

FREEDOM BANK

| The Freedom Bank of Virginia | | | | |
|---|-----------------------------------|-------------------|----------------------------------|---------------------|
| Statements of Operations | | | | |
| (UNAUDITED) | | | | |
| | For the three months ended | | For the nine months ended | |
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Interest Income | | | | |
| Interest and fees on loans | \$ 5,127,745 | \$ 4,194,288 | \$ 13,984,388 | \$ 11,848,047 |
| Interest on investment securities | 288,447 | 168,017 | 908,254 | 475,388 |
| Interest on Federal funds sold | 382 | 5,300 | 8,084 | 17,328 |
| Total Interest Income | <u>5,416,554</u> | <u>4,367,605</u> | <u>14,900,726</u> | <u>12,340,761</u> |
| Interest Expense | | | | |
| Interest on deposits | 942,623 | 784,283 | 2,624,278 | 2,164,852 |
| Interest on borrowed funds | 32,130 | 754 | 81,480 | 754 |
| Total Interest Expense | <u>974,753</u> | <u>785,037</u> | <u>2,705,728</u> | <u>2,185,606</u> |
| Net Interest Income | 4,441,801 | 3,582,568 | 12,194,998 | 10,155,155 |
| Provision for Possible Loan Losses | <u>515,500</u> | <u>198,000</u> | <u>925,500</u> | <u>609,000</u> |
| Net Interest Income after Provision for Possible Loan Losses | 3,926,301 | 3,443,568 | 11,269,498 | 9,546,155 |
| Other Income | | | | |
| Gain on sale of mortgage loans | 1,333,657 | 533,145 | 3,078,286 | 1,394,950 |
| Service charges and other income | 35,188 | 78,739 | 157,372 | 188,823 |
| Increase in cash surrender value of bank-owned life insurance | 14,829 | 15,088 | 45,089 | 45,921 |
| Total Other Income | <u>1,383,674</u> | <u>626,972</u> | <u>3,280,747</u> | <u>1,627,694</u> |
| Operating Expenses | | | | |
| Officers and employee compensation and benefits | 2,969,295 | 2,131,989 | 8,156,757 | 6,170,959 |
| Occupancy expense | 250,340 | 220,388 | 730,523 | 618,458 |
| Equipment and depreciation expense | 150,177 | 111,717 | 403,804 | 337,700 |
| Insurance expense | 78,579 | 73,235 | 236,644 | 211,912 |
| Professional fees | 227,682 | 198,939 | 693,501 | 660,337 |
| Data and item processing | 221,129 | 228,043 | 690,145 | 886,225 |
| Business development | 36,128 | 50,703 | 150,809 | 146,297 |
| Franchise tax | 107,070 | 89,081 | 278,718 | 230,587 |
| Other operating expenses | 181,270 | 180,473 | 604,884 | 407,621 |
| Total Operating Expenses | <u>4,221,670</u> | <u>3,282,528</u> | <u>11,845,785</u> | <u>9,480,976</u> |
| Income before Income Taxes | 1,088,305 | 807,992 | 2,704,480 | 1,712,873 |
| Provision for Income Taxes | <u>389,100</u> | <u>275,000</u> | <u>919,400</u> | <u>582,500</u> |
| Net Income | <u>\$ 710,205</u> | <u>\$ 532,992</u> | <u>\$ 1,785,080</u> | <u>\$ 1,130,373</u> |

The Notes to Financial Statements are an integral part of these statements.