



Investor Presentation

November 2019

First¹
National Corporation

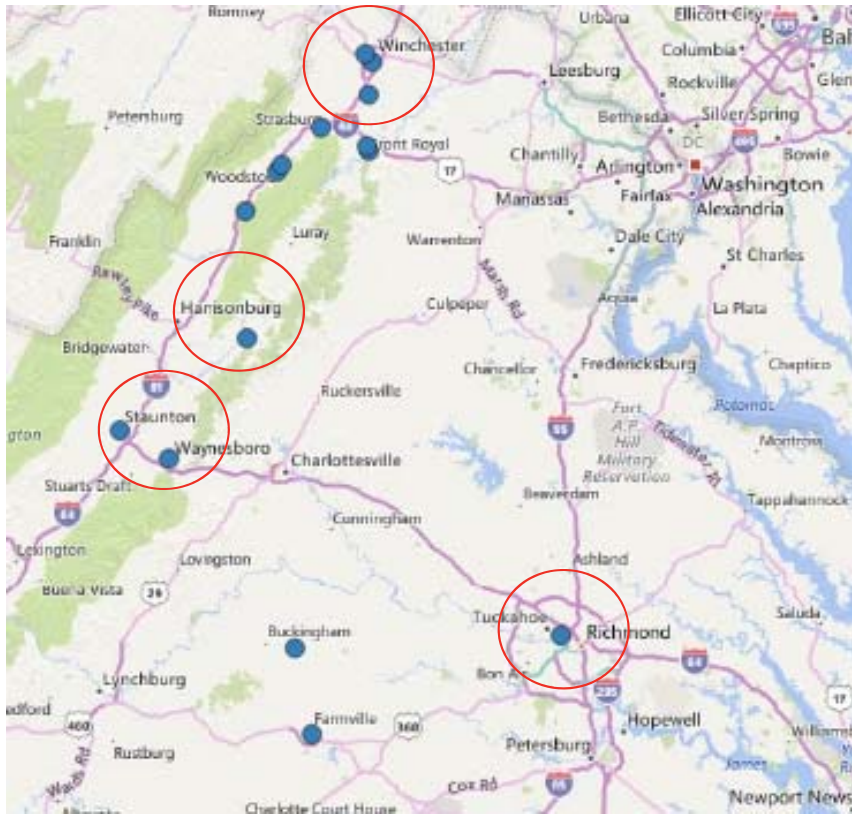
Forward-Looking Statements

The Company makes forward-looking statements in this presentation that are subject to risks and uncertainties. These forward-looking statements may include statements regarding profitability, liquidity, adequacy of capital, the allowance for loan losses, interest rate sensitivity, market risk, growth strategy, and financial and other goals. The words, “believes,” “expects,” “may,” “will,” “should,” “projects,” “contemplates,” “anticipates,” “forecasts,” “intends,” or other similar words or terms are intended to identify forward-looking statements. These forward-looking statements are subject to significant uncertainties.

Because of these uncertainties, actual future results may be materially different from the results indicated by these forward-looking statements. In addition, past results of operations do not necessarily indicate future results. The following presentation should be read in conjunction with the consolidated financial statements and related notes included in Part II, Item 8, and Item 1A. Risk Factors of the Company’s Form 10-K for the year ended December 31, 2018.



Company Overview



- Community banking since 1907
- FXNC listed on Nasdaq
- Corporate offices in Strasburg and Winchester
- Operating primarily in 4 Virginia MSAs on the I-81, I-66 and I-64 corridors
- 14 branches, 1 loan production office
- \$777 million in assets
- Personal banking, business banking, and wealth management services
- Strategy to grow total assets to > \$1 billion by serving small businesses and individuals



Why Invest in FXNC?



Management team with track record of building value



Low-cost customer deposit relationships



Diversified markets in attractive Virginia MSAs



Delivering personal service and the latest technology



Q3 2019 and Full Year 2018 Highlights

Q3 2019 Highlights ⁽¹⁾

- Return on equity of 13.31%, return on assets of 1.27%
- Wealth management revenue increased 13%
- Net interest margin of 3.87%
- Nonperforming assets decreased to 0.20% to total assets

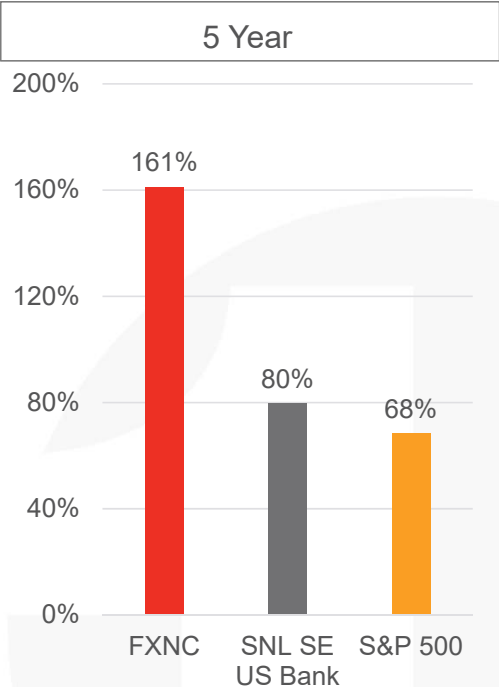
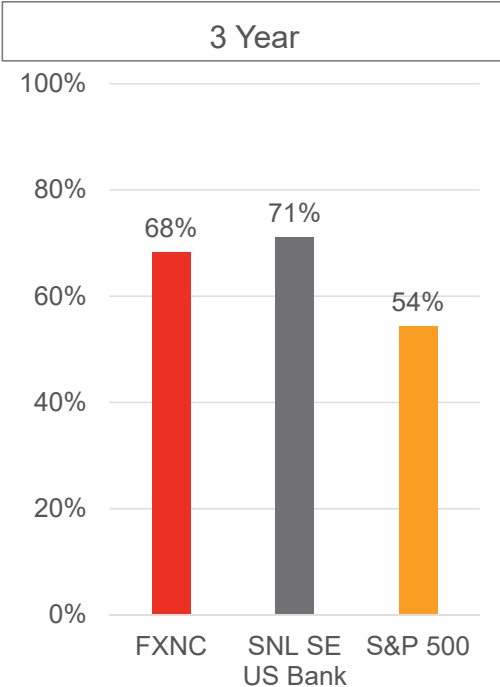
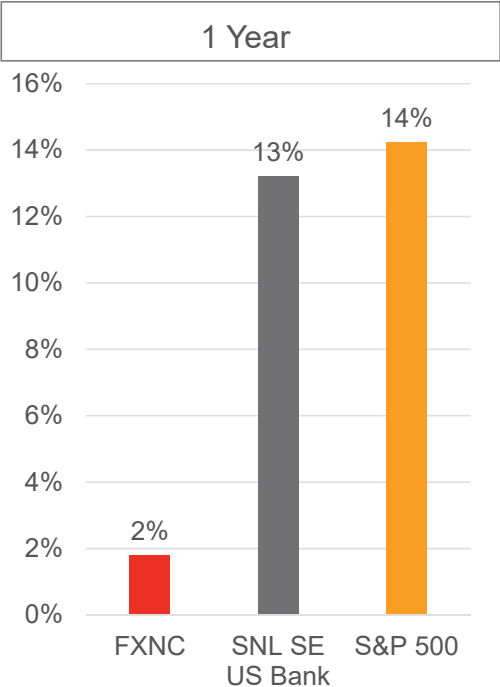
2018 Highlights

- Record year of net income totaling \$10.1 million
- Pre-provision pre-tax earnings increased 27%
- Return on equity of 16.36%
- Efficiency ratio improved to 63.05%

(1) Compared to the third quarter of 2018.
Quarterly financial information is unaudited.



First National Total Return to Shareholders



Source: S&P Market Intelligence, total return as of November 3, 2019.



Strategies to Build Shareholder Value



Grow Assets Without Adding Significant Overhead



Deliver Exceptional Service to Small Business Customers



Serve Vibrant Virginia Markets



Accelerate Growth with Acquisitions and Team Lifts



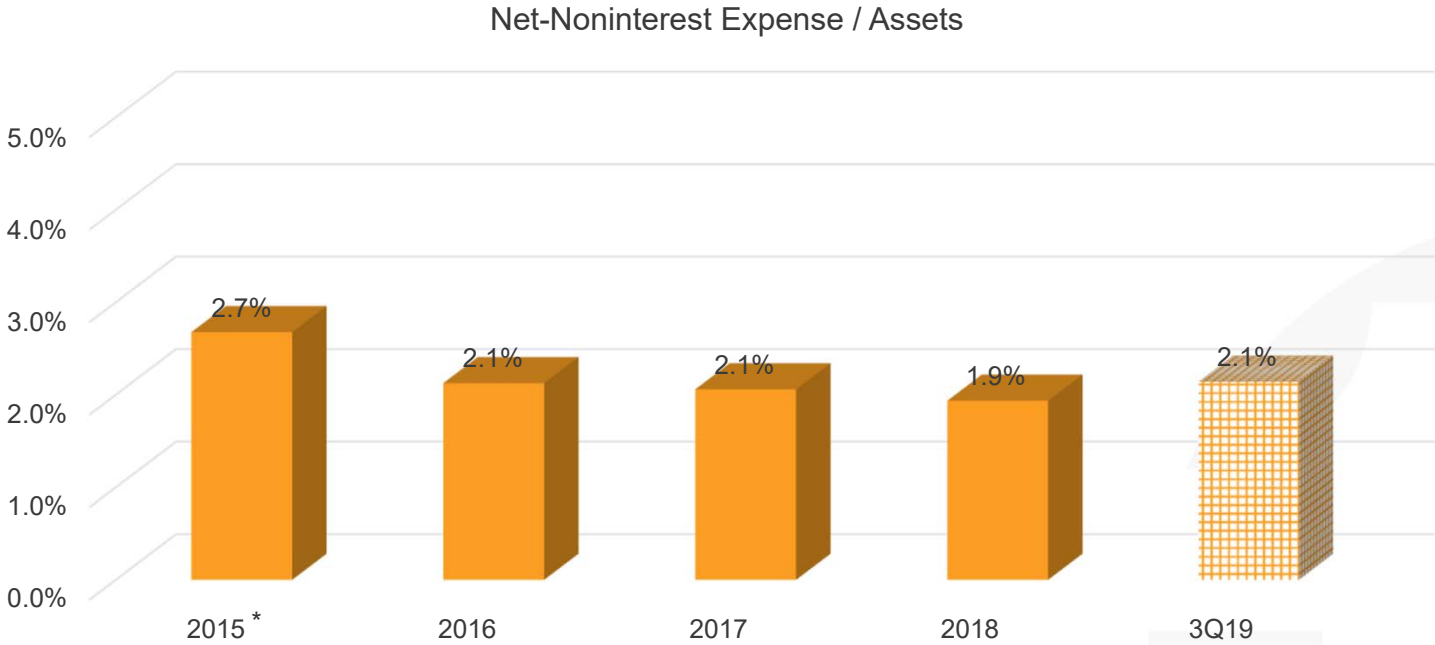
Maintain Low-Cost Deposit Portfolio



Attract and Retain Talented Employees



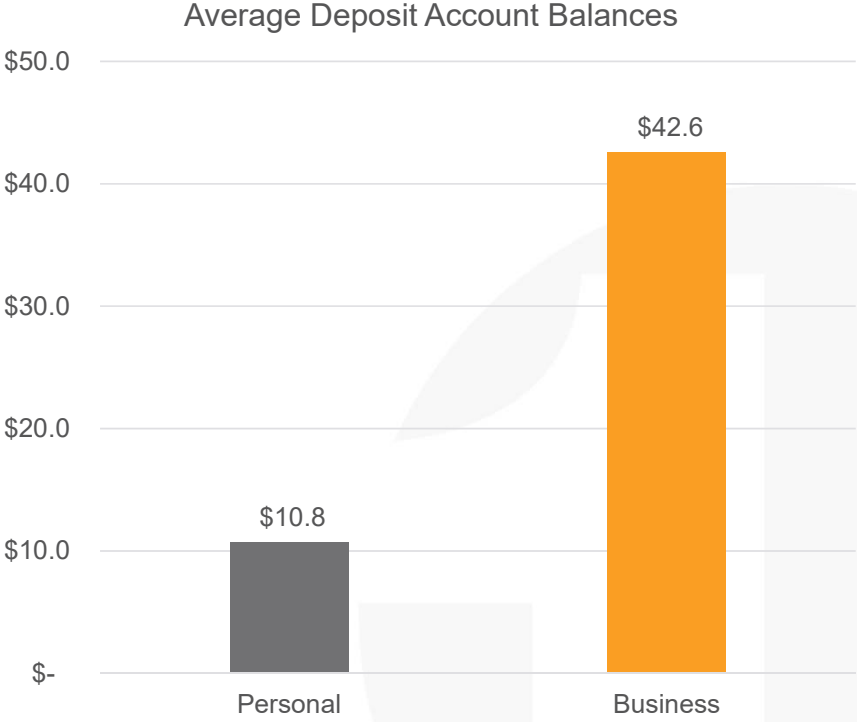
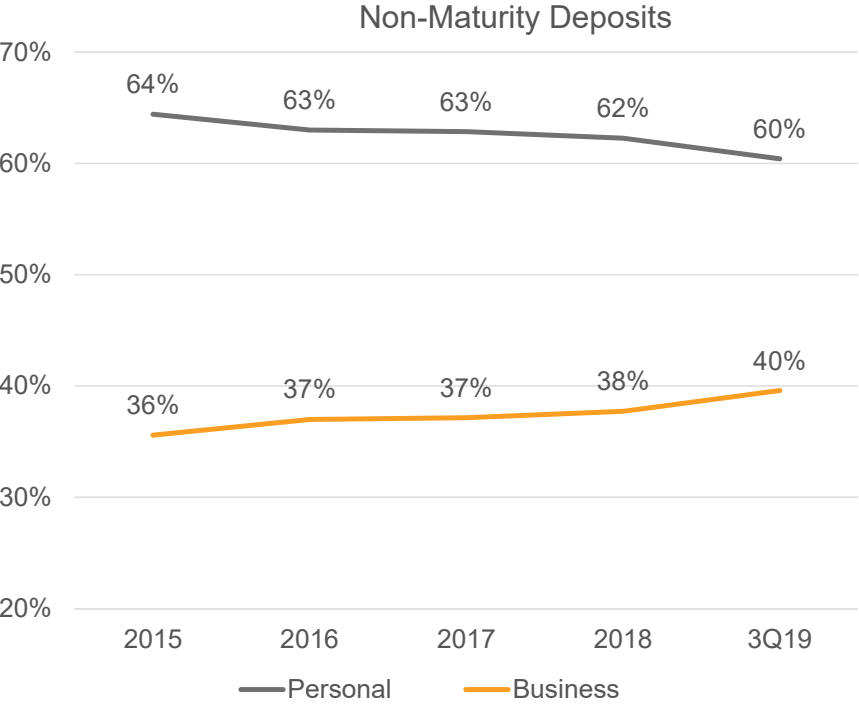
Grow Assets Without Adding Significant Overhead



* Acquired six bank branches in April 2015. 3Q19 represents September 30, 2019 year to date, annualized. Quarterly financial information is unaudited.



Deliver Exceptional Service to Small Business Customers



Average deposit account balances based on September 30, 2019. Dollars in thousands. Quarterly financial information is unaudited.



Serve Vibrant Virginia Markets

Virginia's 2.7% unemployment rate is lower than the nation

Diverse economies with large regional medical centers and higher education, including Virginia Commonwealth University, University of Richmond, Shenandoah University and Mary Baldwin University

Virginia is headquarters to 37 Fortune 1000 firms ²

Virginia ranked 5th "Best States for Business" ranking by Forbes

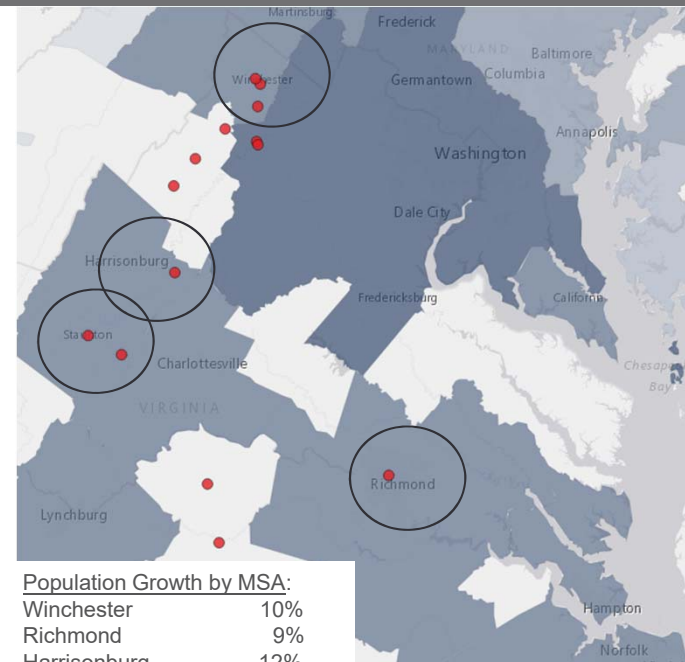
More than \$9 billion deposits within First Bank's branch footprint ³

1: Source: Virginia Employment Commission, November 2019

2: Source: Virginia Economic Development Partnership

3: Source: S&P Market Intelligence includes Frederick, Shenandoah, Warren, Rockingham, Buckingham and Prince Edward Counties; Cities of Winchester, Staunton and Waynesboro; and all bank deposits within 3 miles of the Patterson Avenue (Richmond) First Bank office.

Projected Population Growth: 2010 – 2020 ¹



Accelerate Growth with Acquisitions and Team Lifts

Branch Acquisition Success

Six branches acquired in 2015 including \$186 million in deposits

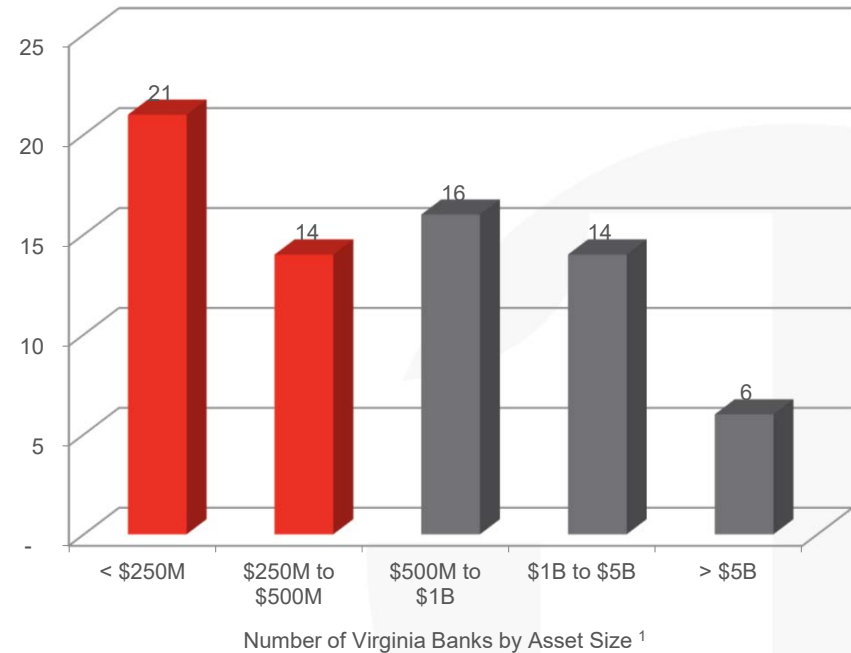
22 thousand deposit accounts with 0.19% cost of deposits at closing

Hired Regional President and a market executive to deploy deposits into loans in Staunton - Waynesboro market area

Opened Loan Production Office and hired a market executive in Harrisonburg

Hired a Banking Team and opened a full-service branch in the Richmond market with two seasoned bank executives

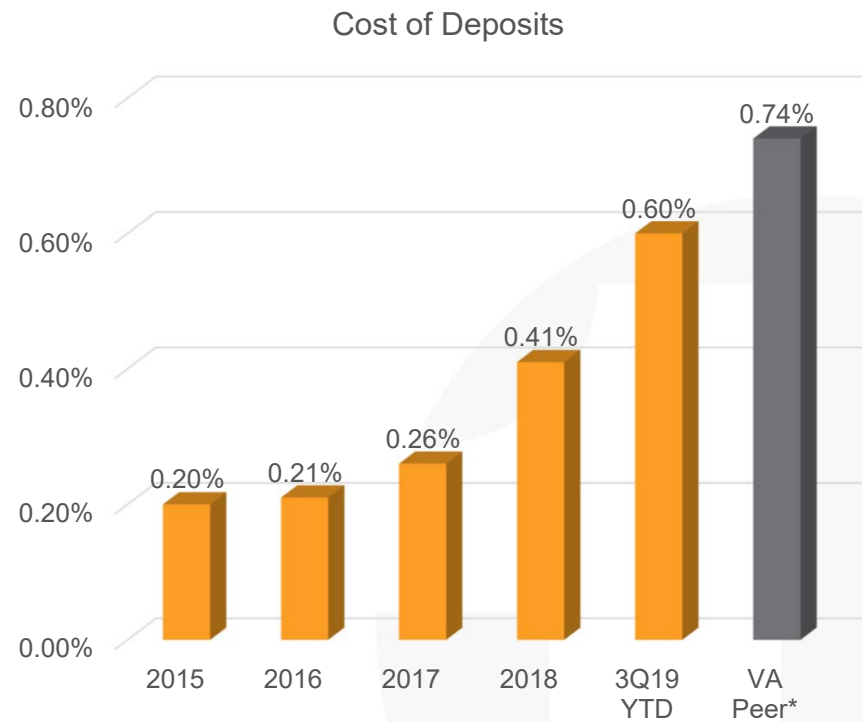
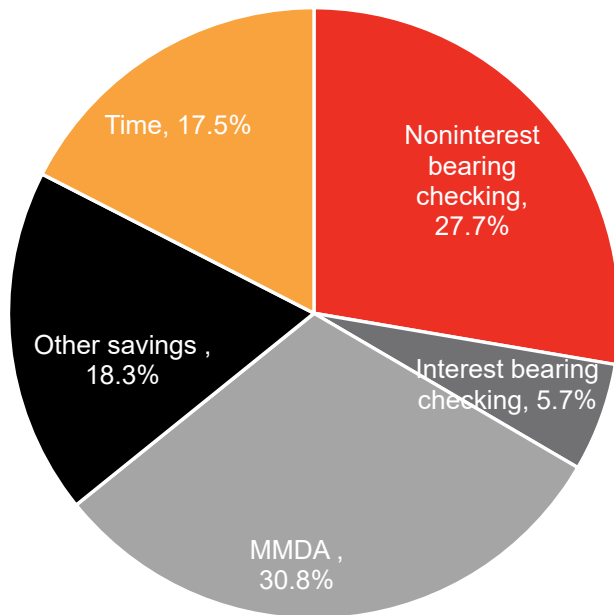
Acquisition Opportunities in Virginia



¹ Source: S&P Market Intelligence as of September 30, 2019.



Maintain Low Cost Deposit Portfolio

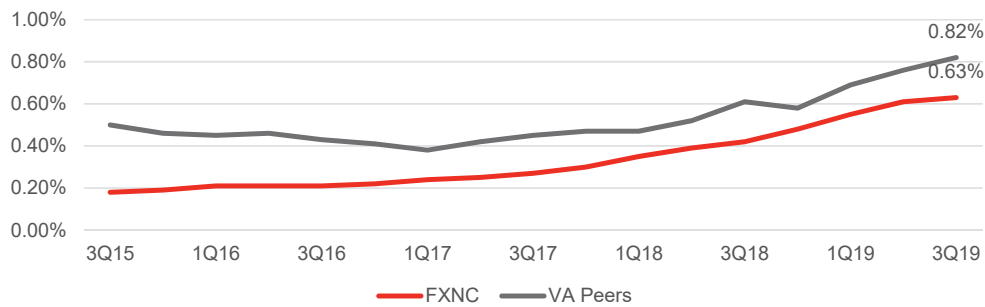


* Peer median based on banks in Virginia with assets \$500 million to \$1 billion as of June 30, 2019. Source: S&P Market Intelligence.
 Deposit portfolio composition based on September 30, 2019.
 Quarterly financial information is unaudited.

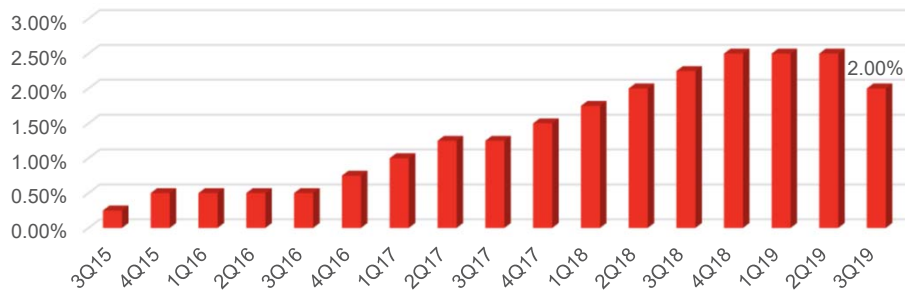


Deposits Have Been a Source of Strength

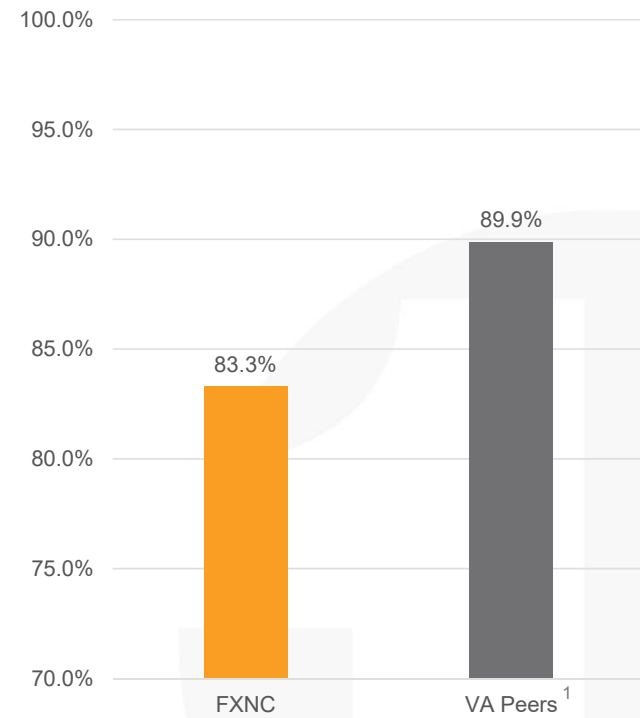
Cost of Deposits



Fed Funds Rate



Loans / Deposits



¹ Peer median based on banks in Virginia with assets \$500 million to \$1 billion as of June 30, 2019. Quarterly financial information is unaudited.



Attract and Retain Talented Employees



Executive experience averages more than 25 years



Recipient of “Virginia Business Best Places to Work” award



Invest in employee education and development



Support involvement in community organizations



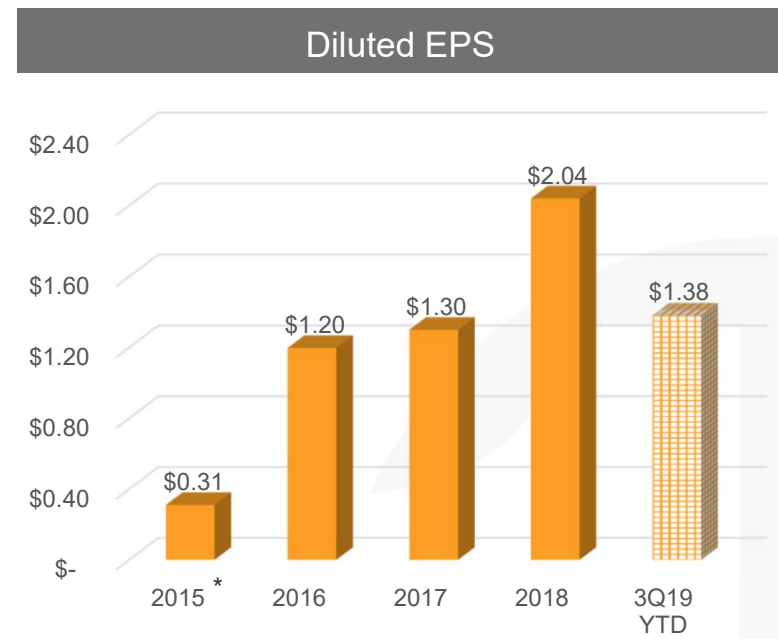
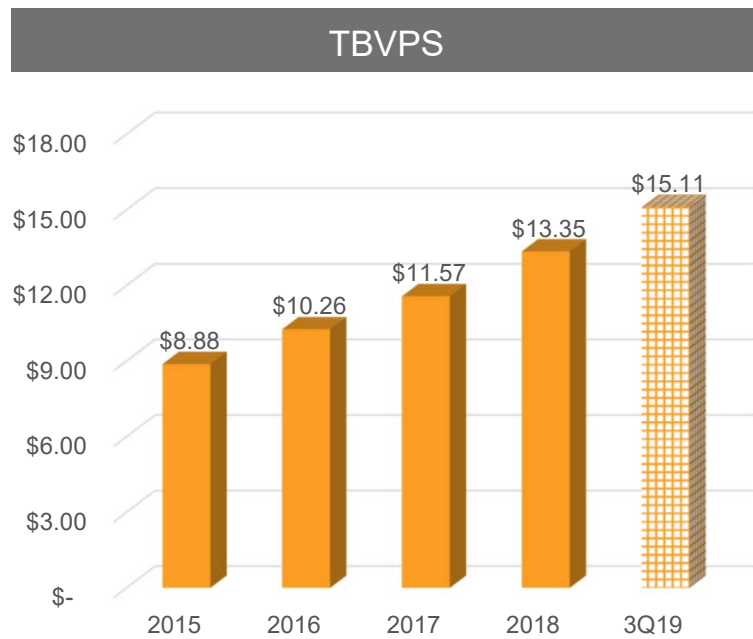
Successful recruitment of talented bankers in new markets



Nearly half of employees with 10 years or more of service



Tangible Book Value Per Share and Earnings Per Share

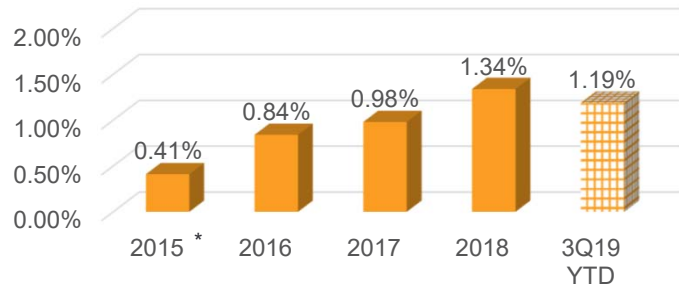


* Acquired six branches in April 2015.
Quarterly financial information is unaudited.



Performance Metrics

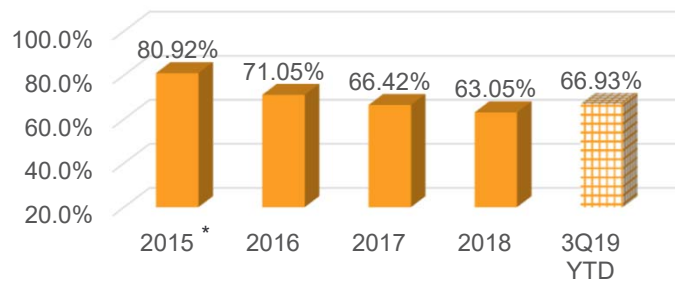
Return on Assets



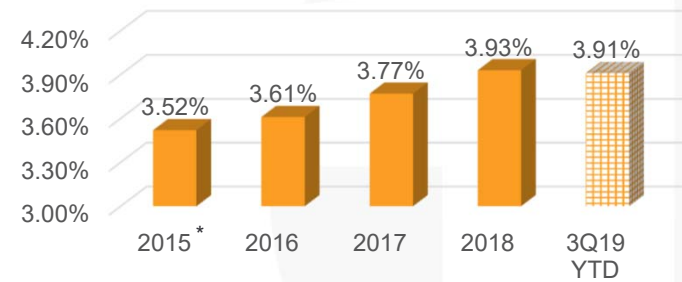
Return on Equity



Efficiency Ratio



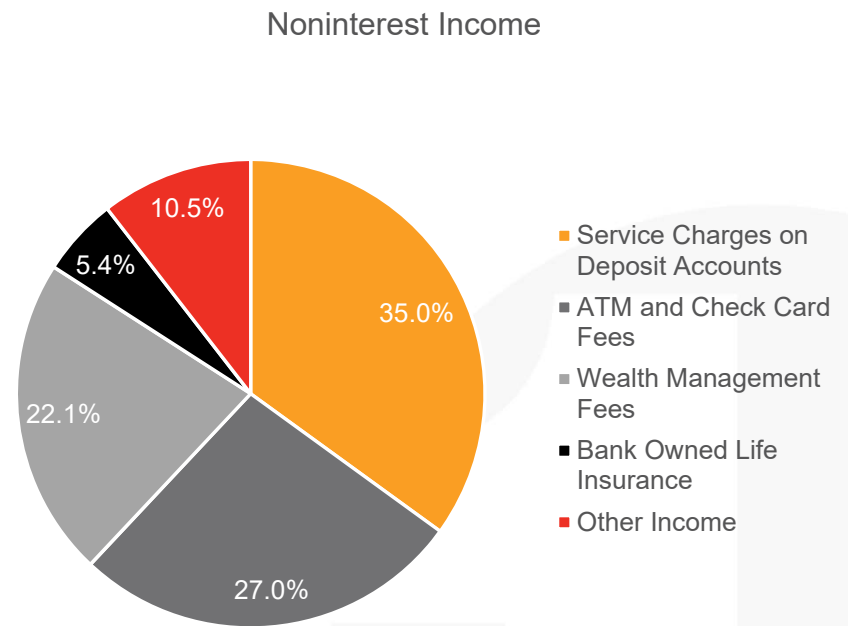
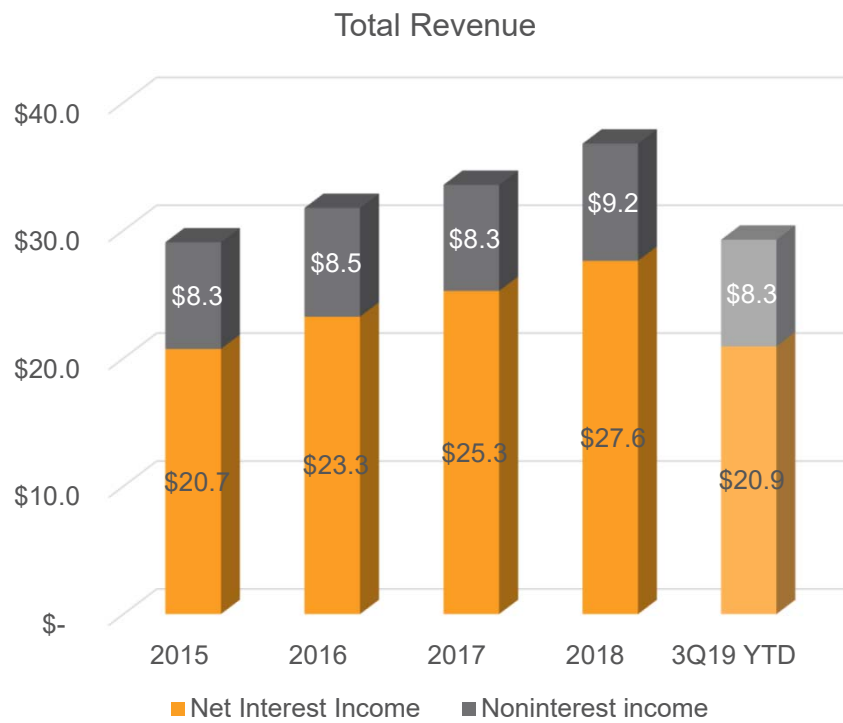
Net Interest Margin



* Acquired six branches in April 2015.
Quarterly financial information is unaudited.



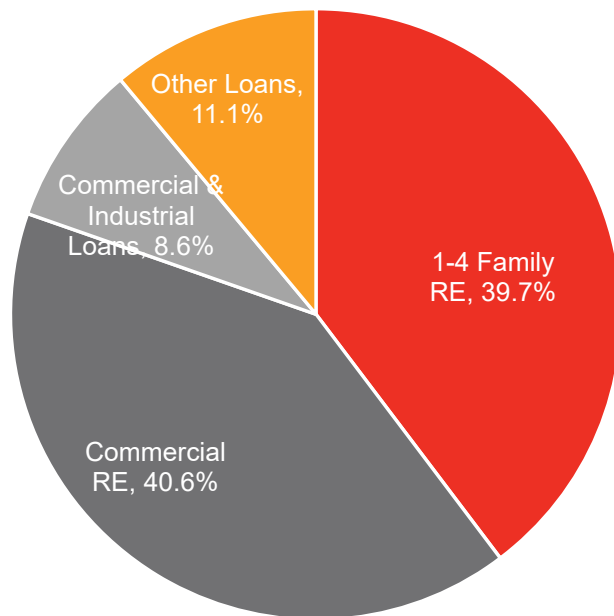
Diversified Revenue



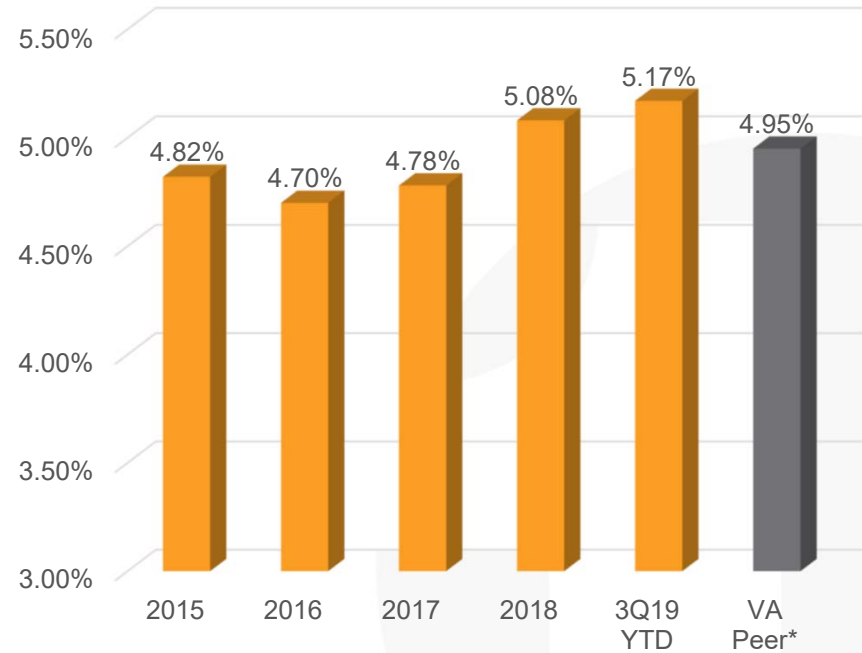
Dollars in millions. Noninterest income composition based on September 30, 2019. Quarterly financial information is unaudited.



Loan Portfolio and Improved Yield



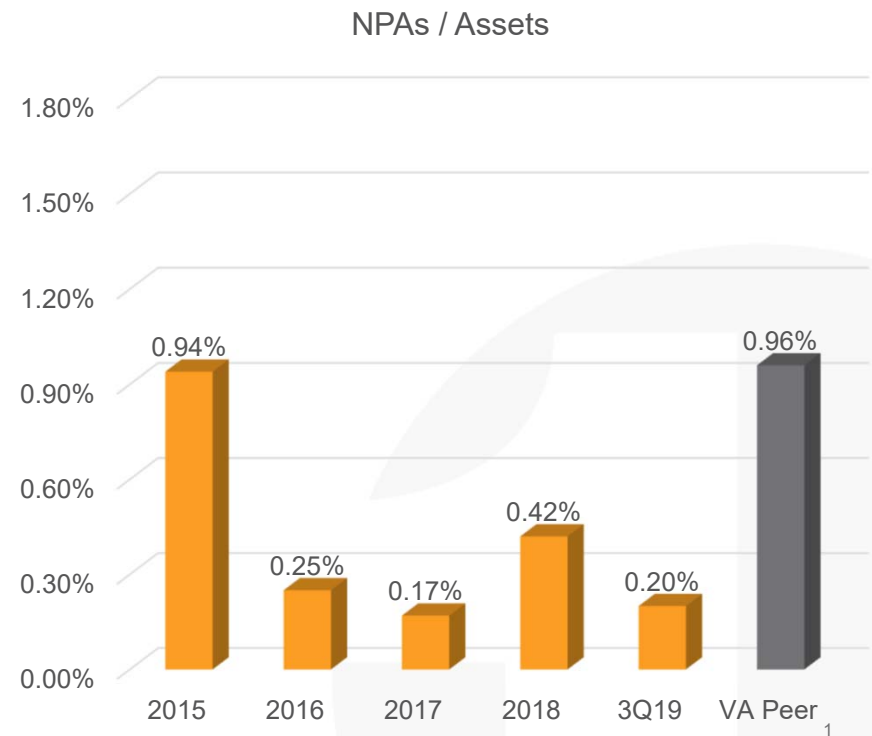
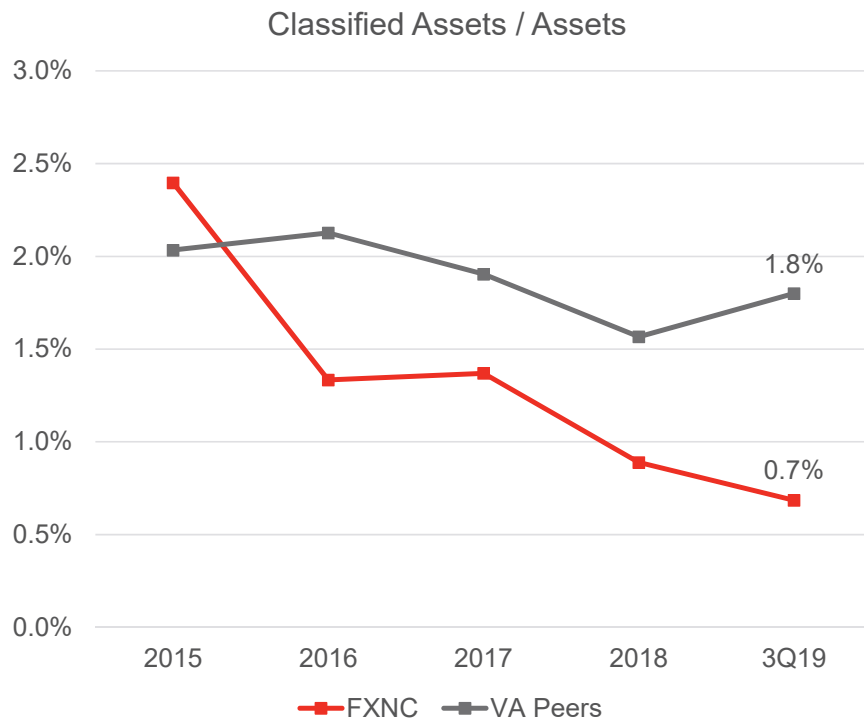
Yield on Loans



* Peer median based on banks in Virginia with assets \$500 million to \$1 billion as of June 30, 2019.
 Loan portfolio composition based on September 30, 2019.
 Quarterly financial information is unaudited.



Asset Quality

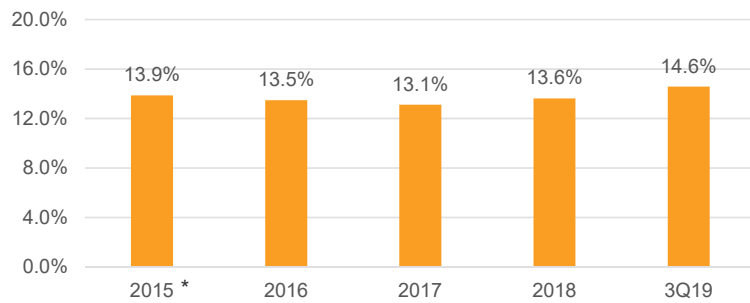


¹ Peer median ratio was based on banks in Virginia with assets \$500 million to \$1 billion. Quarterly financial information is unaudited.

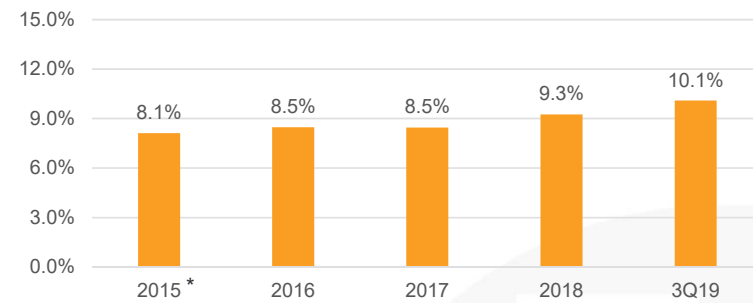


Capital Position

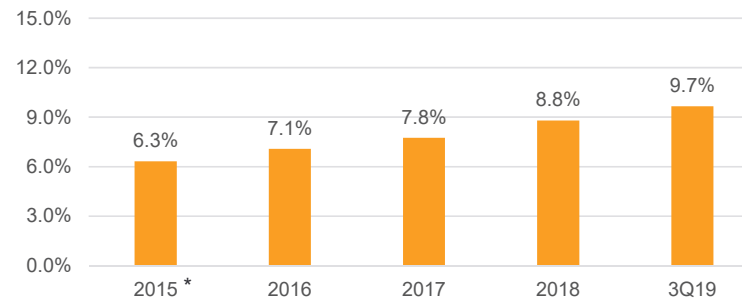
Total Risk Based Capital



Leverage



Tangible Common Equity



Total risk based capital and leverage ratios are First Bank. Tangible common equity ratio is First National Corporation.
 *Acquired six branches in April 2015.
 Quarterly financial information is unaudited.



Appendix



Financial Performance

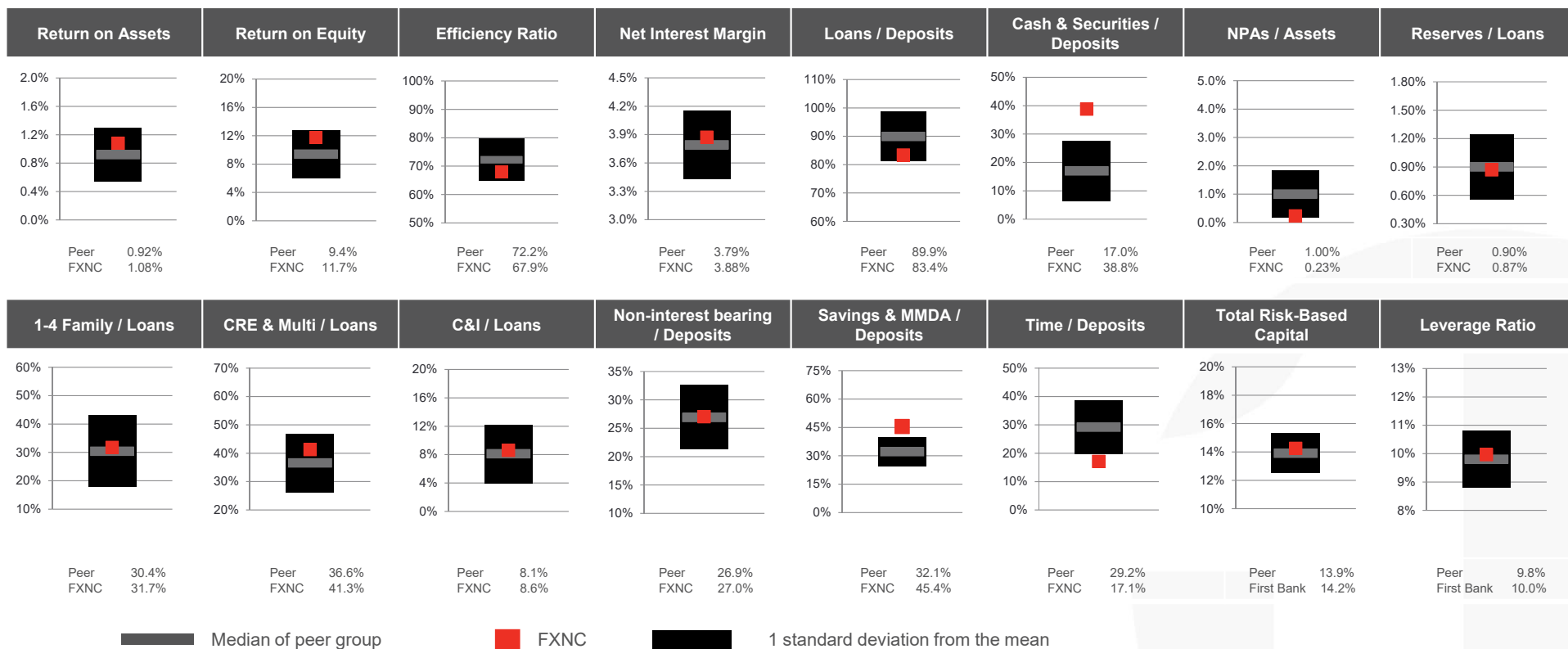
| (dollars in thousands) except per share data | At or for the year ended, | | | | |
|---|---------------------------|------------|------------|------------|-------------|
| | 12/31/2015 | 12/31/2016 | 12/31/2017 | 12/31/2018 | 9/30/19 YTD |
| Balance Sheet | | | | | |
| Assets | \$692,321 | \$712,672 | \$739,110 | \$752,969 | \$777,193 |
| Loans, net | 433,475 | 480,746 | 516,875 | 537,847 | 566,341 |
| Deposits | 627,116 | 645,570 | 664,980 | 670,566 | 685,621 |
| Tangible common equity | 43,607 | 50,582 | 57,212 | 66,197 | 75,085 |
| Balance Sheet Ratios | | | | | |
| Loans / Deposits | 70.00% | 75.29% | 78.53% | 80.95% | 83.32% |
| TCE / TA | 6.32% | 7.08% | 7.75% | 8.80% | 9.66% |
| Leverage ratio ⁽¹⁾ | 8.12% | 8.48% | 8.46% | 9.26% | 10.09% |
| Total capital ratio ⁽¹⁾ | 13.86% | 13.47% | 13.12% | 13.62% | 14.57% |
| Performance | | | | | |
| Net income ⁽²⁾ | \$1,542 | \$5,907 | \$6,448 | \$10,135 | \$6,840 |
| Diluted EPS | \$0.31 | \$1.20 | \$1.30 | \$2.04 | \$1.38 |
| ROAA | 0.41% | 0.84% | 0.89% | 1.34% | 1.19% |
| ROAE | 4.58% | 12.00% | 11.57% | 16.36% | 12.85% |
| Net interest margin | 3.52% | 3.61% | 3.77% | 3.93% | 3.91% |
| Efficiency ratio | 80.92% | 71.05% | 66.42% | 63.05% | 66.93% |
| Asset Quality | | | | | |
| NPA's / Assets | 0.94% | 0.25% | 0.17% | 0.42% | 0.20% |
| NCO / Avg loans | 0.27% | 0.04% | 0.02% | 0.17% | 0.05% |
| Reserves / Loans | 1.26% | 1.09% | 1.02% | 0.92% | 0.86% |

¹ First Bank capital ratios.

² Net income available to common shareholders.
Quarterly financial information is unaudited.



Peer Comparison



Source: S&P Market Intelligence. Peers defined as banks in Virginia with assets \$500 million and \$1 billion as of June 30, 2019. Ratios are for parent companies, if applicable, except capital ratios, which are for the parent's bank subsidiary. Data is as of and for the quarter ended June 30, 2019.



Stock Profile

| | |
|-------------------------------|------------------------------|
| Exchange | Nasdaq |
| Market price | \$19.74 |
| Common shares outstanding | 4,968,277 |
| Market capitalization | \$98.1 million |
| Insider ownership | 11.4% |
| Institutional ownership | 10.6% |
| Quarterly cash dividend | \$0.09, dividend yield 1.83% |
| Average volume (LTM) | 2,603 |
| Diluted EPS (LTM) | \$1.85 |
| Tangible book value per share | \$15.11 |

Source: S&P Market Intelligence, data as of November 3, 2019.





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