



First National Corporation (FXNC)

Updated October 31st, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$22.33	5 Year Annual Expected Total Return:	10.3%	Market Cap:	\$200.5 M
Fair Value Price:	\$24.42	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	11/28/25 ¹
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	1.8%	Dividend Payment Date:	12/03/25
Dividend Yield:	2.8%	5 Year Price Target	\$33	Years Of Dividend Growth:	10
Dividend Risk Score:	B	Sector:	Financials	Rating:	Buy

Overview & Current Events

First National Corporation is a bank holding company that primarily operates through its wholly-owned subsidiary, First Bank. The bank provides a broad range of financial products and services, including traditional banking offerings like checking and savings accounts, commercial and consumer loans, residential mortgages, home equity lines, and wealth management services. In addition to its core banking activities, the company also offers estate planning, investment management, and trustee services. First Bank operates 20 branch offices, mainly in Virginia's Shenandoah Valley, Roanoke Valley, and Richmond regions, delivering its services through physical branches, a mobile banking platform, and a network of ATMs. The company's market cap stands at about \$200.5 million.

On October 30th, 2025, First National Corporation announced its Q3 results for the period ending September 30th, 2025. The bank reported net income of \$5.6 million, or \$0.62 per share, compared to net income of \$2.2 million, or \$0.36 per share, in the same quarter last year. Adjusted operating earnings, which exclude a \$304,000 bargain purchase gain, were \$5.3 million, or \$0.58 per share. Results reflected continued post-merger integration benefits, disciplined expense management, and strong asset quality improvements. The bank's net interest margin (NIM) was 3.84%, up from 3.43% a year ago, though slightly lower than Q2 due to reduced accretion income as several large acquired loans paid off.

We believe First National is well-positioned for growth, with operating results demonstrating strong fundamentals after the Touchstone acquisition last year. Based on these trends, we anticipate EPS of about \$2.22 for the full year 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.31	\$1.20	\$1.30	\$2.05	\$1.92	\$1.82	\$1.87	\$2.69	\$1.54	\$1.00	\$2.22	\$2.97
DPS	\$0.10	\$0.12	\$0.14	\$0.20	\$0.36	\$0.44	\$0.48	\$0.56	\$0.60	\$0.61	\$0.62	\$0.83
Shares²	4.9	4.9	4.9	5.0	5.0	4.9	5.6	6.3	6.3	7.0	8.9	9.0

Over the past decade, First National's EPS has seen fluctuations, reflecting both strong performance and challenges. EPS dropped significantly to \$0.31 in 2015, due to a combination of factors, including a \$6.8 million increase in noninterest expenses, largely due to acquisition-related costs and expansion efforts. Moreover, the bank reported a substantially lower recovery of loan losses in 2015 compared to the previous year, contributing to the earnings drop.

In 2016, EPS rebounded to \$1.20, due to improved cost management and steady loan growth. This recovery continued in 2017, with EPS rising to \$1.30, driven by stronger loan demand and better financial performance. In 2018, EPS surged to \$2.05, due to higher net interest income and the impact of federal tax reforms, which boosted profitability. Regardless, EPS dipped slightly to \$1.92 in 2019, as noninterest expenses rose due to the bank's investment in expanding its market footprint. Despite these higher costs, First National demonstrated resilience during the COVID-19 pandemic in 2020, with EPS only dipping to \$1.82, as it managed to maintain a stable loan portfolio.

By 2021, EPS recovered to \$1.87, with the bank benefiting from strong loan demand and the successful acquisition of The Bank of Fincastle, which expanded its presence in the Roanoke market. In 2022, EPS peaked at \$2.69, driven by

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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robust loan growth and favorable interest rates. However, in 2023, EPS declined to \$1.54, primarily due to substantial charge-offs related to weaknesses in a purchased loan portfolio and increased provisions for credit losses. The bank's NIM slightly fell to 3.41% from 3.44% in 2022 as rising deposit costs put pressure on earnings. NIM grew further to 3.51% in 2024, but M&A-related expenses resulted in a one-off depressed EPS result on a GAAP basis.

Moving forward, we believe First National will be able to deliver more consistent EPS growth, with our medium-term estimate standing at 6%. We have applied the same rate to our dividend growth forecast, with First National having increased its dividend for nine consecutive years thus far.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	24.6	7.7	9.2	8.2	10.2	9.6	9.6	7.4	11.2	18.4	10.1	11.0
Avg. Yld.	1.3%	1.3%	1.2%	1.2%	1.8%	2.5%	2.7%	2.8%	3.5%	3.3%	2.8%	2.5%

In recent years, First National has consistently traded at a P/E ratio in the high-single digits to low teens, aligning with the typical range for regional banks. Currently, the stock is trading at just 10.1 times our projected EPS for the year, a multiple we believe undervalues the stock. We forecast a 1.8% annualized valuation tailwind potential, as a result.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	32%	10%	11%	10%	19%	24%	26%	21%	39%	61%	28%	28%

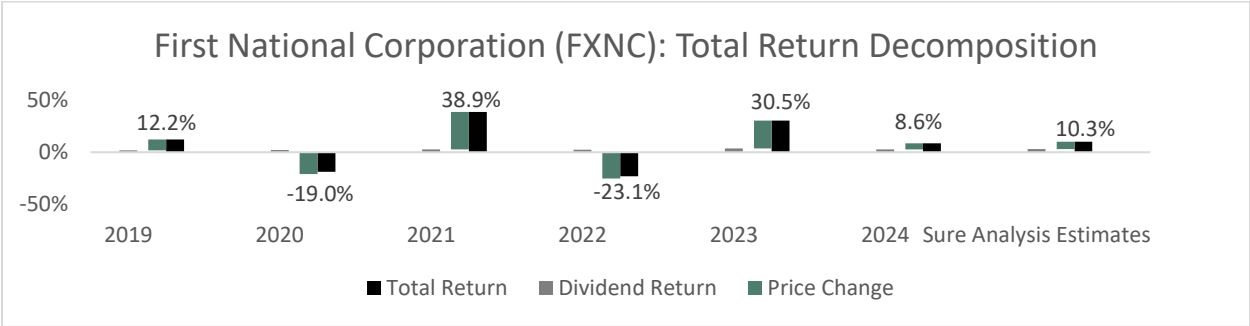
First National holds a number of competitive advantages, particularly when it comes to its long-standing community ties and commitment to customer service within its primary market areas, including the Shenandoah Valley, Roanoke Valley, and Central Virginia. Its solid local presence and customer relationships give it a competitive edge against larger national and regional banks, credit unions, and other financial institutions in the region. During challenging periods, such as the COVID-19 pandemic, First National remained resilient, maintaining profitability through prudent financial management and effective cost control. The bank's capital health remains robust, as reflected in its Common Equity Tier 1 capital ratio of 11.19% and Total Capital ratio of 12.35% at the end of 2024, both above minimum requirements.

Nevertheless, its smaller scale compared to larger institutions limits its ability to fully leverage economies of scale, which could make it more vulnerable during prolonged periods of economic stress. Also, the bank suffered in the aftermath of the Great Financial Crisis, with the bank facing a substantial increase in non-performing assets, and writing down a \$6.4 million deferred tax asset. In any case, we believe the stock's dividend can be considered rather secure today.

Final Thoughts & Recommendation

First National's strong community ties make it a compelling choice for investors looking for exposure to a Virginia-based well-managed bank with a solid track record of EPS and DPS growth. We see annualized returns of 10.3% through 2030, driven by our growth estimate of 6%, the starting yield, and a potential valuation tailwind. We rate the stock as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	28	31	33	36	36	37	44	57	54	64
SG&A Exp.	16	15	14	14	14	14	19	22	23	27
D&A Exp.	2	2	2	2	2	1	1	2	2	2
Net Profit	3	6	6	10	10	9	10	17	10	7
Net Margin	9.5%	19.1%	19.7%	28.2%	26.8%	24.1%	23.6%	29.5%	18.0%	10.9%
Free Cash Flow	3	8	5	12	11	14	7	26	15	(26)
Income Tax	1	2	4	2	2	2	3	4	2	1.1

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	692	716	739	753	800	951	1,389	1,369	1,419	2,010
Cash & Equivalents	39	41	40	29	46	127	176	67	87	163
Accounts Receivable	2	2	2	2	2	3	4	5	5	6
Goodwill & Int. Ass.	2	2	1	0	0	0	3	3	3	18
Total Liabilities	646	664	681	686	723	866	1,272	1,261	1,303	1,844
Long-Term Debt	14	14	14	14	14	19	19	14	64	30
Shareholder's Equity	46	52	58	67	77	85	117	108	116	167
LTD/E Ratio	0.31	0.27	0.24	0.21	0.18	0.23	0.16	0.13	0.55	0.18

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.4%	0.8%	0.9%	1.4%	1.2%	1.0%	0.9%	1.2%	0.7%	0.4%
Return on Equity	5.0%	12.0%	11.7%	16.2%	13.3%	10.9%	10.3%	14.9%	8.6%	4.9%
ROIC	4.1%	9.3%	9.3%	13.2%	11.1%	9.1%	8.6%	13.0%	6.3%	3.7%
Shares Out.	4.9	4.9	4.9	5.0	5.0	4.9	5.6	6.3	6.3	7.0
Revenue/Share	5.71	6.26	6.62	7.26	7.18	7.52	7.89	9.08	8.53	9.24
FCF/Share	0.53	1.62	1.11	2.46	2.18	2.91	1.27	4.09	2.31	(3.66)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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