FREEDOM BANK

February 10, 2017

Dear Shareholders:

On behalf of our board of directors and management, we are pleased to present these results. The Freedom Bank of Virginia continued increasing assets, net income and earnings per share, both for the fourth quarter and the year-ending December 31, 2016.

Fourth Quarter Results

For the quarter ending December 31, 2016, net income was $956,704, up 62.7% from $588,197 earned in the fourth quarter of 2015. This produced a 0.78% return on average assets for the quarter. Earnings per share were $0.15.

Large increases in loans and investments increased total interest income to $5,570,585 for the quarter ended December 31, 2016, up 22.2% from $4,560,317 in the same quarter one year earlier. Total other income was $1,244,529, up 39.7% from $890,569 the same period the prior year. Combined interest income and other income for the fourth quarter was $6,815,114, compared to $5,450,885 for the same quarter in 2015. Interest paid on deposits and borrowings for the fourth quarter increased $174,915 or 21.3% to $995,608. The provision for possible loan losses increased in 2016 to $165,000, up from $63,500 in the fourth quarter of 2015. The increase was due to strong loan growth in the quarter, not deteriorating asset quality.

Operating expenses increased to $4,204,801 in the fourth quarter, up from $3,675,996 the fourth quarter 2015. The main items were increased compensation to mortgage originators and bank paid closing costs covered by the fees from the sale of mortgages. There was also additional occupancy expense to support asset growth. Net income for the quarter of $956,704 exceeded the pre-tax income of the same quarter of 2015, maintaining the trend extending over several quarters.

Year End Results at December 31, 2016

Freedom Bank earned net income of $2,741,784 for the year ended December 31, 2016, a $1,023,214 or 59.5% increase over the $1,718,570 earned for 2015. Increasing net income results from larger top line revenue. Large increases in loans and investments increased total interest income to $20,417,311 in 2016, up 21.1% from $16,901,078 in 2015. Total other income was $5,270,609, up 86.6% from $2,825,229 the prior year. Combined interest income and other income for 2016 was $25,741,920 up $6,015,614 or 30.5% over the combined $19,726,306 for 2015. Interest paid on deposits and borrowings increased $695,038 or 23.1% to $3,701,337 at December 31, 2016.

The provision for possible loan losses increased in 2016 to $1,090,500, up from $672,500 the prior year. The increase was due to record loan growth for the year, not deteriorating asset quality. Operating expenses increased to $16,795,899 in 2016 from $13,443,938 in 2015. Record non-interest income from the mortgage division required additional compensation expense for mortgage originations and bank paid closing costs related to these mortgages that were covered by fees from the sale of the mortgages. There was also a rise in occupancy expense from additional space to support revenue growth.

Earnings per share increased to $0.45 at December 31, 2016, up from $0.40 at December 31, 2015. The increase occurred despite having 1,843,047 more average shares outstanding at December 31, 2016 than the prior year due to a successful capital raise.

Balance Sheet

Total assets were $496,501,584 at December 31, 2016, up 24.0% from $400,437,524 the prior year. Loans had the highest yield and increased $88,022,349 (27.6%) to $407,091,960 at December 31, 2016. With the large increase in loans held for investment, the bank increased the percentage of the allowance for possible loan losses from 0.98% at December 31, 2015 to 1.02% at December 31, 2016.

Securities held for sale, held to meet liquidity needs, decreased $17,241,542 to $29,074,040 compared to the prior year. The bank invested $15,035,844 in muni bonds in 2016 classified as held to maturity and this was our second highest yielding asset. Together with cash and cash due from banks of $4,577,019, interest bearing deposits of $1,032,416, and $24,108,000 in Fed Funds total liquid assets were $ 73,827,318 at December 31, 2016.

Asset quality remains a primary strength of the bank. Non performing assets as a percentage of assets were 0.19% at December 31, 2016 compared to 0.06% at December 31, 2015. Loans past due for regularly scheduled payments were 0.28% of loans at December 31, 2015 and declined to 0.01% at December 31, 2016. Both compared favorably with peer banks.

Asset growth was funded by increases in core deposits. Non interest bearing deposits increased 21.4% to $62,941,221, up from $51,849,383 the prior year. Interest checking deposits rose 29.9% to $114,549,659 at December 31, 2016, up from $88,182,669 at December 31, 2015. Certificates of deposit were $218,980,247 at December 31, 2017, up only $12,020,596 or 5.81% from the prior year as the bank focused on growing core transaction accounts.

The bank had $43,714,286 in borrowings from the Federal Home Loan Bank of Atlanta at December 31, 2016, up from $6,200,000 December 31, 2015.

Capital increased to $51,656,613 at December 31, 2016. This was up 21.3% from $42,580,924 at December 31, 2015. This was due to the bank's successful capital raising efforts as well as retained earnings for the year. Book value per share increased to $8.36 per share at December 31, 2016, up from $7.80 at December 31, 2015.

The leverage ratio was 10.75%. Tier I capital ratio was 12.32% and the total capital ratio was 13.30%. All of these are above well capitalized levels.

We are pleased with the rising profitability and continued strong growth and we thank you for your continued support.

Craig S. Underhill Richard C. Litman

Craig S. Underhill
President & CEO

Richard C. Litman
Chairman