



January 30, 2015

Dear Shareholders,

On behalf of the Board of Directors and employees of Freedom Bank, we are pleased to present you with these results.

The Freedom Bank of Virginia earned net income of \$1,600,397 for the year ending December 31, 2014, a 16.7% increase over the \$1,371,772 net profit at December 31, 2013. This was the nineteenth consecutive quarterly net profit for the bank.

Strong loan growth led to increased assets of \$68,409,585 to \$342,611,644 at December 31, 2014, up 24.9% from \$274,202,059 the prior year. Loans had the highest yield and increased \$58,824,702 (26.7%) to \$278,989,586. Government bonds, held to meet liquidity needs, were the second highest yielding asset increased \$3,554,734 (15.0%) to \$27,294,953. Together with fed funds of \$24,837,000 and cash of \$5,941,254 total liquidity was \$58,073,207 or 16.9% of total assets at December 31, 2014.

Asset growth was funded by large increases in deposits. Non interest bearing accounts increased 31.6% from \$39,085,418 to \$51,431,344 at December 31, 2014. Interest checking deposits rose 39.2% from \$47,370,151 to \$65,959,271 at December 31, 2014. Certificates of deposit funded the balance rising by \$34,666,451 or 22.1% to \$191,660,139 at year end.

Capital was \$29,769,220 at December 31, 2014, up 14.0% from \$26,118,725 at December 31, 2013. Primary contributors were net profit of \$1,600,397 and a public stock sale generating net proceeds of approximately \$1,600,000 after expenses. Book value per share increased 8.0% from \$6.85 at December 31, 2013 to \$7.40 at December 31, 2014.

Large increases in loans and investments increased total interest income to \$13,656,944 in 2014, up 21.3% from \$11,259,048 the prior year. Interest paid on deposits increased \$283,005 or 14.3% to \$2,267,925. The provision for loan losses increased \$188,500 to \$486,000 leaving net interest income after provision at \$10,903,019, at December 31, 2014, up \$1,926,391 (21.5%) from \$8,976,628 the prior year. Operating expenses increased from \$8,484,498 in 2013 to \$9,863,144 in 2014. This was a 16.3% increase, but it included a third branch operating for half of 2014. The result was 2014 net income increased 16.7% to \$1,600,397 from \$1,371,772 the prior year. Earnings per share were \$0.40 for 2014 versus \$0.36 for 2013 despite an increase in shares outstanding from the capital campaign.

Freedom Bank continued improving asset quality. Non performing assets as a percentage of loans decreased from 0.54% at December 31, 2013 to 0.11% at December 31, 2014. Loans past due for regularly scheduled payments were 0.01% of loans at December 31, 2013 versus 0.02% of loan at December 31, 2014. Both compared very favorable with peer banks.

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Profitability is increasing based on strong loan growth. Our investment in lenders the past two years is showing results. Our Chief Lending Officer Kevin Curtis and his team had a strong 2013 and surpassed those impressive results in 2014. In December 2014 the bank hired Richard Hutchison, who ran Virginia Heritage Mortgage prior to its sale, to try to generate a similar increase in mortgage lending in 2015. Kevin and Richard have known each other for many years and we believe they will work well together providing Freedom Bank with exceptionally strong lending leadership.

We thank you for your continued support of the Bank.

Craig S. Underhill
President & CEO

Richard C. Litman
Chairman of the Board