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FIG Partners

Company Update

November 4, 2015

FVCB—First Virginia Community Bank

Tweaking EPS Est. But Raising Target Price As Deposit Valuation Should Appreciate Further

We are raising our Price Target to $19.50 on FVCB shares with revised EPS estimates of $0.95 in 2016 (down from $1.05) and a 4Q15 outlook of $0.21 (vs. $0.23 prior). A 2017 projection is established at $1.10. Our ROA-Return on Assets forecast is 0.90% consistently over the next 9 quarter through year-end 2017. The EPS changes are due to a slightly lower NIM, and larger provisions to cover Loan growth. Tangible book value per share should increase between 8% to 9% per annum, faster than most community Bank stocks who see only 6% median growth across the industry. The company enjoys a strong Core Deposit base with 20% in DDAs and about 70% in Core Funding—this is highly valuable and we feel investors are already placing greater price tags on financial institutions with this key attribute. Hence, the stock still has nearly 15% upside with our "Outperform" rating. Franchise Value is even greater, most likely $23+ or a 16% core deposit premium.

The company's recent 3Q15 EPS of $0.22 misses our estimate by one penny. Below are key highlights:

- Net Interest Income rose 2.4%, while NIM-Net Interest Margin fell 8 basis points linked-quarter to 3.63%.
- Gross Loans were stable at $562 Mil. vs. 2Q-15. While Loan originations for 3Q was $63.5 Mil., net Loan growth was minimal due to paydowns and new Loans not-yet-funded. This should improve in 4Q15.
- Fee Income declined 7%, while Non-Interest Expense was modest 3.4% above the prior quarter. At 9-30-15 the efficiency ratio was 61.4%, or a huge 24% decline since mid-2013. Page 4 details the Expense history.
- Tangible book value per share was $11.05, a 3% increase over last quarter, and an 8% jump from year-end 2014. The TCE ratio was flat at 10.50%.
- ROA-Return on Assets was 0.92% and we expect consistent returns at 0.90%+ with a major size expansion.
- Deposits rose 6% on an annualized basis from 2Q-2015. Demand Deposits represent 20% of Total Deposits and the company remains quite focused on finding and retaining Core Funding, which is very important to the overall stock valuation (see above). See further discussion and trends on Page 4.

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: $17.00
"Outperform" // Price Target: $19.50

Summary Statistics	
Exchange	OTCQX
Market Cap ($M)	$110
Avg. Share Volume	221
Annual Dividend	$0.00
Annual Yield	na
Tangible Book/Share	$11.05
Price/Tangible Book	155%
Price/2016 EPS	18.1x
Price/2017 EPS	15.7x
Total Assets ($M)	$682
TCE/TA	10.5%
ROTCE (2016E)	8.0%
ROA (2016E)	0.89%

EPS Estimates	2014	2015	2016	2017
Q1	0.12	0.22	0.21	0.25
Q2	0.15	0.24	0.23	0.26
Q3	0.17	0.22	0.25	0.29
Q4	0.19	0.21	0.25	0.29
FY	**0.63**	**0.89**	**0.95**	**1.10**

Industry Type	Savings/Thrift/Mutual
Headquarters	Fairfax, VA
Offices	5
Date Established	2007
CEO	David W. Pijor
CFO	Patricia Ann Ferrick

Adjusted for 5-for-4 stock split, April 2015

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

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	2Q-2015	Δ	3Q-2015
EPS	**$0.24**	**-**	**$0.22**
Operating/Core EPS	**$0.24**	**-**	**$0.22**
FIG Estimate	-	**-**	**$0.23**
Street Estimate	-	**-**	**$0.23**
Net Interest Income (FTE)	5.7	2.4%	5.8
Loan Loss Provision	0.1	(42.9%)	0.06
Core Non-Interest Income (ex. sec.)	0.3	(7.1%)	0.3
Core Non-Interest Expense	3.6	3.4%	3.7
Net Charge-Offs	0.2	61.8%	0.3
NCOs % of Avg Loans (bps)	3	2bps	5
NCOs % of Provision (bps)	149.5	274bps	423
Tangible Book Per Share*	$10.72	3.1%	$11.05
Net Interest Margin (FTE)	3.71%	(8)bps	3.63%
Total Loans ($Mil.)	560.0	0.4%	562.4
TCE Ratio (TCE/TA)*	10.50%	3bps	10.53%
NPAs % of Loans + OREO	0.00%	62bps	0.62%

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

Source: FIG Partners Research, Company Disclosure

Returns & Expected Growth Through 2017

	2014A	2015E	2016E	2017E
GAAP EPS	$0.63	$0.89	$0.95	$1.10
Avg. Tang. Book	**$9.93**	**$10.89**	**$11.82**	**$12.85**
ROTCE	**6.4%**	**8.1%**	**8.0%**	**8.5%**
ROA	**0.76%**	**0.92%**	**0.89%**	**0.88%**
Avg. TCE Ratio	11.5%	10.7%	10.0%	9.3%

TBV Growth

6.9%	9.5%	9.6%	8.3%	9.0%
2013A	2014A	2015E	2016E	2017E

Source: FIG Partners Research & Estimates Through 2017

Linked-Quarter Trends For FVCB:

FVCB slightly missed our estimate and the consensus estimate by one penny.

Net Interest Income rose over 2% while NIM-Net Interest Margin fell 8 basis points.

Loan growth had an "off-quarter" due to paydowns. We feel this should improve in the near future. Deposit growth remains solid and DDAs are 20% of the Total base. This alone makes the FCVB franchise very valuable, in our opinion.

Tangible book value per share continues to expand, increasing to $11.05 at 3Q-2015. We believe TBV per share is capable of growing 8% to 9% per annum from 4Q15 through the end of 2017.

Raising Our Price Target on FVCB

FIG Research Rating: "Outperform"

Price Target: $19.50

	2016	Multiple	Price
Core EPS	$0.95	19.0x	$18.03
Dividends	$0.00	1.0x	$0.00
Excess TCE	$2.14	0.7x	$1.47
		Combined	**$19.50**
Tangible Book 12/16	**$12.19**	**1.60x**	**$19.50**

Implied Gain/Loss versus Current Price: 13.8%

2017 Outlook			
Core EPS	$1.10	18.9x	$20.68
Cash Dividends	$0.00	1.0x	$0.00
Excess TCE	$1.56	0.7x	$1.07
			$21.75
		Discount Rate 10%	0.90
Tangible Book 12/17	$13.28	1.64x	**$19.50**

Deposit Premium Forecast:

	Sept-15	Dec-16	Dec-17
Tangible Equity	71.7	79.7	87.4
Total Deposits	596.2	718.4	843.1
CORE Deposits	392.6	473.0	555.2
Market Value	111.2	127.5	143.0
Premium - Total	**6.6%**	**6.7%**	**6.6%**
Premium - CORE	**10.1%**	**10.1%**	**10.0%**

Source: FIG Partners Research & Forward Estimates

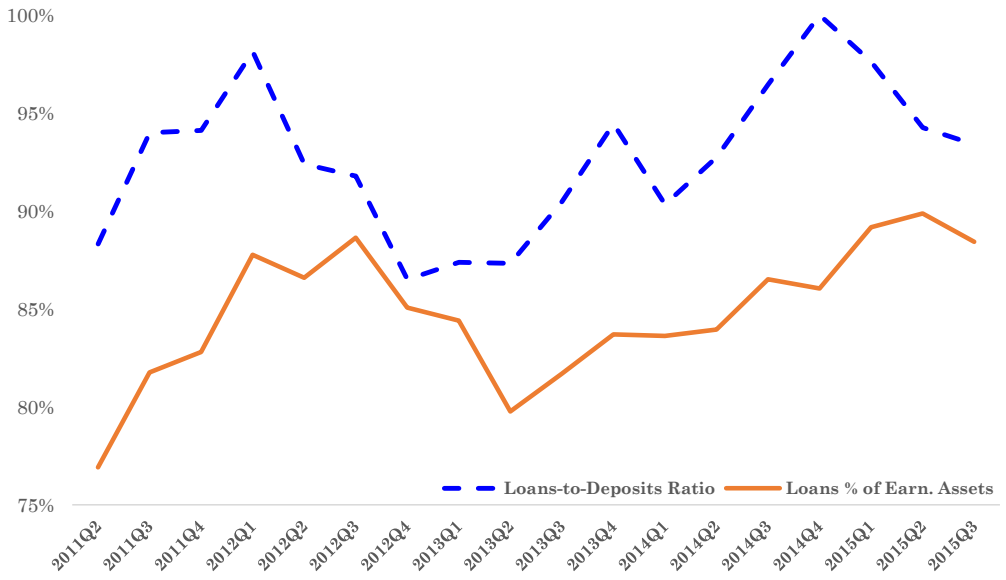
Background

FVCB is a $682 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's Balance Sheet Relationships Since Mid-2011



Source: FIG Partners Research, SNL Financial LC

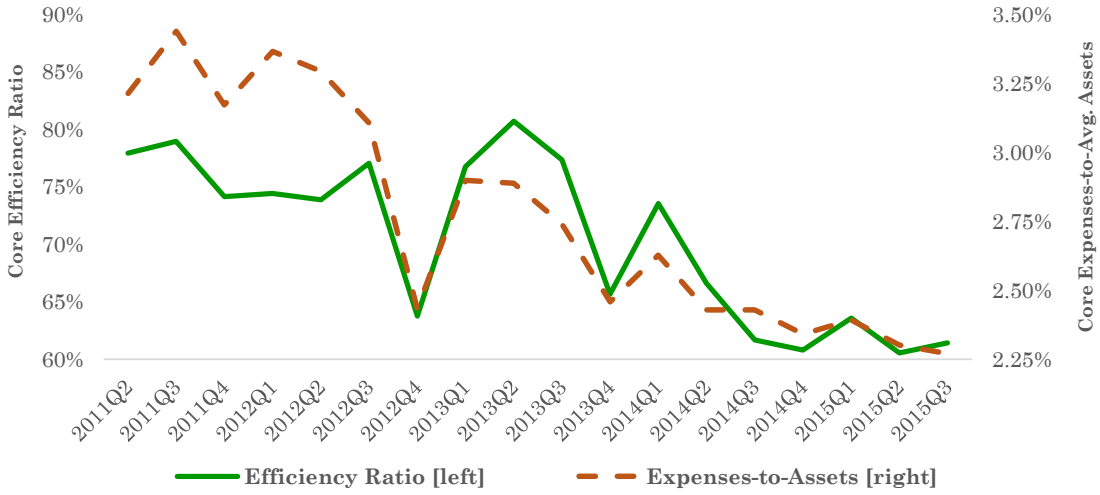
FVCB operates at a 93% Loans-to-Deposits Ratio, and has 12% of Total Earning Assets in Cash and Securities (combined).

Deposits have grown faster than Loans in the last two quarters which has caused a slight drop in this ratio (i.e., the blue line)

Notice the downward trend in FVCB's Efficiency Ratio, which has declined 24% since mid-2013.

Most other community banks operate with 3.0% to 3.3% Expenses-to-Assets, but FVCB is nearly one whole point better. This impresses to us and leads to higher tangible book value growth of 8% to 9% (above the industry norm near +6% per annum).

FVCB's Historical Expense Trends



Source: FIG Partners Research, SNL Financial LC

Peer Group Valuation Analysis — *FVCB vs. Other Community Banks In Northern Virginia, Metro D.C., & Elsewhere In VA*

	Company Name	Market Cap. ($M)	Current Dividend Yield (%)	Total Assets ($000)	CDs % of Total	TCE Ratio	Core Deposit Premium	Price-to-T.Book	P/E 2016 EPS	ROA Forecast in 2016	ROTCE Estimated in 2016
				MRQ	MRQ	MRQ	Today	11/4/2015	Consensus	Consensus	Consensus
Peer Analysis											
FVCB	**First VA Cmnty Bk**	$110	NA	$682,112	32	10.5	**9.5%**	**154**	na	NA	na
ANCX	Access Natl Corp	$219	2.88	$1,118,229	34	9.5	**18.4%**	**206**	15.1x	1.24	12.8%
CFNL	Cardinal Financial	$743	1.91	$3,881,736	39	9.6	**21.0%**	**202**	15.6x	1.15	12.1%
EGBN	Eagle Bancorp	$1,641	0.00	$5,888,958	16	10.3	**25.1%**	**281**	18.7x	1.42	13.2%
ESXB	Cmty Bnk Trst Corp	$115	0.00	$1,149,185	56	8.7	**3.7%**	**115**	11.2x	0.84	9.5%
EVBS	Eastern VA Bnkshs	$84	1.23	$1,242,387	24	6.9	**0.3%**	**102**	13.8x	0.66	6.4%
FCVA	Frst Cap Bncp Inc	$72	0.72	$623,253	NA	8.6	**na**	**135**	na	NA	na
FDVA	Freedom Bnk of Va	$34	NA	$390,093	58	8.4	**0.8%**	**104**	na	NA	na
JMSB	John Marshall Bk	$156	NA	$884,537	48	12.1	**13.7%**	**146**	na	NA	na
MBRG	Middleburg Finl	$131	2.85	$1,261,290	24	9.8	**1.0%**	**107**	14.9x	0.65	7.0%
MNSB	MainStreet Bk	$45	NA	$480,972	57	8.5	**2.4%**	**110**	na	NA	na
OLBK	Old Line Bcshs Inc	$183	1.15	$1,331,378	35	9.6	**7.9%**	**145**	14.4x	0.84	9.5%
SONA	Southern National	$140	2.80	$1,017,887	66	10.8	**10.8%**	**129**	15.3x	0.89	8.3%
TOWN	TowneBank	$1,097	2.26	$6,173,891	29	10.5	**13.6%**	**174**	16.2x	1.05	10.3%
WFBI	WashingtonFirst	$204	1.03	$1,598,889	33	8.3	**8.2%**	**154**	na	NA	na
Source: FIG Partners Research, SNL Financial LC				**Median**	**35**	**9.5**	**8.2%**	**140**	**15.1x**	**0.89**	**9.5%**

FVCB trades at a 9.5% 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, JMSB, among others. A few Banks trade at a discount and may also represent opportunities for patient investors.

First Virginia Community Bank **Updated on 11/4/2015**

Earnings Model

	Calendar Year				2015 Calendar Qtrs				2016 Calendar Qtrs				2017 Calendar Qtrs			
	2014A	2015E	2016E	2017E	1Q15A	2Q15A	3Q15A	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E
Income Data: ($ in Millions)																
Net Interest Income	$19.2	$22.8	$26.1	$30.8	$5.4	$5.7	$5.8	$6.0	$6.0	$6.4	$6.7	$7.0	$7.1	$7.5	$7.9	$8.3
Loan Loss Provision	$0.9	$0.5	$1.3	$1.9	$0.1	$0.1	$0.1	$0.2	$0.2	$0.3	$0.3	$0.4	$0.3	$0.5	$0.5	$0.6
Non-Interest Income	$1.0	$1.2	$1.1	$1.2	$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	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0
Gain/Loss on Securities	$0.1	$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
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	$14.8	$16.3	$18.5	$3.6	$3.6	$3.7	$3.8	$3.9	$4.0	$4.1	$4.2	$4.4	$4.6	$4.7	$4.8
Pre-Tax Income	$6.3	$8.8	$9.9	$11.6	$2.1	$2.2	$2.3	$2.2	$2.2	$2.4	$2.7	$2.7	$2.6	$2.8	$3.0	$3.2
Taxes (w/ FTE adj.)	$2.2	$3.0	$3.4	$4.0	$0.7	$0.8	$0.8	$0.7	$0.7	$0.8	$0.9	$0.9	$0.9	$1.0	$1.0	$1.1
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	$5.8	$6.5	$7.7	$1.4	$1.5	$1.5	$1.4	$1.4	$1.6	$1.8	$1.8	$1.7	$1.8	$2.0	$2.1
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**	**$5.8**	**$6.5**	**$7.7**	**$1.4**	**$1.5**	**$1.5**	**$1.4**	**$1.4**	**$1.6**	**$1.8**	**$1.8**	**$1.7**	**$1.8**	**$2.0**	**$2.1**
Avg. Shares O/S	6.5	6.6	6.9	7.0	6.6	6.1	6.8	6.8	6.9	6.9	6.9	6.9	7.0	7.0	7.0	7.0
Earnings Per Share (EPS)	**$0.63**	**$0.89**	**$0.95**	**$1.10**	**$0.22**	**$0.24**	**$0.22**	**$0.21**	**$0.21**	**$0.23**	**$0.25**	**$0.25**	**$0.25**	**$0.26**	**$0.29**	**$0.29**
Per Share Data:																
Reported Book Value	$10.30	$11.28	$12.21	$13.30	$10.56	$10.74	$11.07	$11.28	$11.48	$11.71	$11.96	$12.21	$12.46	$12.72	$13.00	$13.30
Tangible Book Value	**$10.27**	**$11.26**	**$12.19**	**$13.28**	**$10.54**	**$10.72**	**$11.05**	**$11.26**	**$11.46**	**$11.69**	**$11.94**	**$12.19**	**$12.44**	**$12.70**	**$12.98**	**$13.28**
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	**$1.10**	**$1.41**	**$1.62**	**$1.93**	**$0.34**	**$0.38**	**$0.34**	**$0.35**	**$0.35**	**$0.40**	**$0.43**	**$0.44**	**$0.43**	**$0.47**	**$0.50**	**$0.53**
CORE GAAP EPS	**$0.63**	**$0.89**	**$0.95**	**$1.10**	**$0.22**	**$0.24**	**$0.22**	**$0.21**	**$0.21**	**$0.23**	**$0.25**	**$0.25**	**$0.25**	**$0.26**	**$0.29**	**$0.29**
KEY Ratios:																
Net Interest Margin	3.61%	3.70%	3.65%	3.67%	3.76%	3.77%	3.63%	3.65%	3.64%	3.65%	3.66%	3.66%	3.66%	3.67%	3.67%	3.67%
Return on Avg Assets	0.76%	0.92%	0.89%	0.88%	0.94%	0.95%	0.92%	0.86%	0.83%	0.88%	0.93%	0.90%	0.86%	0.87%	0.91%	0.90%
Return on Avg Equity	6.45%	8.30%	8.55%	9.17%	8.38%	8.53%	8.36%	7.94%	7.73%	8.43%	9.11%	8.90%	8.61%	8.95%	9.49%	9.59%
Pre-Tax Pre-Provision ROA	**1.32%**	**1.46%**	**1.51%**	**1.56%**	**1.47%**	**1.51%**	**1.43%**	**1.44%**	**1.38%**	**1.50%**	**1.59%**	**1.57%**	**1.46%**	**1.53%**	**1.60%**	**1.62%**
Efficiency Ratio	65.2%	61.3%	59.2%	57.9%	62.1%	60.5%	61.4%	61.2%	61.9%	59.5%	57.8%	57.8%	59.7%	58.4%	57.0%	56.4%
Overhead Ratio	2.44%	2.32%	2.20%	2.14%	2.45%	2.33%	2.27%	2.27%	2.29%	2.22%	2.17%	2.14%	2.21%	2.16%	2.11%	2.08%
TCE/TA	11.0%	10.4%	9.7%	9.1%	11.3%	10.5%	10.5%	10.4%	10.3%	10.1%	9.9%	9.7%	9.6%	9.4%	9.2%	9.1%
Period-End Balances: ($ in Millions)																
Earning Assets	$587	$682	$801	$940	$588.1	$644.6	$664.5	$682.1	$704.8	$738.3	$769.9	$800.6	$827.2	$866.5	$903.5	$939.6
Total Assets	$605	$700	$822	$965	$604.8	$663.6	$682.1	$700.3	$723.5	$757.9	$790.3	$821.8	$849.2	$889.5	$927.5	$964.5
Risk-Weighted Assets	$511	$597	$597	$597	$543.0	$585.1	$597.0	$597.0	$597.0	$597.0	$597.0	$597.0	$597.0	$597.0	$597.0	$597.0
Net Loans	$504	$578	$684	$810	$525.1	$560.0	$562.4	$578.1	$598.4	$628.3	$656.6	$684.1	$708.1	$743.5	$776.9	$809.6
Total Deposits	$504	$612	$718	$843	$532.0	$588.1	$596.2	$612.1	$632.4	$662.5	$690.8	$718.4	$742.3	$777.5	$810.8	$843.1
Intangibles	$0	$0	$0	$0	$0.2	$0.2	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1
Total Common Equity	$67	$73	$80	$87	$68.5	$69.7	$71.9	$73.3	$74.7	$76.3	$78.1	$79.8	$81.6	$83.4	$85.4	$87.5

Source: FIG Partners Research, SNL Financial LC

FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market-Perform	Sell / Underperform
% Rated	39.5%	60.5%	0.0%
IB Client % in Category	34.0%	16.7%	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.
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