



FVCBankcorp, Inc.

2019 Annual Report

Growing relationships.
Building success.



“Our team strives to create strong relationships with our customers so that we can provide the highest level of service possible to help them achieve their goals. These relationships, combined with our industry expertise, allow our customers to realize continued growth and success.”

– David W. Pijor, chairman and CEO of FVCB and FVCbank



TO OUR SHAREHOLDERS

As we prepare to share our 2019 financial performance with you and provide highlights of our successes, we are struck by the significant changes in recent weeks brought on by the pandemic crisis facing our world. It seems fitting to report that, above all, we are here, standing strong and committed to work tirelessly to serve our customers and our communities during this unprecedented time. Most importantly, we are committed to protecting our employees and our customers as we remain open to provide financial services.

2019 was a year of continued growth for FVCBankcorp, Inc. We focused on core organic growth in our markets which continue to enhance our market share and franchise value. Despite our earnings being impacted by a flat yield curve and three rate cuts by the Federal Open Market Committee of the Federal Reserve during 2019, I am pleased to report record earnings for the Company for 2019.

We reported consolidated net income of \$15.8 million, or \$1.07 per diluted earnings per share, for the year ended December 31, 2019, compared to \$10.9 million, or \$0.85 diluted earnings per share, for the year ended December 31, 2018. This represents a 46% increase in net income year-over-year. On an operating earnings basis, which excludes merger-related expenses net of tax of \$102 thousand and \$2.6 million for the years ended December 31, 2019 and 2018, respectively, net income was \$15.9 million and \$13.4 million, or \$1.07 and \$1.05 per diluted share, for the years ended December 31, 2019 and 2018, respectively.

On a GAAP basis, for the years ended December 31, 2019 and 2018, return on average assets was 1.09% and 0.94%, respectively. Return on average equity for the years ended December 31, 2019 and 2018 was 9.32% and 9.29%, respectively. On an operating earnings basis, return on average assets and return on average equity for the year ended December 31, 2019 were 1.10% and 9.38% and were 1.16% and 11.47% for the year ended December 31, 2018.

Selected Highlights

- **Strong Loan Growth.** Year-over-year loan growth was \$133.8 million, or 12% from December 31, 2018 to December 31, 2019. We had loans held for sale totaling \$11.2 million at December 31, 2019 compared to none for 2018.
- **Strong Year-Over-Year Deposit Growth.** Year-over-year, deposit growth was \$123.3 million, or 11% from December 31, 2018 to December 31, 2019. Noninterest-bearing deposits increased \$72.9 million, or 31% during 2019, and represent 24% of the total deposit base at December 31, 2019.
- **Continued Earnings Growth.** Net income for the year ended December 31, 2019 was \$15.8 million, an increase of \$5.0 million, or 46%, as compared to \$10.9 million for the year ended December 31, 2018. Net interest income increased \$8.2 million, or 21% to \$48.1 million for the year ended December 31, 2019 as compared to 2018.
- **Improved Tangible Book Value.** Tangible book value per share at December 31, 2019 was \$12.26, a 12% increase from \$10.93 at December 31, 2018.

Balance Sheet

Total assets increased to \$1.54 billion at December 31, 2019 compared to \$1.35 billion at December 31, 2018, an increase of \$185.7 million, or 14%. Loans receivable, net of deferred fees, totaled \$1.27 billion at December 31, 2019, compared to \$1.14 billion at December 31, 2018, an increase of \$133.8 million, or 12%.

Loans held for sale totaled \$11.2 million at December 31, 2019, and are comprised of our unsecured consumer loan portfolio that we purchased during the last two years. The earnings stream provided by this portfolio was not as expected, as we recorded net charge-offs of \$647 thousand during 2019.

Investment securities increased \$16.3 million to \$141.6 million at December 31, 2019, compared to \$125.3 million at December 31, 2018.

Total deposits increased to \$1.29 billion at December 31, 2019 compared to \$1.16 billion at December 31, 2018, an increase of \$123.3 million, or 11%. Core deposits, which represent total deposits less wholesale deposits, increased \$107.7 million, or 10%, to \$1.19 billion at December 31, 2019 compared to \$1.08 billion at December 31, 2018. Wholesale deposits totaled \$100.0 million, or 8% of total deposits, at December

31, 2019, an increase of \$15.6 million from December 31, 2018. Noninterest-bearing deposits increased \$72.9 million to \$306.2 million at December 31, 2019 from \$233.3 million at December 31, 2018, and represented 24% of total deposits at December 31, 2019.

Income Statement

Net interest income totaled \$48.1 million, an increase of \$8.2 million, for the year ended December 31, 2019, compared to 2018. Our net interest margin decreased 3 basis points to 3.48% for the year ended December 31, 2019 compared to 3.51% for the year ended December 31, 2018.

Noninterest income for the year-to-date period ended December 31, 2019 was \$2.5 million, compared to \$1.7 million for the 2018 year-to-date period, an increase of \$885 thousand, or 53%, which was primarily driven by service charges on deposit accounts, income related to bank-owned life insurance, and other fee income.

For the years ended December 31, 2019 and 2018, noninterest expense was \$28.9 million and \$26.4 million, respectively, the increase of which relates directly to the addition of Colombo to the our expense structure and increases in staffing year-over-year. The efficiency ratios for operating earnings for the years ended December 31, 2019 and 2018, were 56.6% and 55.1%, respectively.

For the year ended December 31, 2019, provision for income taxes was \$4.2 million compared to \$2.2 million for the year ended December 31, 2018. The effective tax rates for the years ended December 31, 2019 and 2018 were 20.9% and 17.1%, respectively. The effective tax rates in each period presented are less than our statutory rate of 21% primarily because of discrete tax benefits recorded as a result of exercises of nonqualified stock options during 2018 and 2019.

Asset Quality

Year-to-date provision expense for 2019 was \$1.7 million compared to \$1.9 million for the 2018 year-to-date period. Nonperforming loans and loans ninety days or more past due at December 31, 2019 totaled \$10.7 million, or 0.70% of total assets, of which \$1.3 million related to acquired loans. All of our nonperforming loans are secured and have specific reserves totaling \$393 thousand, representing the expected losses associated with those loans. Included in nonperforming loans is one loan totaling \$3.9 million which is collateralized by property that is under a purchase and sales agreement that we expect will close during the first quarter of 2020, and for which we expect to receive full repayment. There were no new troubled debt restructurings ("TDR") at December 31, 2019. Nonperforming assets (including other real estate owned, or OREO) to total assets was 0.95% at December 31, 2019 compared to 0.57% for December 31, 2018.

The allowance for loan losses to total loans was 0.81% for each of the periods ended December 31, 2019 and December 31, 2018. The allowance for loan losses on our originated loan portfolio, excluding the credit mark on acquired loans, was 0.88% of loans outstanding at December 31, 2019. Net charge-offs of \$648 thousand were recorded during 2019 which were primarily related to our purchased consumer unsecured loan portfolio.

On behalf of your Board of Directors and employees, we thank you for your continued support as we work together to address challenges brought on by the COVID-19 pandemic. We are grateful to our team of bankers that provide expertise and a passion for personalized service each and every day. We are proud to be part of this great country and to be part of such a resilient and caring community.

Best regards,



David W. Pijor, Chairman and Chief Executive Officer



EXECUTIVE OFFICERS

Seated, from left to right: **Patricia A. Ferrick**, President; **David W. Pijor**, Chairman and Chief Executive Officer.

Standing, from left to right: **William G. Byers**, Executive Vice President and Chief Lending Officer; **Jennifer L. Deacon**, Executive Vice President and Chief Financial Officer; **B. Todd Dempsey**, Executive Vice President and Chief Operating Officer; **Sharon L. Jackson**, Executive Vice President and Chief Deposit Officer; and, **Michael G. Nassy**, Executive Vice President and Chief Credit Officer.

DIRECTORS

David W. Pijor
Chairman/CEO

L. Burwell Gunn
Vice Chairman

Morton A. Bender

Patricia A. Ferrick
President

Scott Laughlin

Thomas L. Patterson

Devin Satz

Lawrence W. Schwartz

Sidney G. Simmonds

Daniel M. Testa

Philip “Trey” R. Wills III

Steven M. Wiltse

OFFICERS

Alissa Curry Briggs*
Executive Director of Commercial Real Estate Lending

James C. Elliott
Market President, Virginia

Gerald A. Muccioli
Market President, Maryland and D.C.

Oliver James
Director of C&I and Government Contractor Lending

Michelle L. Buckles
Senior Vice President, Director of Compliance

Lisa M. Craze
Senior Vice President, Loan Documentation and Administration

Terry L. Elliott
Senior Vice President, Commercial Loan Officer

Terry F. Frey
Senior Vice President, Loan Operations

Alberta A. Gibson
Senior Vice President, Director of Human Resources

Thomas W. Grantham
Senior Vice President, Commercial Loan Officer

Craig Laudeman
Senior Vice President, Commercial Loan Officer

Linda Long
Senior Vice President, Commercial Loan Officer

Jacqueline S. Marbell-Edson
Senior Vice President, Credit Administration

Tim Moorstein
Senior Vice President, C&I and Government Contract Loan Officer

Farideh Mullaforoze
Senior Vice President, Business Development Officer

Mark Palmer
Senior Vice President, Commercial Loan Officer

Cynthia L. Piccione
Senior Vice President, Deposit Operations

Christine M. Rowe
Senior Vice President, Treasury Services Manager

Altat Shadick
Senior Vice President, Director of Retail

Joshua F. Steele
Senior Vice President, Commercial Loan Officer

Huong V. Song
Senior Vice President, Commercial Loan Officer

Steffany R. Watson
Senior Vice President, Director of Treasury
Management Services

*Executive Team Member

SELECTED FINANCIAL DATA (dollars and shares in thousands, except per share data)

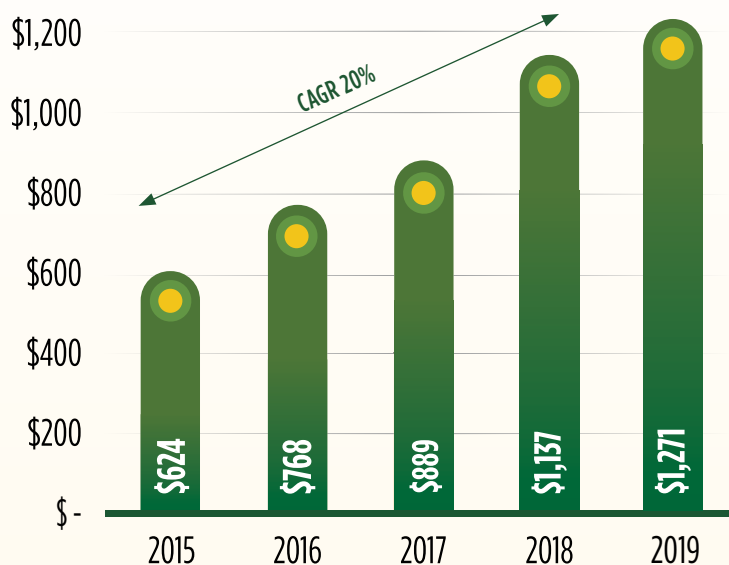
	2019	2018	2017	2016	2015
INCOME STATEMENT DATA:					
Interest income	\$ 66,734	\$ 51,924	\$ 40,302	\$ 32,587	\$ 26,557
Interest expense	18,671	12,110	8,195	5,387	3,665
Net interest income	48,063	39,814	32,107	27,200	22,892
Provision for loan losses	1,720	1,920	1,200	1,471	1,073
Net interest income after provision for loan losses	46,343	37,894	30,907	25,729	21,819
Non-interest income	2,546	1,661	2,975	1,220	1,161
Non-interest expense	28,877	26,448	19,346	16,446	14,701
Net income before income taxes	20,012	13,107	14,536	10,503	8,279
Provision for income taxes	4,184	2,238	6,846	3,571	2,860
Net income	\$ 15,828	\$ 10,869	\$ 7,690	\$ 6,932	\$ 5,419
BALANCE SHEET DATA:					
Total assets	\$ 1,537,295	\$ 1,351,576	\$ 1,053,224	\$ 909,305	\$ 736,807
Loans receivable, net of fees	1,270,526	1,136,743	888,677	768,102	623,559
Allowance for loan losses	(10,231)	(9,159)	(7,725)	(6,452)	(6,239)
Total investment securities	141,589	125,298	117,712	113,988	67,795
Total deposits	1,285,722	1,162,440	928,163	775,991	626,640
Other borrowed funds	49,487	24,407	24,327	51,247	35,650
Total shareholders' equity	179,078	158,336	98,283	79,811	72,752
Common shares outstanding	13,902	13,713	10,869	10,179	10,141
PER COMMON SHARE DATA:					
Basic net income	\$ 1.15	\$ 0.93	\$ 0.74	\$ 0.68	\$ 0.54
Fully diluted net income	1.07	0.85	0.67	0.63	0.51
Book value	12.88	11.55	9.04	7.84	7.18
Tangible book value ⁽¹⁾	12.26	10.93	9.03	7.83	7.16
PERFORMANCE RATIOS:					
Return on average assets	1.09%	0.94%	0.80%	0.88%	0.85%
Return on average equity	9.32%	9.29%	8.63%	8.91%	7.70%
Net interest margin ⁽²⁾	3.48%	3.51%	3.43%	3.51%	3.66%
Efficiency ratio ⁽³⁾	57.06%	63.07%	57.16%	58.02%	61.29%
Non-interest income to average assets	0.18%	0.14%	0.31%	0.15%	0.18%
Non-interest expense to average assets	1.99%	2.28%	2.02%	2.08%	2.30%
Loans receivable, net of fees to total deposits	99.82%	97.79%	95.75%	98.98%	99.51%
ASSET QUALITY RATIOS:					
Net charge-offs (recoveries) to average loans receivable, net of fees	0.05%	0.05%	(0.01)%	0.19%	0.07%
Nonperforming loans to loans receivable, net of fees	0.84%	0.34%	0.09%	0.03%	0.41%
Nonperforming assets to total assets	0.95%	0.57%	0.44%	0.03%	0.35%
Allowance for loan losses to nonperforming loans	95.39%	285.24%	979.09%	2,591.16%	243.81%
Allowance for loan losses to loans receivable, net of fees	0.81%	0.81%	0.87%	0.84%	1.00%
CAPITAL RATIOS (Bank Only):					
Tier 1 risk-based capital	12.72%	13.27%	12.05%	12.37%	11.25%
Total risk-based capital	13.43%	14.02%	12.83%	13.16%	12.20%
Common Equity Tier 1 capital	12.72%	13.27%	12.05%	12.37%	11.25%
Leverage capital ratio	12.15%	12.41%	11.79%	11.89%	10.82%
OTHER:					
Average shareholders' equity to average total assets	11.71%	10.09%	9.32%	9.85%	11.03%
Average loans receivable, net of fees to average total deposits	98.56%	96.56%	97.74%	96.05%	97.83%
Average common shares outstanding:					
Basic	13,817	11,715	10,435	10,170	10,138
Diluted	14,825	12,822	11,545	10,922	10,591

(1) Tangible book value is calculated as total shareholders' equity, less goodwill and other intangible assets, divided by common shares outstanding.

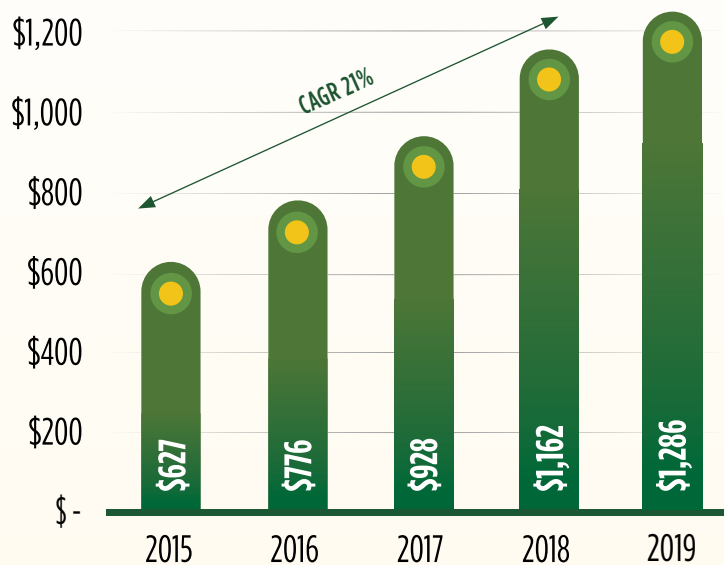
(2) Net interest margin is calculated as net interest income divided by total average earning assets.

(3) Efficiency ratio is calculated as total non-interest expense divided by the total of net interest income and non-interest income. The efficiency ratio for 2018 was impacted by merger expenses of \$3.3 million associated with the Company's acquisition of Colombo Bank.

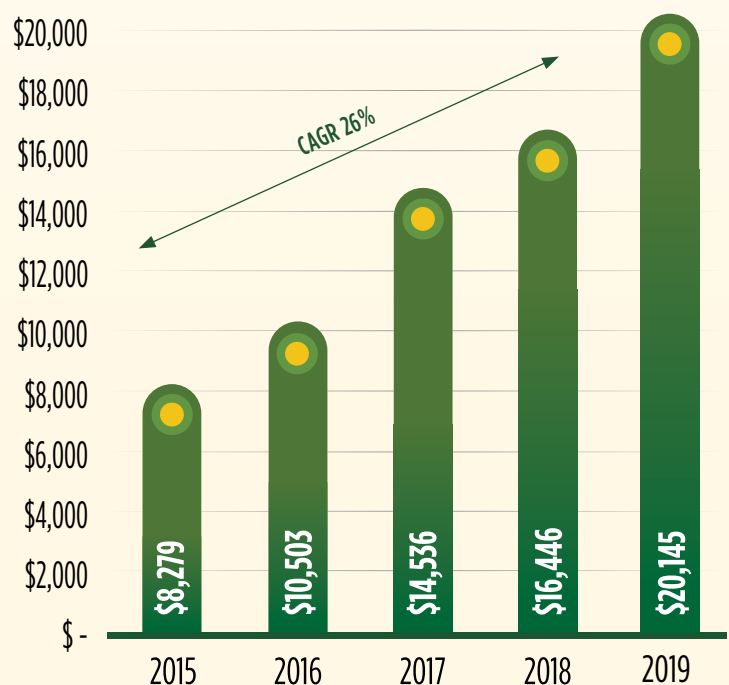
LOANS RECEIVABLE, Net of Fees (millions)



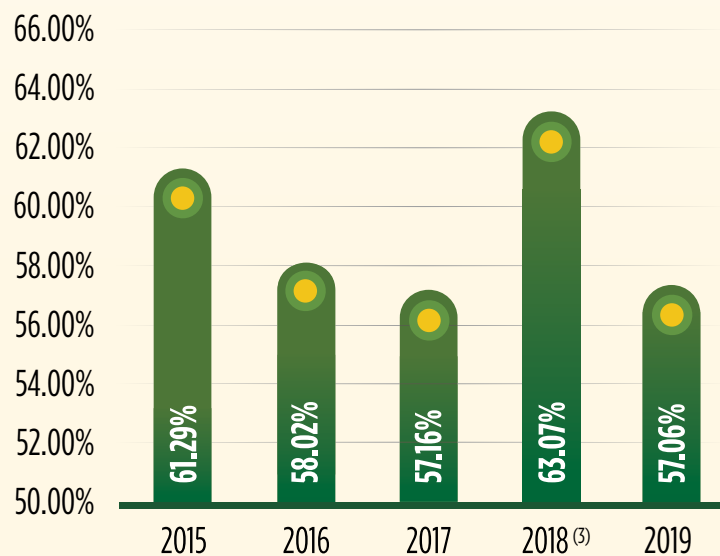
TOTAL DEPOSITS (millions)



INCOME BEFORE NONRECURRING EXPENSES AND TAXES (thousands)



EFFICIENCY RATIO





FIRST BAPTIST CHURCH OF GLENARDEN

The First Baptist Church of Glenarden in Upper Malboro, Maryland, has humble roots, starting as a home-based Bible study in 1917. Now, what was once a small group of believers has evolved into a congregation of over 10,000.

As the First Baptist Church of Glenarden has served the community and grown its ministry, **FVCbank has served and grown alongside them.** From the start, our banking philosophy matched them perfectly. Our “no-fee” structure and desire to serve churches offered a welcome change from the high-fees the church once paid. FVCbank’s shared interest and visibility in the community also made the choice easy for the church.

As we continue to give back to the community in which we serve, we proudly support the church’s financial aid program through our shareholders.

“The fact that we both have a **relationship-minded focus** gives us a synergy that facilitates our working well together.”

– William G. Gentry Jr., CFO, First Baptist Church of Glenarden



CLERK OF THE CIRCUIT COURT OF PRINCE WILLIAM COUNTY



The Clerk of the Circuit Court provides professional judicial services to the people of the 31st Judicial District of Virginia, which includes Prince William County and the cities of Manassas and Manassas Park. Jacqueline Smith has served as the Clerk since May 1, 2017, and is the only elected Clerk serving the jurisdiction.

FVCbank serves as a natural fit for the Prince William Circuit Court because of our local roots, continued community involvement and government acumen. We built and strengthened our partnership with our relationship-driven support, industry knowledge and government experience.

Just as the Clerk holds responsibility for managing many different functions for the court and the judicial process, FVCbank handles the many different elements involved in supporting their financial needs and organizational goals.

Our dedicated staff also bolsters the Clerk of the Circuit Court by serving as good corporate citizens actively playing a role in the Prince William community and helping the Circuit Court serve them well.



“The level and quality of service has been outstanding since the day we started our relationship with FVCbank.”

– Jacqueline Smith, Clerk of the Circuit Court of Prince William County

TL TRANSPORTATION

TL Transportation of Annapolis, Maryland, is a full-service last-mile delivery company with over 1,000 drivers delivering packages on over 400 routes all across the east coast. Priding themselves on service and safety measures setting them apart from their competition, TL Transportation knew FVCbank's entrepreneurial spirit would match them perfectly.



One of our mottos and philosophy, "We think like entrepreneurs, but work as a team" resonates with TL Transportation and mirrors how they approach their own business.

With guidance from FVCbank to establish short-term outside financing, they quadrupled their business in the first year. Through all this growth, we continued quickly and efficiently processing loans and lines of credit to them.

TL Transportation experienced challenges with financing the opening of three new locations and the hiring of 300 drivers within three weeks. FVCbank rose to the challenge, providing short term financial solutions that contributed to their continuing success.

"Our company could not have succeeded without FVCbank's fantastic branch managers and market president."

– Herschel Lowe, CEO, TL Transportation



ENGLISH GARDENS, INC.

For Peter Field, the owner of English Gardens, Inc., in northern Virginia, the success of his landscape design, building and construction business is the result of its high-quality work.

Backed by an excellent reputation and strong relationships in the community, English Gardens has served its customers since its start in 1985.

These relationships led Field to FVCbank.

He evaluates the people within an industry to decide whether to do business with them. His positive experiences with our team, helping him grow his business, solidified his desire to develop a long-standing working relationship with FVCbank.

For him, this quality of service is on display company-wide. For example, to combat cash flow challenges, FVCbank has helped English Gardens, Inc. secure various lines of credit over the years. This approach not only supports the day-to-day operations of the company but also allows them to purchase additional properties to rehab and resell.



FVCban



“I have found nothing but **high-quality people** at FVCbank. If I have a question and need an answer immediately, every single person at FVCbank makes sure I have what I need.”

– Peter Field, owner of the English Gardens, Inc.

WASHINGTON PROPERTY COMPANY



Since its inception in 2005, Washington Property Company (WPC) quickly became one of the most respected real estate development and investment firms in the Washington, D.C. area.

WPC quickly developed extensive relationships within the D.C. Metropolitan Area, creating unique and experienced insight into the market. Their team is known for its talent and creativity in identifying overlooked, under-valued and under-utilized properties, which offer opportunities to maximize potential return on investments.

As WPC continued to grow, this specialized knowledge, and the goal of maximizing its potential, led WPC's renowned team to engage FVCbank as their banking partner.

Washington Property Company successfully closed a significant construction loan with FVCbank and looks forward to growing this relationship with more shared projects.

Financing partnerships such as the one with FVCbank work to solve problems and overcome hurdles as they arise. These partnerships remain crucial for businesses like Washington Property Company.



“FVCbank is flexible, works to understand the project and our business, and provides financing options that many other banks couldn’t offer.”

– Charles K. Nulsen III, president,
Washington Property Company

OASYS

OASYS, a trusted contractor in Washington, D.C., provides business process engineering services for government clients. A standout company from their competition, they prioritize their clients' needs above all and provide high-quality services, creating excellent and meaningful results.

FVCbank conducts business and strives for excellence this same way, allowing a fruitful partnership to form between the two organizations.

For example, FVCbank supported OASYS every step of the way offering support and resources when they experienced rapid growth and success. We were able to develop a process for them, allowing for continued sustainable growth, both managed and maintained by the OASYS team.

“The team at OASYS values communication and transparency in the workplace. As a result, OASYS could not be happier with the quality relationships they have with their representative team at FVCbank.”

– Tony Johnson, president, CEO and founder, OASYS

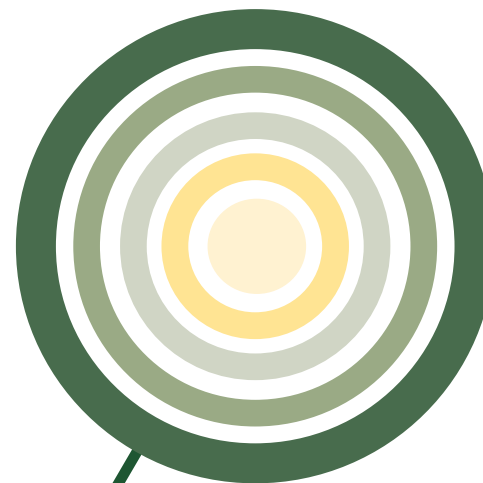
OASYS also credits FVCbank for providing open communication and transparency within the workplace and building quality rapport with all their customers. They look forward to a long-standing partnership with FVCbank, working together towards future successes.





“We would like to thank our customers for allowing us to serve as dedicated partners in the growth of their business. Our team believes in our customers, and watching them thrive in their respective markets affirms our commitment to excellence in helping them to achieve success.”

– Patricia A. Ferrick, president of FVCB and FVCbank



OUR LOCATIONS

Headquarters

11325 Random Hills Road, Suite 240
Fairfax, VA 22030
Phone: 703.436.3800

Arlington Branch (VA)

2500 Wilson Boulevard, Suite 100
Arlington, VA 22201
Phone: 703.387.5050

Ashburn Branch (VA)

43800 Central Station Drive, Suite 150
Ashburn, VA 20147
Phone: 571.919.6780

Baltimore Branch (MD)

224 Albemarle Street
Baltimore, MD 21202
Phone: 410.685.4611

Bethesda Branch (MD)

6929 Arlington Road
Bethesda, MD 20814
Phone: 301.652.2265

Fairfax Branch (VA)

11325 Random Hills Road, Suite 140
Fairfax, VA 22030
Phone: 703.672.2580

Manassas Branch (VA)

7900 Sudley Road, Suite 100
Manassas, VA 20109
Phone: 703.656.7300

Lutherville Loan Office (MD)

22 West Padonia Road,
Suite A-200
Lutherville, MD 21093
Phone: 410.387.2620

Reston Branch (VA)

11260 Roger Bacon Drive, Suite 101
Reston, VA 20190
Phone: 703.436.3880

Rockville Branch (MD)

1600 E. Gude Drive
Rockville, MD 20850
Phone: 240.268.2265

Silver Spring Branch (MD)

7901 Eastern Avenue
Silver Spring, MD 20910
Phone: 301.562.8443

Springfield Branch (VA)

6975 Springfield Boulevard
Springfield, VA 22150
Phone: 703.672.2590

Washington, D.C. Branch

1301 9th Street NW
Washington, D.C. 20001
Phone: 202.628.5500

