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2020
FINANCIAL OVERVIEW
2ND QUARTER JUNE 30



1 First National Bank
ALASKA

P. O. Box 100720
Anchorage, AK 99510-0720

1 First National Bank
ALASKA MEMBER FDIC

Dear Shareholders,

Net income for second quarter 2020 grew 11% to \$14.6 million compared to \$13.1 million during the same period of 2019. Net interest and loan fee income increased 13% to \$37.9 million compared to \$33.5 million during the same period last year, due to loan growth and lower interest expense. The bank's net interest margin increased to 3.72% from 3.69% for Q2 2019. Return on Assets of 1.43% was comparable to June 2019. Total assets increased \$735 million during the second quarter, a remarkable growth rate driven by SBA Paycheck Protection Program (PPP) loan origination and other broad-based deposit growth related to the COVID-19 pandemic response.

Noninterest income for the quarter increased 9.5% when compared to the same period in 2019 primarily due to strong mortgage loan origination income. Second quarter noninterest expense increased 4.8% as compared to 2019 with increases in salaries and employee benefits, which are partially offset by lower overall operating expenses. The bank's measure of operating efficiency, the efficiency ratio, remains better than peer averages both locally and nationally.

First National's response to the COVID-19 pandemic continues to evolve as conditions change. Our Emergency Response Team has done an exceptional job providing strategies and protocols to protect the safety and health of customers and employees while keeping all branches open during this challenging time. In April, around-the-clock efforts by employees led to the origination of approximately 2,156 PPP loans totaling \$329.7 million at the end of June.

Many challenges await us on the road ahead. The past several months have shown our First National team can indeed move mountains. This momentum and sense of teamwork will help the bank as we climb toward reaching our goals this year.

Sincerely,

Betsy Lawer

Betsy Lawer
Board Chair & Chief Executive Officer

Michele Schuh

Michele Schuh
Executive Vice President
& Chief Financial Officer

DIRECTORS

Betsy Lawer
Chair & CEO

Lucy Mahan
Vice Chair

Doug Longacre
President

Tom Barrett
Perry Eaton

Margy K. Johnson

Jane Klopfer

Julie Taylor

Tom Tougas

Cheri Gillian

Executive Vice President & Board Secretary

BRANCHES

Cordova Branch	Cordova
Dimond Branch	Anchorage
Eagle River Branch	Eagle River
Eastchester Branch	Anchorage
Glennallen Branch	Glennallen
Golden Valley Branch	Fairbanks
Haines Branch	Haines
Healy Branch	Healy
Homer Branch	Homer
Johansen Branch	Fairbanks
Juneau Regional Branch	Juneau
Kenai Branch	Kenai
Kodiak Branch	Kodiak
Kuskokwim Branch	Bethel
Metro Branch	Anchorage
Muldoon Branch	Anchorage
North Star Branch	JBER
Northern Lights Branch	Anchorage
Palmer Branch	Palmer
Seward Branch	Seward
Sitka Branch	Sitka
Soldotna Branch	Soldotna
South Center Branch	Anchorage
U-Med Branch	Anchorage
Valdez Branch	Valdez
Valley Centre Branch	Juneau
Wasilla Branch	Wasilla



Financial Overview *(Unaudited)*
Quarter Ended *(\$ in thousands)*
BALANCE SHEET

	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Total Assets	\$4,594,205	\$3,859,319	\$3,808,254	\$3,845,102	\$3,762,718
Total Securities	\$1,767,024	\$1,501,474	\$1,588,721	\$1,610,877	\$1,526,280
Total Loans	\$2,309,166	\$2,003,829	\$2,011,611	\$2,017,627	\$2,000,235
Total Deposits	\$2,912,046	\$2,430,983	\$2,387,785	\$2,439,906	\$2,362,101
Repurchase Agreements	\$1,024,610	\$ 822,835	\$ 859,425	\$ 842,510	\$ 850,936
Total Deposits and Repurchase Agreements	\$3,936,656	\$3,253,818	\$3,247,210	\$3,282,416	\$3,213,037
Total Shareholders' Equity	\$ 589,966	\$ 575,774	\$ 547,682	\$ 545,743	\$ 534,655

INCOME STATEMENT

	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Net Interest and Loan Fee Income	\$ 37,910	\$ 34,520	\$ 35,579	\$ 34,773	\$ 33,544
Provision for Loan Losses	\$ 1,949	\$ (36)	\$ (3)	\$ 179	\$ 111
Total Noninterest Income	\$ 6,459	\$ 5,757	\$ 5,917	\$ 6,284	\$ 5,898
Total Noninterest Expense	\$ 22,951	\$ 21,454	\$ 22,863	\$ 21,015	\$ 21,897
Provision for Income Taxes	\$ 4,899	\$ 4,711	\$ 4,406	\$ 5,035	\$ 4,379
Net Income	\$ 14,570	\$ 14,148	\$ 14,230	\$ 14,828	\$ 13,055
Earnings per common share	\$ 4.60	\$ 4.47	\$ 4.49	\$ 4.68	\$ 4.12
Dividend per common share	\$ 3.20	\$ 3.20	\$ 3.20	\$ 3.20	\$ 3.20

FINANCIAL MEASURES

	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Return on Assets	1.43%	1.49%	1.47%	1.47%	1.43%
Return on Equity	10.06%	10.07%	10.48%	10.49%	10.22%
Net Interest Margin	3.72%	3.76%	3.74%	3.72%	3.69%
Efficiency Ratio	52.24%	52.98%	53.26%	52.77%	53.71%

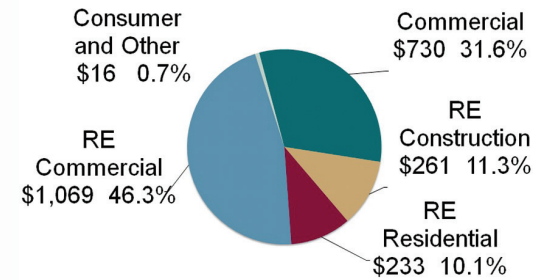
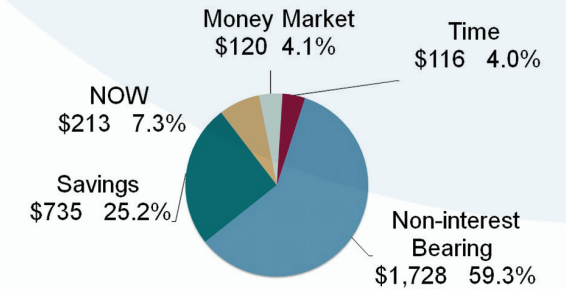
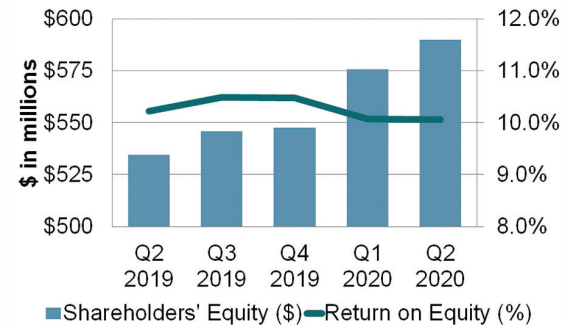
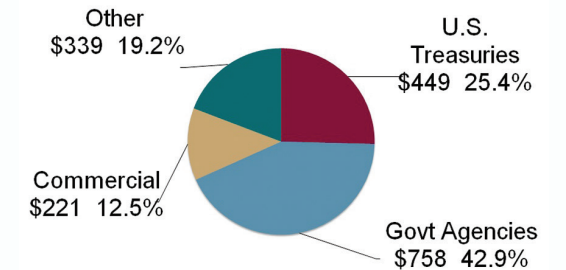
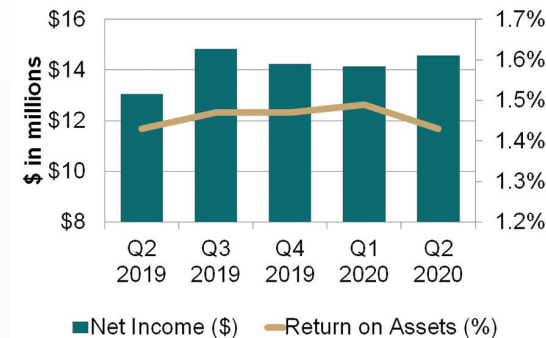
CAPITAL

	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Shareholders' Equity/Total Assets	12.84%	14.92%	14.38%	14.19%	14.21%
Tier 1 Leverage Ratio	12.72%	14.14%	13.76%	13.87%	14.10%
Regulatory Well Capitalized Minimum Ratio - Tier 1					
Leverage Ratio	5.00%	5.00%	5.00%	5.00%	5.00%
Tier 1 (Core) Capital	\$ 540,105	\$ 535,669	\$ 531,807	\$ 527,965	\$ 523,297

CREDIT QUALITY

	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Noncurrent Loans and OREO	\$ 13,511	\$ 11,653	\$ 8,235	\$ 9,265	\$ 9,083
Noncurrent Loans and OREO/Total Assets	0.29%	0.30%	0.22%	0.24%	0.24%
Noncurrent Loans and OREO/Tier 1 Capital	2.50%	2.18%	1.55%	1.75%	1.74%
Allowance for Loan Losses	\$ 21,550	\$ 19,500	\$ 19,500	\$ 19,500	\$ 19,500
Allowance for Loan Losses/Total Loans	0.93%	0.97%	0.97%	0.97%	0.97%

*Net interest margin and efficiency ratios are tax effected.
Per common share amounts are not in thousands.*

Loan Mix (\$ in millions)

Deposit Mix (\$ in millions)

Shareholders' Equity and Return on Equity

Securities Mix (\$ in millions)

Net Income and Return on Assets

Dividend Per Share and Payout
