

# FREEDOM BANK

May 13, 2016

Dear Shareholders:

On behalf of our board of directors and management, we are please to present our first quarter results.

Net income was \$402 thousand for the first quarter of 2016, which is more than double the \$142 thousand earned the same period the prior year. Solid asset growth by the Bank and profitable mortgage banking activities produced the strong gain. Growth was not sacrificed in achieving profits as total assets grew over \$71 million from the prior year to \$425 million at March 31, 2016.

Revenue increases across all business lines were responsible for the improved profitability.

- Investment income doubled to \$284 thousand.
- Interest on loans increased \$604 thousand or 16.1% to \$4.32 million.
- Mortgage banking revenue soared \$403 thousand to \$570 thousand.
- Earnings per share increased to \$0.07 at March 31, 2016 versus \$0.03 for 2015 despite the additional shares from the recent capital raise.

Overhead also increased, but operating leverage improved results in the first quarter through increased earnings per share.

Asset growth continued through the first quarter of 2016 much faster than the national average, for the third consecutive year.

- Total assets increased \$71 million to \$425 million.
- Loans increased 14% from \$293 million to \$335 million.
- Investment securities held more than doubled from \$30 million to \$61 million.

Asset growth was funded by very favorable increases in operating accounts and additional equity through the successful capital raise.

- Checking deposits were unchanged at \$56 million.
- Interest checking balances increased 36.5% to \$101 million at March 31, 2016 from \$74 million a year earlier.
- Equity increased to \$49 million from \$32 million the prior year due to retained earnings and a \$16 million capital infusion. Book value per share was \$8.02 at March 31, 2016, up from \$7.47 at March 31, 2015.

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The Bank received an additional \$6 million in capital from an additional purchase of common stock by Patriot Financial Partners II, L. P. We believe this additional capital will fund organic growth for the next few years allowing the bank to achieve more scale with intent of enhancing value for all of our shareholders.

Loan quality remained better than the national average despite strong growth. Loans past due more than thirty days were 0.23% of total loans for the quarter. This was down from 0.24% at March 31, 2015. Non performing assets were 0.23% of total assets compared to 0.13% at March 31, 2015. Both of these levels are lower than local peers.

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  
President & CEO



Richard Litman  
Chairman