FREEDOM BANK

Dear Shareholders:

On behalf of our Board of Directors and Management, we are pleased to present our first quarter results. The Freedom Bank of Virginia finished the first quarter of 2017 with assets of $502.9 million, an increase of 18.3% over the $425.1 million in assets one year earlier. Net Income of $648,624 was up 61.2% over the $402,450 earned through March 31, 2016. Once again the bank was able to earn a higher net income after taxes in the current year than its net income before income tax provision the prior year.

Improving profitability starts with revenue growth. Total Interest Income of $5,502,358 was up 19.5% from the prior year total of $4,615,755. Increased loans made most of the contribution. Interest expense rose $191,038 (22.5%) to $1,039,322. Deposit yields were little changed but there were more interest bearing deposits to fund loan growth. The loan loss provision was lower than previous years at $30,000 for the first quarter of 2017 versus $143,000 a year earlier. The bank realized a recovery of approximately $100,000 in the first quarter of 2017, which decreased the need for a larger provision for the first quarter.

Non-interest income, mainly the gain on the sale of mortgages, increased to $820,336 at March 31, 2017 from $804,772 at March 31, 2016. Non-interest expense also increased to $4,270,648, up 11.8% from the $3,818,993 the prior year. Growth in salary and benefits slowed from prior years, increasing 11.9% to $2,746,061. This is due to fewer hires as the bank is able to achieve desired growth with the present staff. Professional fees increased by $127,936 due to fees paid to consultants to comply with the increased regulatory burden banks are facing. These consulting expenses should not be necessary in future quarters in 2017. Earnings per share were $0.10 for the quarter, up from $0.07 the prior year.

Asset growth was strong throughout 2016 and year over year growth remained strong at March 31, 2017, though the bank's focus shifted to growing assets at a pace matching the bank's ability to grow core deposits. To increase core deposits faster, the bank implemented two campaigns. The first was forming a government contract banking team led by Vishal Gandhi. Government contractors presently provide almost half of the bank's non-interest bearing transaction accounts, making it a key area of focus. Our second initiative is attracting municipals deposits where we had considerable success in the first quarter of 2017. We were able to replace overnight FHLB Atlanta Borrowings with two year certificates of deposit from local governments, locking in intermediate funding for the bank's commercial real estate portfolio prior to the Federal Reserve raising overnight borrowing rates. Part of the bank's decision to purchase muni bonds was to provide high yielding collateral for these deposits.

Asset growth was strong across most categories. The bank continues maintaining sufficient liquidity to meet its operating requirements. Cash and Fed Funds combined were $39,600,997 at March 31, 2017, up from $17,941,812 the previous year. The bank purchased muni bonds with a plan to use them as collateral on municipal deposits, that were classified as held to maturity in 2016. Investment securities available for sale were $38,854,373, down from $60,724,772. The reduction was a combination of reclassification of municipal bonds the bank electing to hold more cash due to uncertainty over interest rates and its affect on the bond market. Loans held for investment, the highest yielding asset, grew to $396,659,450 or 18.5% from the $334,793,831 balance at March 31, 2016. Loans held for sale consisted of mortgage loans originated for sale into the secondary market. At March 31, 2017 the bank had $6,596,765 in loans held for sale, up from $5,712,411 at March 31, 2016.

Asset quality remained strong in the first quarter. There were no loans still accruing interest that were past due for payment. Non performing assets declined to 0.16% of total assets at March 31, 2017. Both measures were better than peer banks nationally.

Freedom Bank focused on improving its core funding in the first quarter of 2017. Non-interest checking balances were $69,528,572 at March 31, 2017 up $13,376,741 or 23.8% from $56,151,831 the prior year. Interest checking deposits were $125,509,387 up $24,277,389 or 24.0% from $101,231,999 at March 31, 2016. Savings deposit were $3,027,474, up from $1,977,218 in the first quarter of 2016. Certificates of deposits balances were $239,663,544 at March 31, 2017 compared to $205,891,287 the prior year. Of this 2017 total, $29,046,496 was public funds from local governments in Freedom Bank's geographic market. Brokered deposits were $52,329,000 or 12.2% of total deposits. This is down from $70,843,000 or 19.4% of total deposits. FHLB borrowings were $10,571,429 at March 31, 2017, slightly higher than the $9,057,143 borrowed the year before. In 2017 all borrowing had maturities exceeding three years or greater to help fund longer term rates on commercial real estate loans.

Capital totaled $52,673,825 at March 31, 2017. This was up from $49,428,607 the prior year. The bank's leverage ratio, Tier I Ratio and Total capital ratios were 10.98%, 12.9% and 13.95% respectively. The ratios were 12.12%, 14.36% and 15.33% respectively a year earlier. All capital ratios are well in excess of those necessary to be considered well capitalized under regulatory guidance.

We are pleased with the strong organic growth of the bank's assets and profitability and we thank you for your continued support.

Craig S. Underhill

Richard C. Litman

Craig S. Underhill
President & CEO

Richard Litman
Chairman