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FVCB—FVCBankcorp, Inc.

Raising EPS Estimates and Maintaining "Outperform" Rating on Increased Target Price

We are reiterating our "Outperform" rating on the shares of FVCBankcorp, Inc. following solid 2Q16 results that were In Line with our $0.21 estimate (only publishing analyst). Based on the second quarter earnings, we are maintaining our 2016 EPS estimate at $0.86 (adjusted for recent 5-for-4 split) and raise our 2017 EPS estimate two cents to $1.02 (also split adjusted). We also are adjusting our Target Price to $20.00 (split-adjusted) given the prospects for relatively strong Tangible Book Value growth of almost 11% during the next two years as well as a consistent rise in projected ROA as management notes that infrastructure supports a much bigger balance sheet without significant expense outlays. This combined with close to 20% EPS growth supports a premium valuation in our view.

During our 2Q16 earnings discussion with management, Loan growth guidance continues to remain very strong with a substantial Loan Pipeline noted heading into the second half of the year which we now project Average Loan growth of 22% for 2016 and 18% for 2017 as the company sees healthy demand driven by construction and CRE loans and management notes a broad geographic distribution of loan growth during the quarter and is seeing look at larger loan sizes as it broadens relationships in the Northern Virginia business community. Spread income growth was negatively impacted by Yield Premiums that were accelerated from the payoff of certain USDA Loans as well as Residential Mortgages that related to the First Commonwealth acquisition. This premium amortization resulted in about 8-10 bps of the NIM compression experienced this quarter and we do project a bounce back in the NIM next quarter given the strong Loan growth projected.

Management notes it can be more competitive on pricing for certain credits but for the most part is holding the line on pricing and trying to get core Deposit relationships with new loan growth. Most Loans are being generated around the 5% Average Yield mark with the company keeping maturities relatively short in the Five-Year range. Management notes that a recent $25 Million Sub. Debt raise at 6% will be used to support expected strong second half Loan growth especially in the fourth quarter of 2016. Average Loan size has increased and are seeing more $6-$7 Million Loans come through the origination pipeline as the local economy remains very vibrant with the company's government contractor and not-for-profit segments doing well.

Please see important disclosures regarding FIG Partners' equity rating system, distribution of ratings, and other report disclosures on the last page of this report.

FVCB: $17.50
"Outperform" // Price Target: $20.00

Summary Statistics	
Exchange	OTCQX
Market Cap ($M)	$142
Avg. Share Volume	2,670
Annual Dividend	$0.00
Annual Yield	na
Tangible Book/Share	$9.49
Price/Tangible Book	184%
Price/2016 EPS	20.4x
Price/2017 EPS	17.1x
Total Assets ($M)	$797
TCE/TA	9.8%
ROTCE (2016E)	8.9%
ROA (2016E)	0.92%

EPS Estimates

	2014	2015	2016	2017
Q1	0.10	0.17	0.21	0.22
Q2	0.12	0.19	0.21	0.25
Q3	0.13	0.18	0.21	0.27
Q4	0.15	0.12	0.23	0.29
FY	**0.51**	**0.66**	**0.86**	**1.02**

Industry Type	Savings/Thrift/Mutual
Headquarters	Fairfax, VA
Offices	5
Date Established	2015
CEO	David W. Pijor
CFO	Patricia Ann Ferrick

Adjusted for 5-for-4 stock split, June 2016

Source (all data): FIG Partners Research, SNL Financial LC

FVCB (Fairfax, VA--$142 Mil. Mkt. Cap, $797 Mil. Assets, $17.50, 0% Yld)

	1Q-2016	Δ	2Q-2016
EPS	**$0.21**	-	**$0.21**
Operating/Core EPS	**$0.21**	-	**$0.21**
FIG Estimate	$0.18	-	**$0.21**
Street Estimate	$0.18	-	**$0.21**
Net Interest Income (FTE)	6.6	(0.4%)	6.6
Loan Loss Provision	0.2	(55.6%)	0.10
Core Non-Interest Income (ex. sec.)	0.3	13.0%	0.3
Core Non-Interest Expense	4.0	4.2%	4.1
Net Charge-Offs	0.2	(100.0%)	0.0
NCOs % of Avg Loans (bps)	4	(4)bps	0
NCOs % of Provision (bps)	100.0	(100)bps	0
Tangible Book Per Share*	$9.28	2.3%	$9.49
Net Interest Margin (FTE)	3.74%	(17)bps	3.57%
Total Loans ($Mil.)	639.2	3.9%	664.1
TCE Ratio (TCE/TA)*	10.19%	(43)bps	9.76%
NPAs % of Loans + OREO	0.41%	5bps	0.46%

*As Reported by the company // Core EPS add back non-recurring items at 35% tax rate

Source: FIG Partners Research, Company Disclosure

Linked-Quarter Trends For FVCB:

Spread income growth was negatively impacted by Yield Premiums that were accelerated from the payoff of certain USDA Loans as well as Residential Mortgages that related to the First Commonwealth acquisition.

This premium amortization resulted in about 8-10 bps of the NIM compression experienced this quarter and we do project a bounce back in the NIM next quarter given the strong Loan growth projected.

FVCB recently raised $25 Million of capital via a subordinated debt raise to support Total capital based on expectations of material loan growth into the second half of 2016 especially in the fourth quarter of 2016.

Deposit Growth funded about 60% of Total Loan growth this quarter as the Loans-to-Deposits ratio rose to 98.3% from 96.7% in 1Q16. Core funding growth remains a KEY initiative this year at the bank though management notes it may run certain deposit campaigns on either the CD or Money Market side to drive overall deposit growth.

CFO Patricia Ferrick notes that the company has very strong talent on the Cash Management front and while the company likely has the same product offering as other competitors has strong talent in terms of Business Development Officers who not only know the product but are tremendous on the customer service front. Core new customer growth is strong and is particularly healthy in the Asset Based Lending segment, government contractors and not-for-profit sectors. The company does use the CDARs program to generate and support growth which shows up as brokered CDs on Call Reports but they note these are true deposit relationships and has been a good source of growth to augment other Core Deposit segments.

FIG Research Rating: "Outperform"

Price Target: $20.00

	2016	Multiple	Price
Core EPS	$0.86	21.8x	$18.65
Dividends	$0.00	1.0x	$0.00
Excess TCE	$1.40	1.0x	$1.35
		Combined	**$20.00**
Tangible Book 12/16	**$9.95**	**2.01x**	**$20.00**

Implied Gain/Loss versus Current Price: 14.3%

2017 Outlook			
Core EPS	$1.02	20.5x	$20.96
Cash Dividends	$0.00	1.0x	$0.00
Excess TCE	$1.03	1.0x	$1.00
			$21.95
		Discount Rate 10%	0.91
Tangible Book 12/17	$10.99	2.00x	**$20.00**

Deposit Premium Forecast:

	Current	Dec-16	Dec-17
Tangible Equity	77.8	81.0	89.7
Total Deposits	675.4	740.1	864.8
CORE Deposits	462.1	506.3	591.7
Market Value	142.4	162.8	179.2
Premium - Total	**9.6%**	**11.1%**	**10.3%**
Premium - CORE	**14.0%**	**16.2%**	**15.1%**

Source: FIG Partners Research & Forward Estimates

Background

FVCB is a $797 Million Asset institution serving three(3) key counties in Northern Virginia (Fairfax, Prince William, & Arlington) with five(5) branches at $101 Million average Deposits per location. Started in late 2007 with $23 Million in initial capital, the company weathered the 2008-09 recession with tangible book value expanding 60% since year-end 2009. Continued economic growth from a deep local market of small and mid-sized businesses has permitted Loan and Deposit customers to flourish, which could lead to increasing profits and tangible book gains.

Our earnings projections carry uncertainty along with other general risks that must be considered by investors. We highlighted these key Risks below:

1. FVCB depends on new Loan growth to expand earnings and leverage its capital base and cost structure. If Loan growth does not occur or if it slows significantly, earnings could be negatively affected.
2. Community Bank stocks can temporarily be correlated with broader financial markets such that external weakness may hinder the stock's valuation.
3. Changes in management, which are unforeseen, could place pressure on the stock's valuation due to uncertainty.
4. Weakening of local fundamentals in the Washington D.C MSA market areas could reduce total revenues and net income. Banks tend to be a mirror of the communities they serve. Thus, FVCB is subject to cyclical economic changes within its income statement and balance sheet.

FVCB remains very well positioned in Northern Virginia with solid Core Deposits and a lower cost operating model than many Community Bank peers. The stock trades at 183% of tangible book value and a 140% premium to Core Deposits. While a few peers are cheaper than FVCB, we feel this strong franchise remains intact and envision another 14% of upside to the shares as our Target Price implies a forward P/TBV that suggests modest upside to the current valuation.

Peer Valuation Analysis: *FVCB vs. Community Banks In MD-DC-VA*

	Company Name	Market Cap. ($M)	Current Dividend Yield (%)	Total Assets ($000) MRQ	CDs % of Total MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to-T.Book 7/31/2016	P/E 2016 EPS Consensus	ROA Forecast in 2016 Consensus	ROTCE Estimated in 2016 Consensus
Peer Analysis											
FVCB	**FVCBankcorp Inc**	$142	NA	$796,811	32	9.8	**14.1%**	**183**	20.4x	0.92	8.9%
ANCX	Access Natl Corp	$235	2.70	$1,304,871	27	9.2	**16.2%**	**209**	14.1x	1.31	14.4%
CFNL	Cardinal Financial	$836	1.86	$4,197,166	41	9.7	**22.7%**	**208**	16.9x	1.22	12.5%
EGBN	Eagle Bancorp	$1,731	0.00	$6,365,320	15	10.9	**23.0%**	**254**	18.5x	1.50	13.9%
ESXB	Cmty Bnk Trst Corp	$114	0.00	$1,189,522	54	9.3	**0.8%**	**103**	11.6x	0.83	9.0%
EVBS	Eastern VA Bnkshs	$99	1.06	$1,294,957	24	7.2	**1.0%**	**108**	16.3x	0.65	6.1%
FDVA	Freedom Bnk of Va	$55	NA	$475,832	56	10.6	**2.6%**	**109**	na	NA	na
JMSB	John Marshall Bk	$163	NA	$941,245	49	11.7	**13.9%**	**148**	na	NA	na
MBRG	Middleburg Finl	$200	1.85	$1,314,336	25	9.5	**9.5%**	**160**	21.5x	0.68	7.5%
MNSB	MainStreet Bcshs	$52	NA	$497,808	57	8.7	**5.0%**	**120**	na	NA	na
OLBK	Old Line Bcshs Inc	$207	1.25	$1,590,031	35	8.6	**8.7%**	**153**	17.0x	0.78	8.9%
SONA	Southern National	$163	2.40	$1,120,693	66	10.0	**16.6%**	**146**	15.1x	1.06	18.8%
TOWN	TowneBank	$1,431	2.27	$7,940,741	28	9.8	**15.3%**	**190**	16.6x	1.13	11.1%
WFBI	WashingtonFirst	$294	1.00	$1,853,666	32	9.5	**11.2%**	**168**	17.7x	0.94	9.5%
Source: FIG Partners Research, SNL Financial LLC				**Median**	**35**	**9.5**	**11.2%**	**153**	**16.7x**	**1.00**	**10.3%**

FVCB trades at a 14% Core Deposit Premium while many other peers in Northern Virginian and metro–D.C. trade at a much higher premium. Examples are ANCX, CFNL, EGBN, and TOWN. A few Banks trade at a discount and may also represent opportunities for patient investors. We believe the strong growth prospects will continue to allow for a premium multiple based on EPS and our Price Target implies a forward P/E of 19.6x our revised 2017 EPS estimate of $1.02 and 2.00 projected Tangible Book Value of $10.99 as of December 2017.

First Virginia Community Bank **Updated on 08/01/2016**

Earnings Model

	Calendar Year				2015 Calendar Qtrs				2016 Calendar Qtrs				2017 Calendar Qtrs			
	2014A	2015A	2016E	2017E	1Q15A	2Q15A	3Q15A	4Q15A	1Q16A	2Q16A	3Q16E	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E
Income Data: ($ in Millions)																
Net Interest Income	$19.2	$22.9	$27.5	$32.1	$5.4	$5.7	$5.8	$6.0	$6.6	$6.6	$7.0	$7.3	$7.4	$7.8	$8.2	$8.6
Loan Loss Provision	$0.9	$1.1	$1.1	$1.8	$0.1	$0.1	$0.1	$0.8	$0.2	$0.1	$0.3	$0.4	$0.4	$0.4	$0.5	$0.5
Non-Interest Income	$1.0	$1.2	$1.2	$1.3	$0.4	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3
Gain/Loss on Loan Sales	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Gain/Loss on Securities	$0.1	($0.1)	$0.1	$0.0	$0.0	$0.0	$0.0	($0.1)	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
One-Time Items	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-Interest Expense	$13.3	$14.7	$16.6	$18.3	$3.6	$3.6	$3.7	$3.7	$4.0	$4.1	$4.2	$4.3	$4.4	$4.5	$4.6	$4.7
Pre-Tax Income	$6.3	$8.3	$11.1	$13.3	$2.1	$2.2	$2.3	$1.6	$2.7	$2.7	$2.8	$2.9	$2.9	$3.2	$3.5	$3.7
Taxes (w/ FTE adj.)	$2.2	$2.9	$3.8	$4.6	$0.7	$0.8	$0.8	$0.6	$0.9	$0.9	$1.0	$1.0	$1.0	$1.1	$1.2	$1.3
Extraordinary Items	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	$4.1	$5.4	$7.3	$8.7	$1.4	$1.5	$1.5	$1.0	$1.8	$1.8	$1.8	$1.9	$1.9	$2.1	$2.3	$2.4
Preferred Dividend	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income Avail. To Common	**$4.1**	**$5.4**	**$7.3**	**$8.7**	**$1.4**	**$1.5**	**$1.5**	**$1.0**	**$1.8**	**$1.8**	**$1.8**	**$1.9**	**$1.9**	**$2.1**	**$2.3**	**$2.4**
Avg. Shares O/S	8.2	8.2	8.5	8.5	8.4	7.7	8.5	8.2	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Earnings Per Share (EPS)	**$0.51**	**$0.66**	**$0.86**	**$1.02**	**$0.17**	**$0.19**	**$0.18**	**$0.12**	**$0.21**	**$0.21**	**$0.21**	**$0.23**	**$0.22**	**$0.25**	**$0.27**	**$0.29**
Per Share Data:																
Reported Book Value	$8.24	$8.97	$9.96	$11.00	$8.45	$8.59	$8.86	$8.97	$9.29	$9.51	$9.73	$9.96	$10.19	$10.44	$10.72	$11.00
Tangible Book Value	**$8.22**	**$8.95**	**$9.95**	**$10.99**	**$8.43**	**$8.58**	**$8.84**	**$8.95**	**$9.28**	**$9.49**	**$9.71**	**$9.95**	**$10.18**	**$10.42**	**$10.70**	**$10.99**
Dividends	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Pre-Tax, Pre-Provision EPS	**$0.88**	**$1.14**	**$1.43**	**$1.77**	**$0.26**	**$0.30**	**$0.27**	**$0.30**	**$0.34**	**$0.33**	**$0.36**	**$0.39**	**$0.39**	**$0.42**	**$0.46**	**$0.50**
CORE GAAP EPS	**$0.50**	**$0.67**	**$0.86**	**$1.02**	**$0.17**	**$0.19**	**$0.18**	**$0.13**	**$0.21**	**$0.21**	**$0.21**	**$0.23**	**$0.22**	**$0.25**	**$0.27**	**$0.29**
KEY Ratios:																
Net Interest Margin	3.61%	3.70%	3.64%	3.64%	3.76%	3.77%	3.63%	3.63%	3.74%	3.57%	3.63%	3.61%	3.61%	3.62%	3.64%	3.68%
Return on Avg Assets	0.76%	0.86%	0.92%	0.94%	0.94%	0.95%	0.92%	0.61%	0.96%	0.93%	0.90%	0.92%	0.87%	0.93%	0.96%	1.00%
Return on Avg Equity	6.45%	7.72%	9.42%	10.21%	8.38%	8.53%	8.36%	5.69%	9.52%	9.33%	9.22%	9.61%	9.22%	10.00%	10.54%	11.03%
Pre-Tax Pre-Provision ROA	**1.32%**	**1.47%**	**1.55%**	**1.63%**	**1.47%**	**1.51%**	**1.43%**	**1.46%**	**1.58%**	**1.47%**	**1.55%**	**1.58%**	**1.50%**	**1.59%**	**1.66%**	**1.73%**
Efficiency Ratio	65.2%	60.9%	57.8%	54.8%	62.1%	60.5%	61.4%	59.5%	57.5%	59.9%	57.5%	56.1%	57.4%	55.4%	54.0%	52.6%
Overhead Ratio	2.44%	2.30%	2.10%	1.97%	2.45%	2.33%	2.27%	2.19%	2.18%	2.16%	2.08%	2.01%	2.06%	1.99%	1.94%	1.91%
TCE/TA	11.0%	9.9%	9.3%	8.8%	11.3%	10.5%	10.5%	9.9%	10.2%	9.8%	9.5%	9.3%	9.2%	9.0%	8.9%	8.8%
Period-End Balances: ($ in Millions)																
Earning Assets	$587	$651	$820	$957	$604	$622	$652	$651	$721	$750	$784	$820	$852	$886	$922	$957
Total Assets	$605	$737	$870	$1,016	$605	$664	$682	$737	$741	$797	$832	$870	$905	$940	$979	$1,016
Net Loans	$504	$624	$729	$854	$525	$560	$562	$624	$639	$664	$695	$729	$759	$790	$821	$854
Total Deposits	$504	$627	$740	$865	$532	$588	$596	$627	$661	$675	$708	$740	$770	$800	$833	$865
Intangibles	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Common Equity	$67	$73	$81	$90	$69	$70	$72	$73	$76	$78	$79	$81	$83	$85	$87	$90

Source: FIG Partners Research, SNL Financial LC

FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market-Perform	Sell / Underperform
% Rated	39.2%	60.8%	0.0%
IB Client % in Category	28.6%	17.1%	0.0%

Equity Rating System as of July 1, 2003

Buy/Outperform "O" FIG expects that total return of the subject stock will outperform the industry benchmark (BIX) over the next 12 months

Hold/Market-Perform "M-P" FIG expects that total return of the subject stock will perform inline with the industry benchmark (BIX) over the next 12 months

Sell/Underperform "U" FIG expects that total return of the subject stock will under perform the industry benchmark (BIX) over the next 12 months

For purposes of FINRA rule 2711, outperform is classified as a buy, market perform is a hold and underperform is a sell. The industry benchmark that we use is the S&P Bank Index referred to as the BIX.

Ratings Changes for First Virginia Community Bank (FVCB)

Additional Risks to Our Earnings Model Assumptions & Ratings:

Unexpected and/or rapid changes in interest rates may have significant negative impact on the company's balance sheet. Likewise, persistently low interest rates, and/or a flat yield curve may add downward pressure to revenues and the absolute level of NIM-Net Interest Margin.

Declines in asset quality beyond our estimates due to an economic slowdown in the company's operating footprint may require increased expenses for loan losses which could decrease profitability. Further, this may cause an increase in Net Charge-offs, Nonperforming loans, and Classified Assets.

New rules set forth by regulatory agencies could reduce future profitability by eliminating certain revenue items, adding additional expenses, or requiring this institution to hold more capital. A similar effect is possible if new legislation (local, state, or federal) is passed.

Any regulatory action or litigation against the company could impact future earnings and also affect the public market perception towards this stock.

Compliance

- Neither the research analyst nor any member of the analyst's household has any financial interest in the subject company.
- At the prior month end, neither FIG Partners LLC nor any of its partners or officers owned more than 1% of the outstanding equity securities of the subject company.
- There are no material conflicts of interest of the analyst or FIG Partners LLC at the time of this report.
- FIG has not been a manager or co-manager of a public offering of any securities of the recommended issuer within the last 12 months.
- FIG has not received investment banking compensation from the subject company in the last 12 months.
- FIG intends to seek investment banking compensation from the subject in the next three months.
- The subject company is a client of FIG.
- Neither the analyst nor anyone at FIG serves as an officer, director, or advisory board member of the subject company.
- FIG will usually make a market in the subject security but was not making a market in this security at the time of this report's publication.
- All analysts are compensated based on a number of factors including the overall profits of FIG Partners LLC which includes investment banking revenues, but no analyst receives any compensation which is based on a specific investment banking service or transaction.
- To determine price target, our analysts utilize a variety of valuation techniques including but not limited to: peer analysis, absolute P/E, relative P/E, projected P/E, absolute P/B, relative P/B, projected P/B, deposit premium, and a discounted cash flow model.
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- No research analyst is subject to the supervision or control of any employee of the member's investment banking department.
- No employee of the investment banking department has reviewed or approved this report prior to publication
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