

PRSRT STD  
U.S. POSTAGE  
**PAID**  
ANCHORAGE, AK  
PERMIT NO. 175

**1** First National Bank  
ALASKA  
P. O. Box 100720  
Anchorage, AK 99510-0720

2020  
**FINANCIAL OVERVIEW**  
3RD QUARTER SEPTEMBER 30



Dear Shareholders,

Net income of \$15.6 million for third quarter 2020 compares favorably to \$14.8 million during the same period in 2019. Return on assets at 1.40% decreased seven basis points from third quarter 2019 on significant growth in assets funded by deposit growth of \$658.1 million in 2020. Net interest and loan fee income increased 5.3% to \$36.6 million compared to \$34.8 million during the same period last year on higher loan volumes and lower interest expense. The bank's net interest margin decreased to 3.56% from 3.72% for third quarter 2019, as the yield on earning assets declined with low interest loans and higher cash holdings.

Noninterest income for the quarter increased 6.3% when compared to the same period in 2019 driven by higher mortgage loan origination income. Noninterest expense for the quarter increased 5.6% compared to the same period last year due to increases in salaries and employee benefits, which are partially offset by lower occupancy expenses. The bank's measure of operating efficiency, the efficiency ratio, remains favorably below peer averages both locally and nationally at 51.74%.

The bank's commitment to helping Alaskans has only deepened during these uncertain economic times created by the COVID-19 pandemic. An additional 308 Small Business Administration Paycheck Protection Program (SBA PPP) loans were originated this past quarter, bringing total SBA PPP loans to 2,464. As of September 30, 2020, SBA PPP loans totaled \$344.7 million. Year-to-date COVID-19 loan modifications totaled \$416.9 million. Third quarter 2020 total loan delinquencies were \$3.9 million, an improvement from \$16.1 million in second quarter 2020.

Your bank's Board of Directors was pleased to declare a special dividend on July 30; paid to shareholders on Oct. 15. That distribution of nearly \$11 million was another important way First National leveraged its continued strong performance and capital position to help stimulate the economy during these challenging times.

*Betsy Lawer*

Betsy Lawer  
Board Chair & Chief Executive Officer

*Michele Schuh*

Michele Schuh  
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**

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

**1** First National Bank  
ALASKA MEMBER FDIC



## Financial Overview (Unaudited)

Quarter Ended (\$ in thousands)

### BALANCE SHEET

	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Total Assets	\$4,718,640	\$4,594,205	\$3,859,319	\$3,808,254	\$3,845,102
Total Securities	\$1,735,916	\$1,767,024	\$1,501,474	\$1,588,721	\$1,610,877
Total Loans	\$2,290,158	\$2,309,166	\$2,003,829	\$2,011,611	\$2,017,627
Total Deposits	\$3,045,898	\$2,912,046	\$2,430,983	\$2,387,785	\$2,439,906
Repurchase Agreements	\$1,022,024	\$1,024,610	\$822,835	\$859,425	\$842,510
Total Deposits and Repurchase Agreements	\$4,067,922	\$3,936,656	\$3,253,818	\$3,247,210	\$3,282,416
Total Shareholders' Equity	\$585,429	\$589,966	\$575,774	\$547,682	\$545,743

### INCOME STATEMENT

	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Net Interest and Loan Fee Income	\$36,615	\$37,910	\$34,520	\$35,579	\$34,773
Provision for Loan losses	\$250	\$1,949	\$(36)	\$(3)	\$179
Total Noninterest Income	\$6,677	\$6,459	\$5,757	\$5,917	\$6,284
Total Noninterest Expense	\$22,196	\$22,951	\$21,454	\$22,863	\$21,015
Provision for Income Taxes	\$5,293	\$4,899	\$4,711	\$4,406	\$5,035
Net Income	\$15,553	\$14,570	\$14,148	\$14,230	\$14,828
Earnings per common share	\$4.91	\$4.60	\$4.47	\$4.49	\$4.68
Dividend per common share	\$6.40	\$3.20	\$3.20	\$3.20	\$3.20

### FINANCIAL MEASURES

	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Return on Assets	1.40%	1.43%	1.49%	1.47%	1.47%
Return on Equity	10.27%	10.06%	10.07%	10.48%	10.49%
Net Interest Margin	3.56%	3.72%	3.76%	3.74%	3.72%
Efficiency Ratio	51.74%	52.24%	52.98%	53.26%	52.77%

### CAPITAL

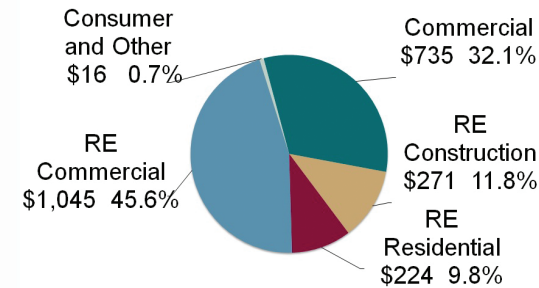
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Shareholders' Equity/Total Assets	12.41%	12.84%	14.92%	14.38%	14.19%
Tier 1 Leverage Ratio	11.63%	12.72%	14.14%	13.76%	13.87%
Regulatory Well Capitalized Minimum Ratio - Tier 1 Leverage Ratio	5.00%	5.00%	5.00%	5.00%	5.00%
Tier 1 (Core) Capital	\$535,390	\$540,105	\$535,669	\$531,807	\$527,965

### CREDIT QUALITY

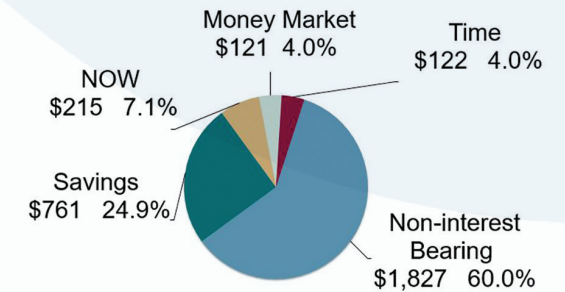
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Noncurrent Loans and OREO	\$13,803	\$13,511	\$11,653	\$8,235	\$9,265
Noncurrent Loans and OREO/Total Assets	0.29%	0.29%	0.30%	0.22%	0.24%
Noncurrent Loans and OREO/Tier 1 Capital	2.58%	2.50%	2.18%	1.55%	1.75%
Allowance for Loan Losses	\$21,550	\$21,550	\$19,500	\$19,500	\$19,500
Allowance for Loan Losses/Total Loans	0.94%	0.93%	0.97%	0.97%	0.97%

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

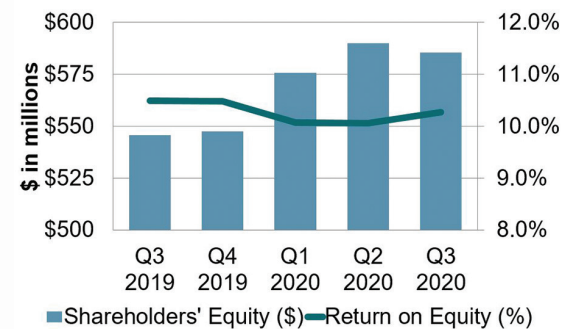
### Loan Mix (\$ in millions)



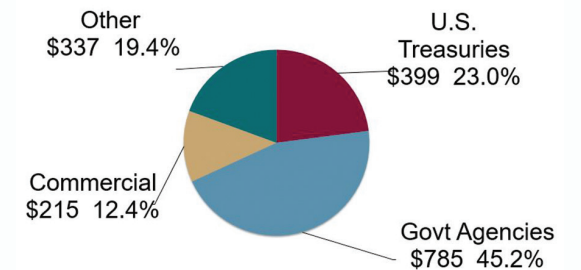
### Deposit Mix (\$ in millions)



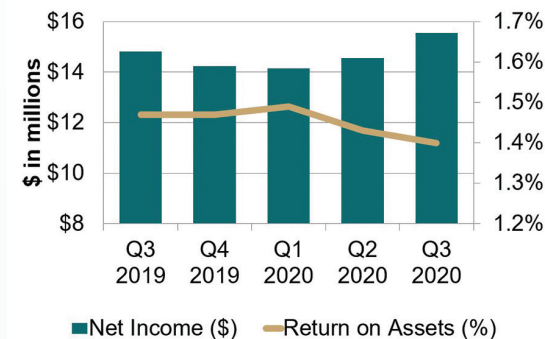
### Shareholders' Equity and Return on Equity



### Securities Mix (\$ in millions)



### Net Income and Return on Assets



### Dividend Per Share and Payout

