



Virtual Annual Shareholder Meeting for First National Bank Alaska May 19, 2020 Questions and Answers

The following is a summary of questions addressed by management of First National Bank Alaska during the Bank's annual meeting of shareholders held on May 19, 2020. It also includes questions submitted by shareholders that management was not able to address during the meeting. This document is not intended to serve as a transcript of comments made during the shareholders' meeting. For a full audio recording of the shareholders' meeting and remarks made by management in connection therewith, please visit the webpage located at www.virtualshareholdermeeting.com/FBAK2020.

In this summary, "we," "our," "First National," and the "Bank" refer to First National Bank Alaska. Please also refer to the Cautionary Note at the end of this summary.

Question 1: Has the bank repurchased shares since the last annual meeting? Is the program still in effect? **Answer by Betsy Lawer, CEO**

The stock repurchase program authorized by the shareholders and the regulators remains in effect.

Since April 2019, the bank purchased 1,745 additional shares at an average price of \$241 dollars per acquired share.

Under the program to date, the bank has acquired 280,705 shares, representing approximately 8 percent of the amount outstanding in 2008 when the program commenced.

Our primary focus from a capital management standpoint right now is ensuring we maintain our historically strong capital levels in order to serve as a resource to our customers and the Alaska economy generally. As a result, we do not expect to have stock repurchase activity for the near term, although we reevaluate that position on a frequent basis.

Question 2: What is the current loan loss provision expense and your outlook on future loss provision expense? Answer by Doug Longacre, President

In our most recent publicly reported results through March 31, 2020, we did not increase our allowance for loan losses. As of that date, our current reserve was adequate based on our quantitative and qualitative assessment of the loan portfolio characteristics. The impact on individual businesses of the new shutdown was in the very early stages at the end of that first quarter.

We expect to see increases in the provision for loan losses in the coming quarters, the level of which remains to be determined. We are experiencing an uptick in delinquencies and are evaluating the business conditions borrower-by-borrower and determining how best to support their objectives through loan modifications.

Question 3: What are your current volumes of past due loans and loan modifications? Answer by Doug Longacre

Past due and nonaccrual loans as of March 31, 2020 were \$10.3 million dollars, or 0.51% of total loans. This figure has increased from the December 31, 2019 level of \$6.8 million. We have seen an increase in the volume of loans more than 30 days past due at March 31, 2020 as conditions began to deteriorate in the wake of COVID-19.

We are currently evaluating loan modification requests again on a borrower-by-borrower basis. We will make loan modifications on an informed and prudent basis. In the coming months, we will gain more clarity around the long-term impact of the current economic environment on these affected borrowers. Then we can best determine how to address business challenges as we move forward.

Question 4: What is your outlook on the Alaska economy? Answer by Betsy Lawer, CEO

One month ago I could have given you a very clear and very positive picture. Today, we are working with customers to see how the COVID-19 ripple effect will impact their businesses, Alaskans, and the Bank. We learn more about what is happening every day and, I think, perhaps in another month or two we will have our arms around a much better understanding.

As for your Bank, we could not have gone into this challenge in a better position. We have a strong capital position, good borrowers, a low delinquency rate, and a low loan to value in our commercial real estate portfolio.

We are here to support our customers, are talking to them on a regular basis, and they and the Bank are learning more about how our economy is going to be impacted every day.

Question 5: What is the Bank's net interest margin and how is it expected to change?
Answer by Doug Longacre, President

Our net interest margin as the end of March 2020 was 3.76%, two basis points higher than December 31, 2019.

The 150 basis point decrease in open market rates that we experienced in March 2020 resulted in immediate decrease in our interest expense and also a decrease in interest income as variable rate loans repriced. The net effect of this repricing will buffer impact on our net interest margin in 2020.

Question 6: Will the combined effects of COVID-19 affect the Bank's ability to maintain its dividend?
Answer by Betsy Lawer, CEO

Dividends are declared quarterly at the discretion of the Board. That decision is based on a variety of factors including current bank performance, strategic planning for capital maintenance, and current economic conditions.

Particularly with what is going on with COVID-19 and the economy at this point and time, we cannot predict or comment on future dividend levels.

Question 7: There have been large price movements in the bank stock on small volume. Is there only one market maker for the stock?
Answer by Betsy Lawer, CEO

No, there are multiple market makers. A list of market makers for whom the Bank has contact information is provided at the end of this Q and A document. In my view, the low volume in the stock may be indicative a small supply of sellers and that shareholders are proud to hold our stock, are confident in the future, and really like the dividend yield.

Question 8: The bank seems to be doing well according to the Board Chair's report. Why does the stock value keep dropping? Related item: How can I better understand the fluctuation in the stock price?
Answer by Betsy Lawer, CEO

The stock value has dropped, and I encourage shareholders to review the graph in the presentation that shows the Bank's stock price performance along with two different bank indices. From that chart, you will observe our bank is holding up better than the indices. I am proud of the bank stock and its performance in this environment and uncertainty. We are not sure what the future is going to hold, it is that uncertainty that is

impacting not only First National stock but also stocks across the nation. The graph will give you a broader picture of what is happening with bank stocks and how our bank price is performing against those averages.

First National stock is not widely-traded. The stock price is influenced by expectations for bank industry performance overall, especially when interest rate and credit risk factors are changing on broad economic levels.

Two Additional Questions, received at the close of the meeting

Question 9: Can you give some detail on the geographic breakup of the commercial loan book? What percentage is exposed to energy and what is Alaska exposure vs Northwest US (participation loans)?

Commercial real estate and commercial loans comprise approximately 62% and 31% of total loans, respectively. The great majority of loans and their collateral are located in Alaska.

Total loan participations are approximately 10% of the commercial loan portfolio and are geographically dispersed in the United States.

The bank does not have direct credit exposure to oil and gas energy companies. However, the strength of the energy sector impacts the Alaska economy overall, including oil service companies that are customers of ours, wages of energy sector employees that contribute to consumer demand in Alaska, and tax revenue paid by energy companies. Therefore, we have indirect exposure that cannot be quantified.

Question 10: What impact has the virus had on staffing? Layoffs? Did FNBA apply for and/or receive PPP funding? How many PPP loans/grants have been processed?

First National has neither changed staffing/employment levels nor had layoffs due to COVID-19. We did modify work locations for many, allowing remote work- from-home options. We also modified work schedules to include double or split-shifting to reduce employee concentrations in office areas.

First National neither applied for nor was it eligible to apply for a Paycheck Protection Program loan. Lenders are not eligible to participate in the program.

First National has facilitated more than 1,800 Paycheck Protection Loans for customers and noncustomers through May 19, 2020, exceeding \$300 million in aggregate principal amount.

Cautionary Note

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are related to future events, future financial and operating performance, economic and general market conditions, stock performance, and business strategies and may be identified by terminology such as “may,” “will,” “should,” “expects,” “scheduled,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “potential,” or “continue” or the negative of such terms or other comparable terminology.

Forward-looking statements, with respect to our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance or achievements of First National to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement and First National undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary notice.

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