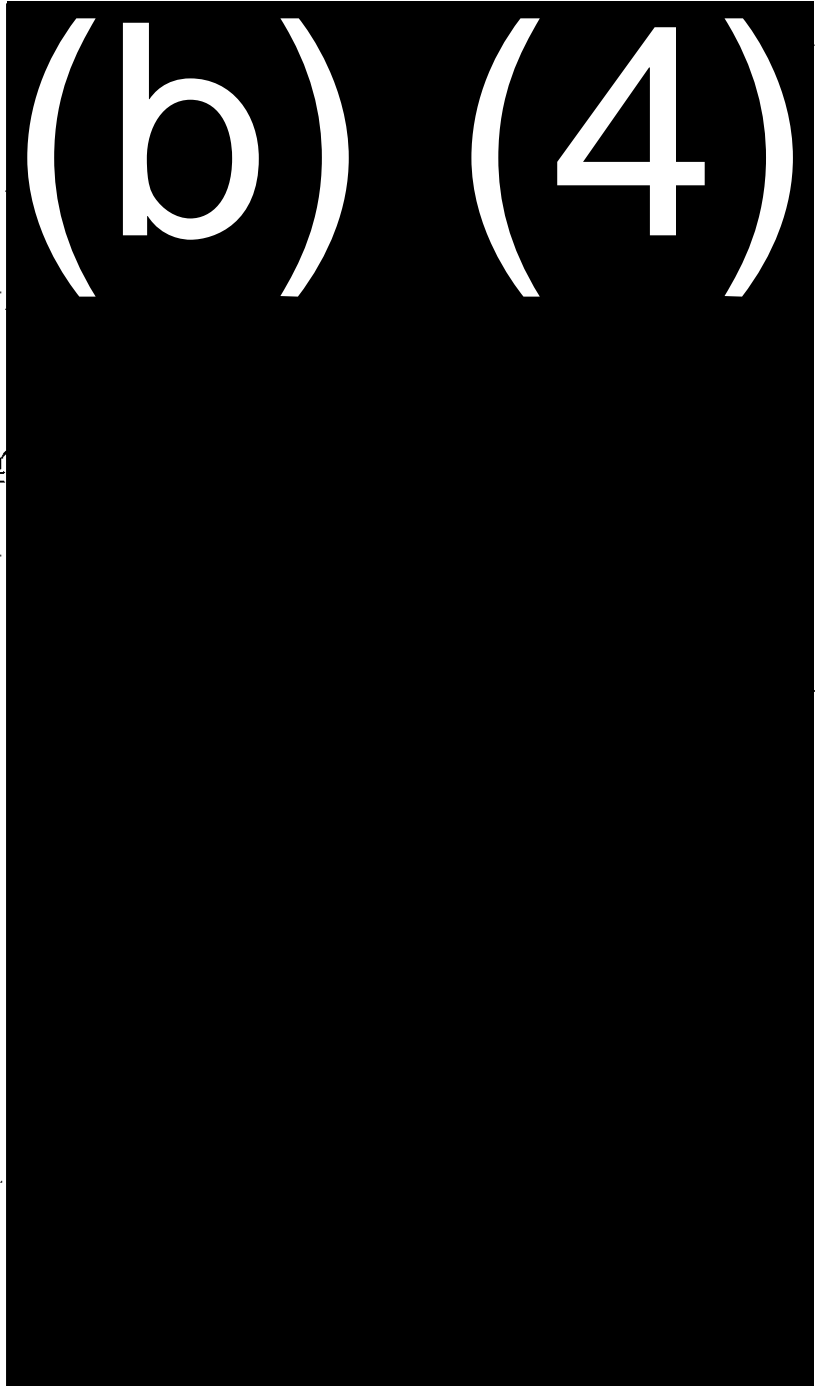
Borrowed funds

Stockholders Equity

Common stock (3,167,568 shares)  
Additional paid-in capital  
Retained earnings beginning of year  
Net income

Total Stockholders' Equity

Total Liabilities and Stockholders' Equity



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b(4), b(6)

*Presidential 20A*

**b(4), b(6)**

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SURREY BANK & TRUST

PROJECTED SCHEDULE OF OCCUPANCY EXPENSE  
THREE YEARS 2009 - 2011:

2009                      2010                      2011

Depreciation  
Building/Grounds Repairs and Maintenance  
Cleaning and Other Services  
Moving Expenses  
Property Insurance  
Real Estate Taxes  
Lease Expense  
Land Lease Expense  
Building Security/Protection  
Utilities

Total Occupancy Expense

(b) (4)

PROJECTED SCHEDULE OF NON-INTEREST INCOME

2009                      2010                      2011

Deferred Loan Fees (all except mortgage)  
Yield Spread Premiums - Mortgage  
Yield Spread Premiums - Gty Sold  
Late Charges  
Loan Fees - SBA Retained  
Credit Life Insurance Commissions  
Deposit Service Charges  
NSF Fees, Chargeback Fees, Stop Pmt Fees  
Wire Transfer Fees  
Safe Deposit Box Rent  
Check Charge Commission  
Administrative Fee Income - Subsidiaries  
Miscellaneous Fees (Ck Cashing, etc)  
Loan Fees - Mortgage Loans Sold  
Merchant Fee Income  
Debit/Credit Card Income  
Dividends - FHLB Stock  
SBA/USDA Loan Servicing Fees  
Rental Income - Downtown Property/Subs  
BOLI Income  
Equity in Finance Company Earnings (before tax)  
Equity in Insurance Company Earnings (before tax)  
Net Earnings from Investment Activities (before tax)

Amortization of FASB Deferred Cost  
Loans)

Total Other Non-interest Income

(b) (4)

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SURREY BANK & TRUST

PROJECTED SCHEDULE OF ASSESSMENTS BY REGULATORY AUTHORITIES  
THREE YEARS 2009 - 2011

2009

2010

2011

Deposit insurance at \$.3285 per \$1000  
of deposits per quarter (Est 15% Increase)

State examination fees:  
First \$100,000 of deposits  
Balance at \$14 per \$100,000  
of assets (min. of \$6,000)

Total Assessments by Regulatory Authorities



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PROJECTED SCHEDULE OF MISCELLANEOUS EXPENSES  
THREE YEARS 2009 - 2011

2009

2010

2011

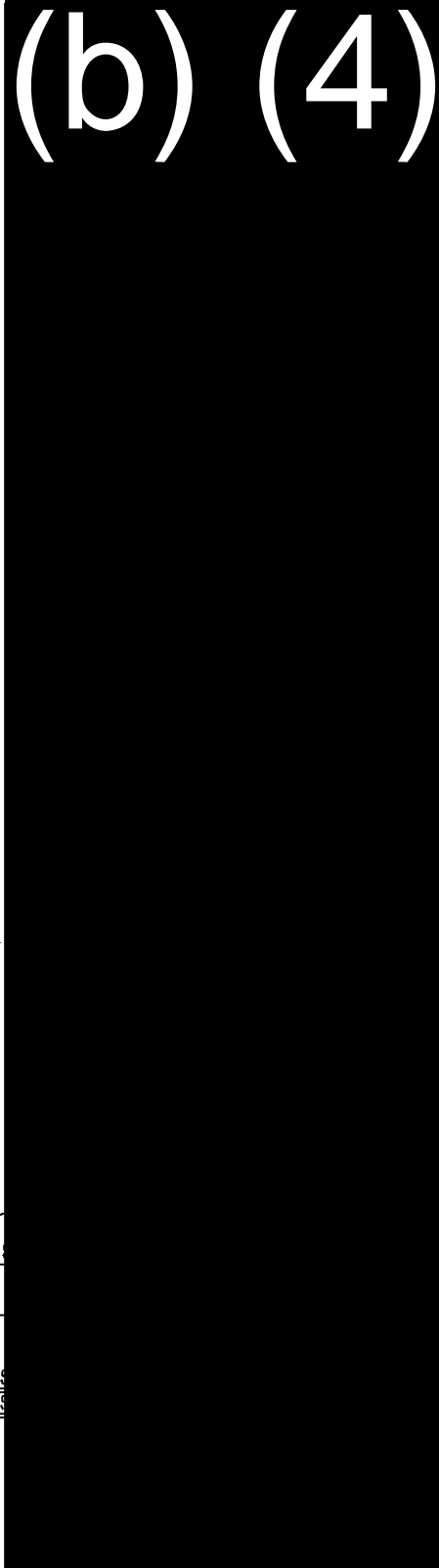
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SURREY BANK & TRUST

SCHEDULE OF FIXED ASSETS

<u>Item Description</u>	<u>Quantity</u>	<u>Cost</u>	<u>Life in Years</u>	<u>2009 Annual Deprec.</u>	<u>2010 Annual Deprec.</u>	<u>2011 Annual Deprec.</u>
<b>Occupancy Assets:</b>						
Land (includes cost of building demolition)		\$ 881,870				
Land Improvements - Main Branch		366,144				
Land Improvements - Stuart Old		28,924				
Land Improvements - Stuart New		154,723				
Land Improvements - Rockford		30,928				
Land Improvements - Pilot		141,956				
Leasehold Improvements - Freedom Finance Bldg		76,644				
Leasehold Improvements - W. Pine		67,549				
Leasehold Improvements - New West Pine		0				
Main Office/Rental Bldgs/Mortgage		1,232,543				
199 North Renfro Street Building		690,409				
601 Rockford Street Building		496,538				
Stuart Office - Building Old (move to Mt Airy)		141,568				
Stuart Office - New Building		588,396				
Pilot Mountain - Building		479,725				
		<u>5,377,917</u>				
<b>Total Occupancy Assets</b>		<u>\$ 5,377,917</u>				
<b>Other Assets:</b>						
Furniture & Fixtures - Main Office		\$ 224,034				
Furniture & Fixtures - W. Pine		62,384				
Furniture & Fixtures - Stuart		72,426				
Furniture & Fixtures - Rockford		47,704				
Furniture & Fixtures - Pilot		42,490				
Equipment - Main Office		765,294				
Equipment - W. Pine		201,990				
Equipment - Stuart		276,347				
Equipment - Rockford		141,162				
Equipment - Pilot		179,441				
Data Processing Software - Main		248,270				
Data Processing Software - W.Pine		5,944				
Data Processing Software - Stuart		12,416				
Data Processing Software - Rockford		9,260				
Data Processing Software - Pilot		6,864				
Vehicles - Main Office		55,351				
		0	3			
<b>Other Additions in 2008:</b>						
Furniture & Fixtures - West Pine		0	7			
Furniture & Fixtures - Stuart		0	7			
Equipment (Computers)		30,000	3			
Equipment (ATM Stuart/Other)		0	5			
Relocation Cost Old Stuart Bldg to Mt Airy		30,000	25			
			5			
<b>Total Other Assets</b>		<u>\$ 2,411,377</u>				
		<u>2,411,377</u>				
<b>Grand Total - All Assets - before Expansion</b>		<u>\$ 7,789,294</u>				
<b>Grand Total - All Assets - after Expansion</b>		<u>\$ 7,789,294</u>				
<b>Estimated Accumulated Depr 12/08</b>		<u>\$ (2,678,995)</u>				
<b>Grand Total - All Assets (net)</b>		<u>\$ 5,110,299</u>				



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SURREY BANK & TRUST

RATE SCHEDULE

Rate            Rate            Rate  
2009            2010            2011

ASSETS

Cash and due from banks  
Investments

Loans:

- Mortgage loans
- Loans AFS (FHLMC)
- Consumer loans:
  - HELOC
  - Other
- Commercial loans
- Construction

Weighted Rate Loans  
Weighted Rate Loans and Investments

LIABILITIES

Deposits:

- Demand deposit accounts
- NOW accounts
- Money market
- Savings
- Time deposits, IRA

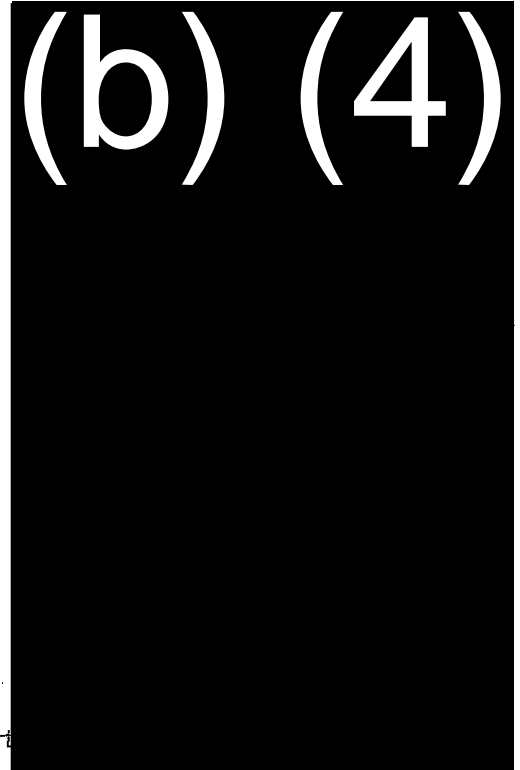
Weighted Rate Deposits

Borrowings

Repos

Weighted Rate Deposits/Repos/Borrowings

NOTE: Other income (that is, non-interest income) is estimated based on expected mortgage and prior experience as to deposit and service fees.

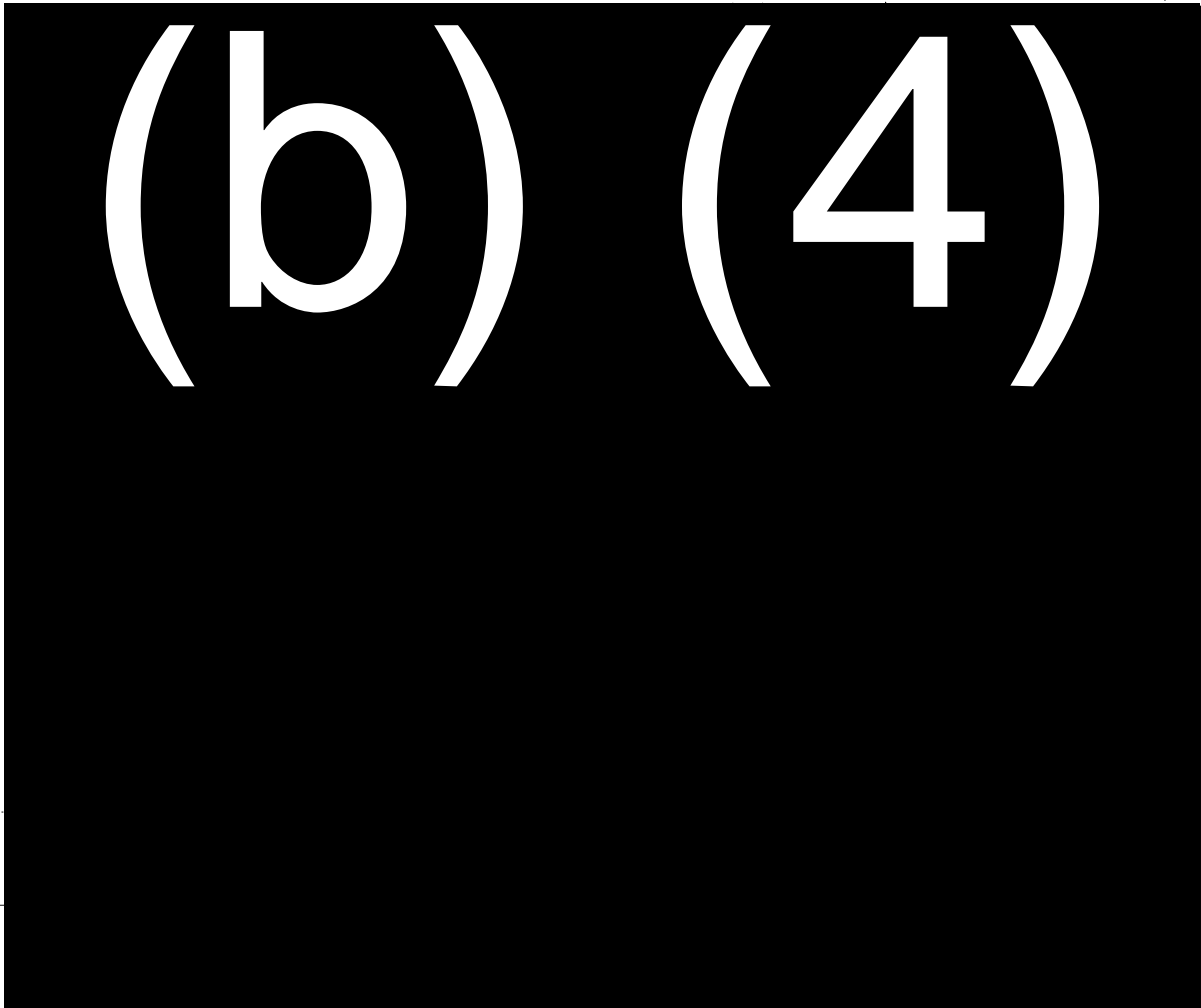


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SURREY BANK & TRUST

LOAN, INVESTMENT AND DEPOSIT ASSUMPTIONS

	At 12/31/08	Average 2009	End of 2009	Average 2010	End of 2010	Average 2011	End of 2011
<u>ASSETS</u>							
Cash and due from banks	\$ 1,265,000						
Investments	19,912,000						
Loans:							
Mortgage loans	20,387,000						
Loans available for sale	0						
Construction loans	3,926,000						
Consumer loans:							
HELOC	15,322,000						
Other	9,191,000						
Commercial loans	124,308,000						
Total Loans	\$ 173,134,000						
Non-earning assets	11,000,000						
Provision for loan losses **	(2,350,117)						
Guaranteed Lns in Comm Above (Avg 50%)	34,312,730						
Guaranteed Portion Not Subject to Allowance	22,303,275						
Average Gty %	65.00%						
** Does not include Specific Reserves							



LIABILITIES

<u>Deposits:</u>	
Demand deposit accounts	\$ 22,475,000
NOW accounts	20,508,000
Money market	15,260,000
Savings	5,484,000
Time deposits	100,131,000
Total Deposits	\$ 163,858,000
Repurchase Agreements/FF Purchased	144,000
Borrowings	12,200,000
Total Deposits/repos/borrowings	\$ 176,202,000

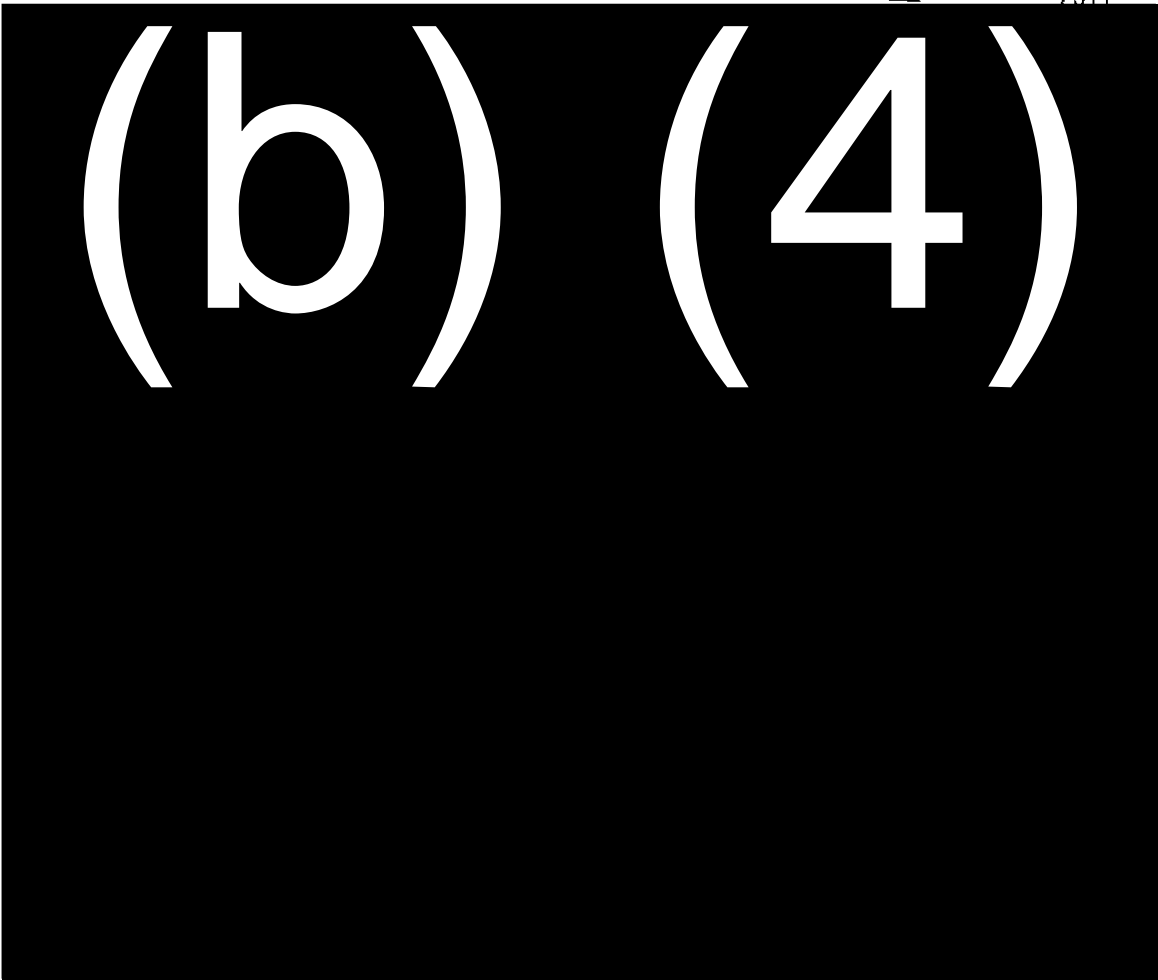
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SURREY BANK & TRUST

LOAN, INVESTMENT AND DEPOSIT ASSUMPTIONS

	At <u>12/31/08</u>	Average <u>2009</u>	End of <u>2009</u>	Average <u>2010</u>	End of <u>2010</u>	Average <u>2011</u>	End of <u>2011</u>
<u>ASSUMPTION CONCERNING GROWTH</u>							
Loans - per month:							
Mortgage loans							
Consumer loans:							
HELOC							
Other							
Commercial loans							
Deposits - per month:							
Demand deposit accounts							
NOW accounts							
Money market, passbook							
Savings							
Time deposits							
Average deposits (Change these)							
Composition of average deposits:							
Demand deposit accounts							
NOW accounts							
Money market							
Savings							
Time deposits, IRA							



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SURREY BANK & TRUST

FINANCIAL RATIOS

THREE YEARS 2009 - 2011

2009

2010

2011

Return on assets

Net income  
Divide by average assets

Return on assets (Consolidated):

Net income  
Divided by consolidated average assets

Return on equity:

Net income  
Divide by average shareholder equity

Return on equity (Consolidated):

Net income  
Divide by average consolidated equity

Book value per share:

Net book value  
Divide by number of shares outstanding

Net interest margin:

Interest income  
Divide by average loans and investments

Less:

Interest expense  
Divide by average deposits/repos/borrow

Net interest margin

Efficiency ratio (incl. provision for loan losses):

Non-interest expense  
Divide by:  
Net interest income  
Plus non-interest income

Efficiency ratio

Average Consolidated Assets:

Surrey Bank & Trust  
Freedom Finance, LLC  
Surrey Investment Services

Average Consolidated Equity

Surrey Bancorp

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SURREY BANK & TRUST

FINANCIAL RATIOS

THREE YEARS 2009 - 2011

2009

2010

2011

Efficiency ratio (excl. provision for loan losses):

Non-interest expense

Divide by:

Net interest income

Plus non-interest income

Efficiency ratio

Loan to deposit ratio:

Average Loans

Divide by average deposits

Net worth ratio (net of loan loss reserves):

Total stockholders' equity

Divide by total assets

Net worth ratio (gross of loan loss reserves):

Total stockholders' equity

Divide by total assets

Fixed asset to tangible net worth ratio:

Net book value of fixed assets

Divided by net equity

Interest earning assets to total assets:

Interest earning assets(loans/Investment)

Total assets

Earnings per share(basic):

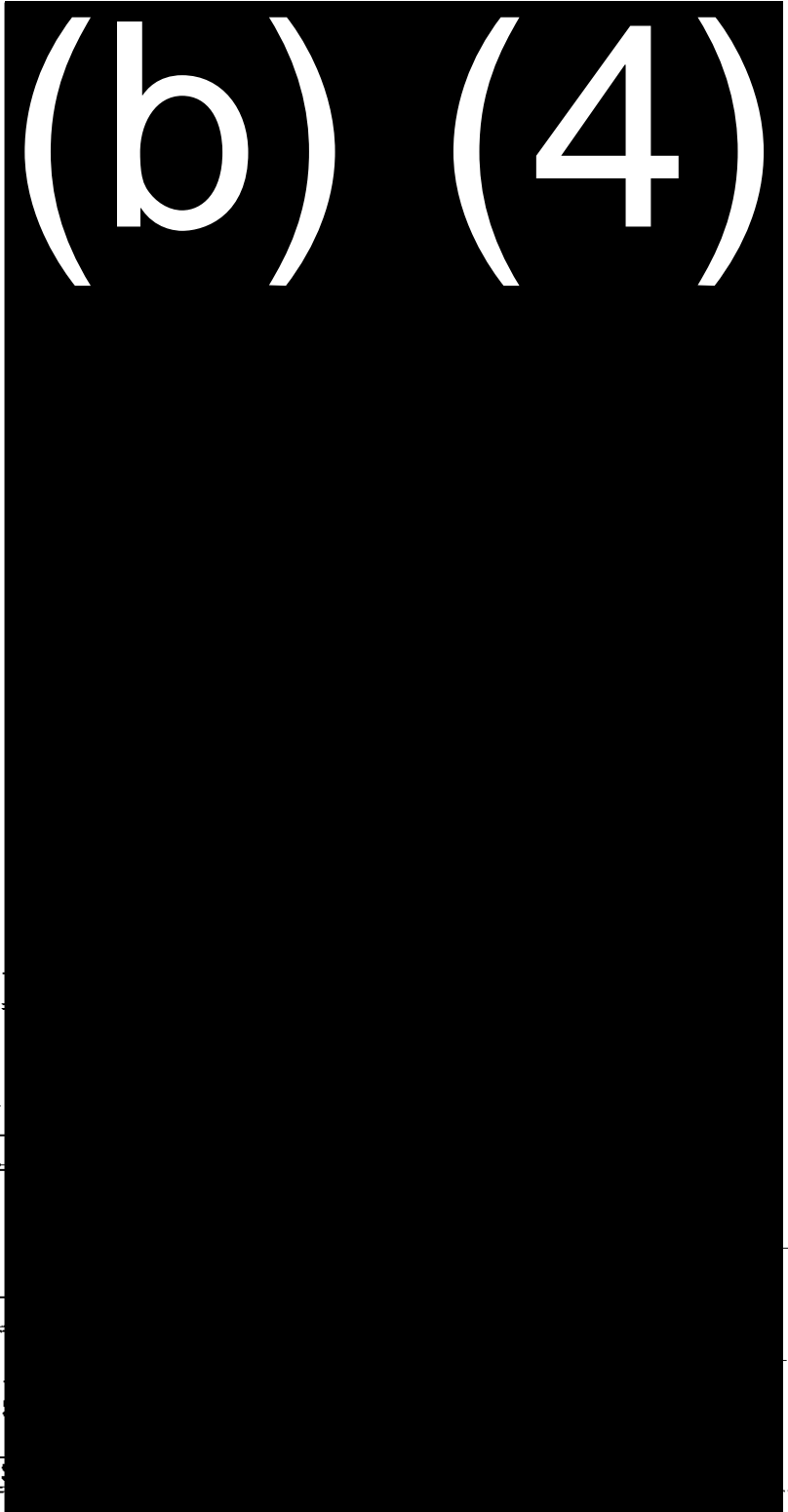
Net income

Divide by number avg. shares outstanding

Earnings per share(Fully Diluted):

Net income

Divide by number avg. shares outstanding



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