

FIRST NATIONAL BANK ALASKA
Anchorage, Alaska

FINANCIAL STATEMENTS
December 31, 2025 and 2024

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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL CONDITION	3
STATEMENTS OF INCOME	4
STATEMENTS OF COMPREHENSIVE INCOME	5
STATEMENTS OF CASH FLOWS.....	6
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	8
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Audit Committee
First National Bank Alaska
Anchorage, Alaska

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of First National Bank Alaska, which comprise the statements of financial condition as of December 31, 2025 and 2024, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of First National Bank Alaska as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, First National Bank Alaska's internal control over financial reporting as of December 31, 2025, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 10, 2026 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of First National Bank Alaska and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about First National Bank Alaska's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First National Bank Alaska's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Oakbrook Terrace, Illinois
March 10, 2026

FIRST NATIONAL BANK ALASKA
STATEMENTS OF FINANCIAL CONDITION
December 31, 2025 and 2024
(Dollars in thousands, except per share data)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 278,703	\$ 472,442
Securities available-for-sale, at fair value	1,989,022	1,928,625
Real estate loans to be sold	6,147	3,926
Loans, net of allowance for credit losses of \$21,450 and \$18,025 as of December 31, 2025 and 2024, respectively	2,690,514	2,451,910
Premises and equipment, net	48,762	49,000
Other real estate owned, net	269	-
Deferred taxes, net	10,557	24,965
Other assets	<u>75,971</u>	<u>66,899</u>
Total assets	<u>\$ 5,099,945</u>	<u>\$ 4,997,767</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing	\$ 1,827,090	\$ 1,792,893
Interest bearing:		
Savings	652,102	673,076
Business interest checking	103,534	102,189
Business interest sweep	572,786	543,076
NOW	129,057	126,395
Money market	86,148	82,129
Time	<u>363,997</u>	<u>359,397</u>
Total interest bearing	<u>1,907,624</u>	<u>1,886,262</u>
Total deposits	3,734,714	3,679,155
Securities sold under agreements to repurchase	739,103	743,193
Federal Home Loan Bank advances	15,000	15,000
Other liabilities	<u>41,882</u>	<u>43,857</u>
Total liabilities	4,530,699	4,481,205
Shareholders' equity:		
Common stock, \$10 par value (authorized: 4,000,000 shares) (issued and outstanding: 2025 and 2024 - 3,166,885)	31,669	31,669
Surplus	40,000	40,000
Retained earnings	522,079	507,878
Accumulated other comprehensive loss	<u>(24,502)</u>	<u>(62,985)</u>
Total shareholders' equity	<u>569,246</u>	<u>516,562</u>
Total liabilities and shareholders' equity	<u>\$ 5,099,945</u>	<u>\$ 4,997,767</u>

See accompanying notes to financial statements.

FIRST NATIONAL BANK ALASKA
STATEMENTS OF INCOME
Years ended December 31, 2025 and 2024
(Dollars in thousands, except per share data)

	<u>2025</u>	<u>2024</u>
Interest income and loan fees:		
Interest and fees on loans	\$ 173,208	\$ 160,191
Interest and dividends on investment securities	48,648	66,320
Interest on cash and cash equivalents	<u>14,741</u>	<u>17,809</u>
Total interest and loan fee income	236,597	244,320
Interest expense:		
Deposits	25,955	30,025
Federal fund purchased and securities sold under agreements to repurchase	21,206	21,604
Federal Home Loan Bank advances and other borrowed funds	<u>645</u>	<u>25,970</u>
Total interest expense	<u>47,806</u>	<u>77,599</u>
Net interest and loan fee income	188,791	166,721
Provision for credit losses - loans	3,961	1,096
Provision (benefit) for credit losses - off-balance sheet credit exposures	<u>850</u>	<u>(375)</u>
Provision for credit losses	<u>4,811</u>	<u>721</u>
Net interest and loan fee income after provision for credit losses	183,980	166,000
Noninterest income:		
Bankcard fees	10,222	10,759
Service charges on deposit accounts	6,695	6,159
Gain on sale of mortgage loans	954	793
Mortgage loan servicing income	2,656	2,437
Gains on investment securities, net	-	417
Other noninterest income	<u>8,545</u>	<u>7,668</u>
Total noninterest income	29,072	28,233
Noninterest expense:		
Salaries and employee benefits	72,768	68,668
Occupancy expense, net	7,392	7,784
Furniture and equipment expense	2,371	2,425
Bankcard expenses	3,804	3,451
Loss on sale of other real estate owned	16	-
Other noninterest expense	<u>22,593</u>	<u>22,018</u>
Total noninterest expense	<u>108,944</u>	<u>104,346</u>
Income before taxes	104,108	89,887
Provision for income taxes	<u>26,569</u>	<u>22,839</u>
Net income	<u>\$ 77,539</u>	<u>\$ 67,048</u>
Earnings per common share	\$ 24.48	\$ 21.17

See accompanying notes to financial statements.

FIRST NATIONAL BANK ALASKA
 STATEMENTS OF COMPREHENSIVE INCOME
 Years ended December 31, 2025 and 2024
 (Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Net income	\$ 77,539	\$ 67,048
Other comprehensive income		
Unrealized gains (losses) on securities:		
Unrealized holding gains arising during the period, net of tax effect of (\$15,284) and (\$14,176) in 2025 and 2024, respectively	38,483	35,691
Reclassification adjustment for gains included in net income, net of tax effect of \$0 and \$119 in 2025 and 2024, respectively	<u>-</u>	<u>(298)</u>
Other comprehensive income	<u>38,483</u>	<u>35,393</u>
Comprehensive income	<u>\$ 116,022</u>	<u>\$ 102,441</u>

See accompanying notes to financial statements.

FIRST NATIONAL BANK ALASKA
STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024
(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Net income	\$ 77,539	\$ 67,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of discount on investment securities, net	(7,970)	(18,874)
Loss on mortgage servicing rights	178	237
Depreciation, accretion, and amortization	4,323	4,529
Provision for credit losses	4,811	721
Deferred taxes	(876)	516
Gain on sale of mortgage loans	(954)	(793)
Net loss on the sale of other real estate owned	16	-
Net loss on the sale of premises and equipment	25	17
Gain on investment securities, net	-	(417)
Real estate loans to be sold-originated	(51,685)	(55,166)
Real estate loans to be sold-shipped	50,122	57,740
Net (increase) decrease in other assets	190	3,597
Net increase (decrease) in other liabilities	1,745	(16,390)
Net cash provided by operating activities	<u>77,464</u>	<u>42,765</u>
Cash flows from investing activities		
Proceeds from calls or maturities of securities, available-for-sale	852,695	1,303,188
Proceeds from sales of securities, available-for-sale	-	261,817
Purchase of securities, available-for-sale	(851,355)	(1,039,919)
Net sale (purchase) of Federal Home Loan Bank stock	440	(236)
Net (increase) decrease in loans	(41,782)	96,746
Purchase of participation loans	(208,786)	(287,675)
Proceeds from sales of premises and equipment	1	31
Purchase of land, premises and equipment	(3,534)	(2,582)
Proceeds from sale of other real estate owned	229	-
Net cash (used in) provided by investing activities	<u>(252,092)</u>	<u>331,370</u>

(Continued)

FIRST NATIONAL BANK ALASKA
STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024
(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from financing activities		
Net increase (decrease) in total deposits	\$ 55,559	\$ (100,863)
Net (decrease) increase in securities sold under agreement to repurchase	(4,090)	113,913
Proceeds from Federal Home Loan Bank advances	-	340,000
Repayments on Federal Home Loan Bank advances	-	(340,000)
Repayments on Federal Reserve Bank advances	-	(780,000)
Payments on notes payable and finance lease	(7,242)	(7,487)
Dividends paid	<u>(63,338)</u>	<u>(50,670)</u>
Net cash used in financing activities	(19,111)	(825,107)
 Decrease in cash and cash equivalents	 (193,739)	 (450,972)
 Cash and cash equivalents, January 1	 <u>472,442</u>	 <u>923,414</u>
 Cash and cash equivalents, December 31	 <u>\$ 278,703</u>	 <u>\$ 472,442</u>
 Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 47,685	\$ 95,592
Cash paid during the year for income taxes	25,242	21,278
 Noncash investing and financing activities:		
Transfer of loans to other real estate owned	\$ 514	\$ -
Reduction of copier equipment under finance lease obligation	\$ -	\$ (286)
Commitments for investments in qualified affordable housing projects	10,000	-
(Settlement) acquisition of purchased loans and securities via short-term payable	(7,490)	6,516
Right of use assets obtained in exchange for operating leases	154	109

See accompanying notes to financial statements

FIRST NATIONAL BANK ALASKA
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2025 and 2024
(Dollars in thousands, except per share data)

	Common Stock (\$10 Par Value)	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2024	\$ 31,669	\$ 40,000	\$ 491,500	\$ (98,378)	\$ 464,791
Net income	-	-	67,048	-	67,048
Other comprehensive gain, net of tax	-	-	-	35,393	35,393
Dividends declared - \$16.00 per share	-	-	(50,670)	-	(50,670)
Balance, December 31, 2024	31,669	40,000	507,878	(62,985)	516,562
Net income	-	-	77,539	-	77,539
Other comprehensive gain, net of tax	-	-	-	38,483	38,483
Dividends declared - \$20.00 per share	-	-	(63,338)	-	(63,338)
Balance, December 31, 2025	<u>\$ 31,669</u>	<u>\$ 40,000</u>	<u>\$ 522,079</u>	<u>\$ (24,502)</u>	<u>\$ 569,246</u>

See accompanying notes to financial statements

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

First National Bank Alaska (the Bank) is a full-service commercial bank operated as a single segment, and as such, its principal activities include the receiving and lending of money. Additionally, the Bank provides trust banking services, escrow and contract collection services, bankcard services, and safe deposit box facilities. These services are for business, industry, and individuals primarily within the State of Alaska. Banking services are provided from 27 branches throughout Alaska. The accounting and reporting policies of the Bank conform with U.S. generally accepted accounting principles (GAAP) and the prevailing practices within the banking industry. Significant accounting and reporting policies are summarized below.

Business Segments: The Bank's reportable segment is determined by the Chief Financial Officer, who is the designated chief operating decision maker with regard to segmentation, based upon information provided about the Bank's products and services offered, primarily banking operations. The Bank manages its business and operations on a consolidated basis. Financial performance of the Bank's business components includes evaluating revenue streams, significant expenses, and budget to actual results in aggregate. Loans, investments, and deposits provide the revenues, and interest expense, provisions for credit losses, and payroll generate the significant expenses in the Bank's operations. As a result, the chief operating decision maker has determined there is one reportable segment.

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through March 10, 2026, which is the date the financial statements were available to be issued.

Estimates: Use of accounting estimates in the preparation of financial statements, in order to conform with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include cash and due from banks, overnight federal funds sold, and securities with original maturities of 90 days or less. Net cash flows are reported for customer loan and deposit transactions, securities sold under agreements to repurchase, and federal funds purchased.

Securities, Available-for-Sale: Debt securities are classified as available-for-sale at the time of acquisition. Available-for-sale security classification provides for sales in advance of maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains or losses reported in other comprehensive income, net of tax, as a separate component of shareholders' equity. Amortization of premiums and accretion of discounts are recognized using the level-yield method. Realized gains and losses on sales of securities are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Allowance for Credit Losses – Available-for-Sale Securities: For available-for-sale debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of the cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (benefit). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$8,892 at December 31, 2025 and is excluded from the estimate of credit losses.

Real Estate Loans to be Sold: Real estate loans to be sold are carried at the lower of cost or fair value in the aggregate. The Bank records and holds for sale 1-4 family and multifamily residential real estate loans, which are originated pursuant to investor programs. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Loans: The Bank grants real estate, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans throughout Alaska. The ability of the Bank's debtors to honor their contracts is dependent upon real estate and general economic conditions.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred loan fees and costs. Accrued interest receivable totaled \$12,698 and \$11,598 at December 31, 2025 and December 31, 2024, respectively. Accrued interest receivable is reported in other assets on the statements of financial condition, and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

The accrual of interest on all classes of real estate and commercial loans is normally discontinued at the time a loan is 90 days delinquent. Past due status is based on the contractual terms of the loan. All classes within consumer and other loans are typically charged-off no later than 120 days delinquent. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Loans are typically placed on nonaccrual prior to being classified as collateral-dependent.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans: The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank identified the following portfolio segments with similar risk characteristics: commercial and industrial, real estate construction and development, real estate 1-4 and multifamily residential, real estate commercial, and consumer.

Management considers the following when assessing the risk of the loan portfolio segments:

Commercial and industrial loans – are dependent on the strength of the industries of the related borrowers and the success of their businesses. Commercial loans are advanced for equipment purchases, to provide working capital or meet other financing needs of business enterprises. These loans may be secured by accounts receivable, inventory, equipment or other business assets. At the time of origination, financial information is obtained from the borrower to evaluate ability to repay the loans.

Real estate construction and development loans and Real estate commercial loans – are dependent on the industries tied to these loans as well as the local real estate market. The loans are secured by the real estate, appraisals or other external valuations are obtained to support the loan amount. An evaluation of the project's cash flows is performed to evaluate the borrower's ability to repay the loan at the time of origination.

Real estate 1-4 and multifamily residential loans – are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination, the Bank evaluates the borrower's repayment ability through a review of credit scores and debt to income ratios. Appraisals or other external valuations are obtained to support the loan amount. Multifamily real estate loans are dependent on the industries tied to these loans as well as the local real estate market for the particular property segments. Appraisals or other external valuations are obtained to support the loan amount. An evaluation of the project's cash flows is performed to evaluate the borrower's ability to repay the loan at the time of origination.

Consumer and other loans – are dependent on local economies. Consumer loans are generally secured by consumer assets, but may be unsecured. At the time of origination, the Bank evaluates the borrower's repayment ability through a review of credit scores and an evaluation of debt-to-income ratios.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

The Bank measures the allowance for credit losses on collective loans using the discounted cash flow method over the contractual term of each loan. The contractual term of a loan excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date a modification will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

The Bank utilizes complex models to obtain reasonable and supportable forecasts to calculate two predictive metrics, the probability of default and loss given default. Under the discounted cash flow method, the combination of the forecast and timing expectations, such as prepayment, curtailment, and funding rates, results in a calculation of an expected cash flow stream for each loan. Expected cash flows are then discounted at the effective yield to produce a loan net present value of expected cash flows. An expected credit loss is measured as the difference between the loan's net present value and amortized cost.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The national unemployment forecast is used for all loan portfolio segments, with the exception of consumer and other loans, which use the real gross domestic product forecast. Peer historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as changes in lending policies and procedures, the nature and volume of the loan portfolio, the volume and severity of past due loans, the existence and effect of concentrations of credit, the quality of loan review, as well as for changes in environmental conditions, such as changes in unemployment rates, gross domestic product rates, property values or other relevant economic factors.

The Bank uses reasonable and supportable forecasts to model expected credit losses under conditions which include a decline in economic conditions, an increase in the unemployment rate, and the level and trend of delinquencies over the next three years. The Bank has elected to forecast the first four quarters of the credit loss estimate and revert on a straight-line basis over the following eight quarters. Management adjusted the historical loss experience for these expectations. The actual loss experience is supplemented with other qualitative factors based on the risks present for each portfolio segment.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective (pool) evaluation. These loans can be accruing and evaluated individually without being considered collateral-dependent. The expected credit loss reserve for individually analyzed loans considers a collateral valuation, a present value of expected future cash flow valuation, a comparable sale valuation, or a recorded investment valuation, which is the amortized cost plus unamortized premiums or discounts. The expected credit loss amount for individually analyzed loans is based on the highest valuation technique for each loan.

Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulty, are considered in financial difficulty modification status, classified as impaired, measured at amortized cost and individually analyzed for expected credit losses.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Allowance for Credit Losses - Off-Balance Sheet Credit Exposure: A reserve is established at a level that is considered adequate by management to provide for expected losses associated with commitments to lend funds under existing agreements. Management determines the adequacy of the reserve for off-balance sheet credit exposure by evaluating the outstanding commitment levels, the expected conversion to loans, historical loss estimates, and other relevant factors. This evaluation is inherently subjective and actual losses may vary from current estimates. Changes in the reserve are reported in credit loss expense in the periods they become known. The reserve for off-balance sheet credit exposure is included in other liabilities in the statements of financial condition.

The recorded liability was \$2,050 and \$1,200 as of December 31, 2025 and 2024, respectively.

Concentrations of Credit Risk: Most of the Bank's business activity is with customers located in Alaska. Therefore, the Bank's exposure to credit risk is significantly affected by changes in the economy in Alaska.

Due From Broker: At December 31, 2025 and 2024, the Bank held no due from broker balances.

Premises and Equipment: Premises and equipment, including leasehold improvements and software, are stated at cost less accumulated depreciation and amortization. Depreciation on premises and equipment is calculated on a declining balance basis over the estimated useful lives of the assets. The estimated useful life of buildings is 39 years, with some external elements using 15 years. The estimated useful life of software is 3 years and furniture and equipment is 5 to 7 years. Equipment under a finance lease is stated at the present value of minimum lease payments. Equipment held under finance leases and leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Maintenance and repairs are expensed as incurred, while improvements and construction costs are capitalized.

Leases: At contract inception, the Bank determines whether the arrangement is or contains a lease and determines the lease classification. The lease term is determined based on the non-cancellable term of the lease adjusted to the extent optional renewal terms and termination rights are reasonably certain. Lease expense is recognized evenly over the lease term. Variable lease payments are recognized as period costs. The present value of remaining lease payments is recognized as a liability on the balance sheet with a corresponding right-of-use asset adjusted for prepaid or accrued lease payments. The Bank uses the Federal Home Loan Bank fixed advance rate as of the lease inception date that most closely resembles the remaining term of the lease as the incremental borrowing rate, unless the interest rate implicit in the lease contract is readily determinable. The Bank has elected to exclude short-term leases as well as all non-lease items, such as common area maintenance, from being included in the lease liability on the statements of financial condition.

Federal Reserve Bank Stock: This stock is a required holding of capital stock of the Federal Reserve Bank and is carried in other assets in the accompanying statements of condition at cost, and periodically evaluated for impairment based on ultimate recovery of par value. The Bank held stock of \$2,150 as of December 31, 2025 and 2024. Calculation of the stock requirement is based solely on the capital structure of the Bank. Both cash and stock dividends are reported as income.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Federal Home Loan Bank (FHLB) Stock: This is a required stock holding of the Federal Home Loan Bank of Des Moines and is carried in other assets in the accompanying statements of condition at cost and periodically evaluated for impairment based on ultimate recovery of par value. The Bank held stock of \$3,674 and \$4,114 as of December 31, 2025 and 2024, respectively. The minimum stock requirement is calculated based on the Bank's assets or qualifying loans, whichever applies. Both cash and stock dividends are reported as income.

Other Real Estate Owned (OREO): OREO consists of properties acquired through foreclosure and is carried at the lower of fair value at acquisition date or current estimated fair value net of disposal costs. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or a similar legal agreement. At the time the property is acquired, it is recorded at estimated fair value less costs to sell, with any difference between this value and the outstanding balance on the loan charged against the allowance for credit losses. Subsequent to foreclosure, costs associated with holding the property are charged to expense as incurred. Subsequent write-downs and gains and losses recognized on the sale of these properties are included in noninterest expense. Other real estate owned also includes bank premises that were transferred to other real estate owned due to no longer using the premises for Bank purposes and related regulatory requirements for these types of assets. These transfers from premises and equipment are made at the lower of cost or fair value. The Bank held \$269 and \$0 in OREO properties at December 31, 2025 and 2024, respectively.

Loan Commitments and Related Financial Instruments: This includes off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Transfers of Financial Assets: These are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Originated Mortgage Servicing Rights (MSRs): MSRs are capitalized based on their fair value when the corresponding loans are sold. The purchased or originated rights to service loans are amortized in relation to the estimated period of net servicing income. The carrying value of mortgage servicing rights (MSRs) is evaluated on a disaggregated basis relative to loans originated in a given quarter for impairment if there are changes in market conditions, payoffs or loan delinquencies. Impairment of MSRs is recognized through a charge to noninterest income when the MSRs' carrying amount exceeds its current fair value. MSRs are included in other assets in the accompanying statements of condition and are amortized into mortgage loan servicing income.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Mortgage Loan Servicing Fees: These are based on a percentage of the interest collected and are included in income as related loan payments from mortgagors are collected, offset by the amortization of the servicing rights.

Investments in Limited Partnerships: Investments where the underlying assets are qualified affordable housing projects are accounted for using the proportional amortization accounting method. Under this method, the bank amortizes the investment in tax expense over the period during which tax benefits are received.

Federal Home Loan Bank (FHLB) Advances: The Bank held an advance of \$15,000 from the FHLB at a fixed rate of 4.19% as of December 31, 2025 and December 31, 2024, which will mature in 2028. The advance is secured by 1-4 family, multi-family, and commercial real estate loans, and is payable at its maturity date, or with a prepayment penalty if paid prior to maturity. Based on the real estate collateral and the Bank's holdings of FHLB stock, the Bank is eligible to borrow up to a total of \$587,313 and \$520,196 as of December 31, 2025 and December 31, 2024, respectively.

A description of the Bank's revenue streams accounted for under Accounting Standards Codification (ASC) 606 follows:

Service Charges on Deposit Accounts: The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point at which the Bank fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Bankcard Fees: The Bank earns interchange fees from debit/credit cardholder transactions conducted through the MasterCard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Bankcard fees include income from interchange fees on both credit and debit cards, merchant fees earned on credit transactions, and miscellaneous set up and equipment rental fees. The Bank recognizes fee revenue as it is earned and collectability is reasonably assured. Expenses related to rebate reward programs are recorded when earned by cardholders.

Wealth Management Fees: The Bank earns wealth management fees from services provided for trusts and investment management accounts for customers to manage assets for investment. These fees are primarily earned over time as the Bank provides monthly or quarterly services and are generally assessed based on a tiered scale of the market value of assets under management at month-end.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Gains/Losses on Sales of OREO: The Bank records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Bank finances the sale of OREO to the buyer, the Bank assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on the sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Bank adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Income Taxes: Income taxes are accounted for in accordance with ASC 740. A current income tax asset or liability is recognized for estimated taxes payable or refundable on current year income tax returns. A deferred tax asset or liability is recognized for future tax effects attributable to temporary differences arising between the tax bases of assets or liabilities and their reported amounts in the financial statements. The measurement of current and deferred tax assets and liabilities is based on provisions of enacted tax law. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date. In the event the Bank does not expect to realize future tax benefits, a valuation allowance would be established to reduce the amount of deferred tax assets.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Common Share: These are computed on the basis of the weighted average number of shares outstanding. The weighted average number of shares outstanding were 3,166,885 for 2025 and 2024. The Bank does not have any potentially dilutive securities.

	<u>2025</u>	<u>2024</u>
Net income	\$ 77,539	\$ 67,048
Weighted average common shares outstanding	<u>3,167</u>	<u>3,167</u>
Earnings per common share	<u>\$ 24.48</u>	<u>\$ 21.17</u>

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. From time to time in the normal course of business, various claims are asserted against the Bank. Management and legal counsel are of the opinion that ultimate resolution of the matters presently known to exist will not have a material effect on the Bank’s financial statements.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes gains and losses on securities available-for-sale which are also recognized as separate components of equity.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Fair Values of Financial Instruments: These are estimated using relevant market information and other assumptions, as more fully disclosed in estimated fair value of financial instruments footnote. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassifications: Reclassifications have been made to conform 2024 financial statement data with the 2025 presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Adoption of New Accounting Standards: On January 1, 2025, the Bank adopted ASU 2023-09 *Income Taxes* (Topic 740): *Improvements to Income Tax Disclosures*, which requires additional disclosure requirements around the reconciliation of the Bank's statutory tax rate to their effective tax rate as well as more detailed information about income taxes paid. This standard was adopted on a prospective basis.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 2 - SECURITIES

The following table summarizes the amortized cost and fair value of securities available-for-sale at December 31, 2025 and the corresponding amounts of gross unrealized gains and losses recognized in other comprehensive income (loss) and gross unrecognized gains and losses:

	Amortized <u>Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>December 31, 2025</u>				
U.S. Treasury securities maturities:				
Within 1 year	\$ 548,267	\$ 152	\$ 4,510	\$ 543,909
One to 5 years	276,365	132	7,609	268,888
Total	<u>824,632</u>	<u>284</u>	<u>12,119</u>	<u>812,797</u>
U.S. Government-sponsored enterprises maturities:				
Within 1 year	175,736	157	595	175,298
One to 5 years	344,601	441	5,460	339,582
Five to 10 years	80,390	566	2,071	78,885
Total	<u>600,727</u>	<u>1,164</u>	<u>8,126</u>	<u>593,765</u>
States and political subdivisions maturities:				
Within 1 year	3,073	-	12	3,061
One to 5 years	46,721	4	163	46,562
Five to 10 years	58,815	7	941	57,881
After 10 years	15,883	203	360	15,726
Total	<u>124,492</u>	<u>214</u>	<u>1,476</u>	<u>123,230</u>
Mortgage-backed securities: residential	344,907	619	13,959	331,567
Mortgage-backed securities: commercial	29,292	104	50	29,346
Corporate bonds maturities:				
Within 1 year	6,471	-	11	6,460
One to 5 years	82,932	283	632	82,583
Five to 10 years	9,806	-	532	9,274
Total	<u>99,209</u>	<u>283</u>	<u>1,175</u>	<u>98,317</u>
Total securities, available-for-sale	<u>\$ 2,023,259</u>	<u>\$ 2,668</u>	<u>\$ 36,905</u>	<u>\$ 1,989,022</u>

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 2 - SECURITIES (Continued)

For the years ended December 31, 2025 and 2024 there were no holdings of securities of any one issuer, other than U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2025, were as follows:

	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
<u>December 31, 2025</u>						
Available-for-sale:						
U.S. Treasury	\$ -	\$ -	\$ 557,618	\$ 12,119	\$ 557,618	\$ 12,119
U.S. government-sponsored enterprises	72,011	106	281,807	8,020	353,818	8,126
State and political subdivisions	4,660	2	106,061	1,474	110,721	1,476
Corporate bonds	-	-	77,895	1,175	77,895	1,175
Mortgage-backed residential	21,573	146	178,010	13,813	199,583	13,959
commercial	<u>2,809</u>	<u>3</u>	<u>7,701</u>	<u>47</u>	<u>10,510</u>	<u>50</u>
Total	<u>\$ 101,053</u>	<u>\$ 257</u>	<u>\$ 1,209,092</u>	<u>\$ 36,648</u>	<u>\$ 1,310,145</u>	<u>\$ 36,905</u>

Management believes the unrealized holding losses on investments are the result of interest rate changes and not a result of credit quality issues. The contractual terms of these investments do not permit the issuer to redeem the securities at a price less than par, or at a time in which the securities amortized cost would be less than par. Unrealized losses on U.S. Treasury, U.S. government-sponsored enterprises, states and political subdivisions, and corporate bonds have not been recognized into income because the issuer(s) bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the bonds approach maturity.

At December 31, 2025 and 2024, all of the mortgage-backed securities held by the Bank were issued or guaranteed by U.S. government corporations (Ginnie Mae and SBA) or U.S. government-sponsored entities (Fannie Mae and Freddie Mac). Any decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and the Bank does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

As of December 31, 2025 and 2024, the Bank holds no allowance for credit losses on available-for-sale securities.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 2 - SECURITIES (Continued)

The following table summarizes the amortized cost and fair value of securities available-for-sale at December 31, 2024 and the corresponding amounts of gross unrealized gains and losses recognized in other comprehensive income (loss) and gross unrecognized gains and losses:

	Amortized <u>Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>December 31, 2024</u>				
U.S. Treasury securities maturities:				
Within 1 year	\$ 383,145	\$ 450	\$ 3,551	\$ 380,044
One to 5 years	<u>587,421</u>	<u>198</u>	<u>31,447</u>	<u>556,172</u>
Total	<u>970,566</u>	<u>648</u>	<u>34,998</u>	<u>936,216</u>
U.S. Government-sponsored enterprises maturities:				
Within 1 year	194,429	59	2,617	191,871
One to 5 years	299,556	266	14,022	285,800
Five to 10 years	<u>40,830</u>	<u>-</u>	<u>4,216</u>	<u>36,614</u>
Total	<u>534,815</u>	<u>325</u>	<u>20,855</u>	<u>514,285</u>
States and political subdivisions maturities:				
Within 1 year	4,813	-	4	4,809
One to 5 years	52,445	-	898	51,547
Five to 10 years	62,311	-	2,460	59,851
After 10 years	<u>13,525</u>	<u>-</u>	<u>1,285</u>	<u>12,240</u>
Total	<u>133,094</u>	<u>-</u>	<u>4,647</u>	<u>128,447</u>
Mortgage-backed securities: residential	231,593	-	24,952	206,641
Mortgage-backed securities: commercial	37,657	169	82	37,744
Corporate bonds maturities:				
Within 1 year	10,072	-	115	9,957
One to 5 years	89,055	99	2,694	86,460
Five to 10 years	<u>9,777</u>	<u>-</u>	<u>902</u>	<u>8,875</u>
Total	<u>108,904</u>	<u>99</u>	<u>3,711</u>	<u>105,292</u>
Total securities, available-for-sale	<u>\$ 2,016,629</u>	<u>\$ 1,241</u>	<u>\$ 89,245</u>	<u>\$ 1,928,625</u>

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 2 - SECURITIES (Continued)

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2024, were as follows:

	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
<u>December 31, 2024</u>						
Available-for-sale:						
U.S. Treasury	\$ -	\$ -	\$ 762,330	\$ 34,998	\$ 762,330	\$ 34,998
U.S. government-sponsored enterprises	6,095	26	425,167	20,829	431,262	20,855
State and political subdivisions	20,416	133	108,031	4,514	128,447	4,647
Corporate bonds	-	-	95,544	3,711	95,544	3,711
Mortgage-backed residential	-	-	206,641	24,952	206,641	24,952
commercial	<u>1,318</u>	<u>2</u>	<u>11,999</u>	<u>80</u>	<u>13,317</u>	<u>82</u>
Total	<u>\$ 27,829</u>	<u>\$ 161</u>	<u>\$ 1,609,712</u>	<u>\$ 89,084</u>	<u>\$ 1,637,541</u>	<u>\$ 89,245</u>

Investment securities with carrying amounts of \$1,304,020 and \$1,443,019 at December 31, 2025 and 2024, respectively, were pledged to secure public and trust deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

Realized gains on the disposition of investment securities totaled \$0 and \$15,588 in 2025 and 2024, respectively. Realized losses on the disposition of investment securities totaled \$0 and \$15,171 for 2025 and 2024, respectively.

The Bank, as a member of Visa USA, received 83,987 unrestricted shares of Visa, Inc. Class B common stock in connection with Visa, Inc.'s initial public offering in 2007. The retroactive responsibility plan obligates all former Visa USA members to indemnify Visa USA, in proportion to their equity interests in Visa USA, for certain litigation losses and expenses, including settlement expenses, for the lawsuits covered by the retrospective responsibility plan. Due to the restrictions that the retrospective responsibility plan imposes on the Bank's Visa, Inc. Class B shares, the Bank did not record the Class B shares as an asset. The Bank sold 42,000 shares of Visa Class B common stock during 2022 leaving 41,987 Bank owned Visa Class B common stock shares as of December 31, 2022.

The Bank sold the remaining 41,987 shares of Visa Class B common stock during 2024 and recorded a gain of \$15,577, which was included within gains on investment securities, net on the statements of income.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

The loan portfolio consists of the following at December 31:

	<u>2025</u>	<u>2024</u>
Commercial and industrial	\$ 497,929	\$ 504,866
Real estate		
Construction and development	281,220	249,020
1-4 and multifamily residential	339,319	317,307
Commercial real estate	1,586,455	1,391,782
Consumer and other	<u>20,748</u>	<u>19,441</u>
Total	2,725,671	2,482,416
Deferred loan fees, net	<u>(13,707)</u>	<u>(12,481)</u>
Total loans, gross	2,711,964	2,469,935
Allowance for credit losses	<u>(21,450)</u>	<u>(18,025)</u>
Total loans, net	<u>\$ 2,690,514</u>	<u>\$ 2,451,910</u>

There were unamortized premiums and discounts of \$641 and \$1,691 from purchased government guaranteed loans and multifamily real estate loans as of December 31, 2025 and 2024, respectively. The Bank purchased \$40,278 and \$68,909 of government guaranteed loans in 2025 and 2024, respectively. The government guaranteed loan balances were \$180,940 and \$179,944 as of December 31, 2025 and 2024, respectively. Government guaranteed loans are included in commercial and industrial loans.

As of December 31, 2025 and 2024, the aggregate indebtedness of all related parties (directors and executive officers of the Bank and their family members) was \$13,735 and \$13,347, respectively.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables present the activity in the allowance for credit losses by loan class for the years ended December 31, 2025 and 2024:

	Commercial and <u>Industrial</u>	Real Estate	Consumer and <u>Other</u>	<u>Total</u>
<u>December 31, 2025</u>				
Allowance for credit losses:				
Beginning balance	\$ 3,241	\$ 14,577	\$ 207	\$ 18,025
Provision for credit losses	1,355	2,180	426	3,961
Loans charged-off	(441)	(167)	(522)	(1,130)
Recoveries collected	<u>249</u>	<u>20</u>	<u>325</u>	<u>594</u>
 Total ending allowance balance	 <u>\$ 4,404</u>	 <u>\$ 16,610</u>	 <u>\$ 436</u>	 <u>\$ 21,450</u>
 <u>December 31, 2024</u>				
Allowance for credit losses:				
Beginning balance	\$ 2,668	\$ 14,853	\$ 229	\$ 17,750
Provision (benefit) for credit losses	514	(236)	818	1,096
Loans charged-off	(68)	(52)	(1,039)	(1,159)
Recoveries collected	<u>127</u>	<u>12</u>	<u>199</u>	<u>338</u>
 Total ending allowance balance	 <u>\$ 3,241</u>	 <u>\$ 14,577</u>	 <u>\$ 207</u>	 <u>\$ 18,025</u>

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table summarizes the aging in past due loans as of December 31, 2025 and 2024 by class of loans:

	30-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Current	Total Loans
<u>December 31, 2025</u>					
Commercial and industrial	\$ 2,459	\$ 2,223	\$ 4,682	\$ 493,247	\$ 497,929
Real Estate					
Construction and development	29	-	29	281,191	281,220
1 - 4 and multifamily residential	1,158	-	1,158	338,161	339,319
Commercial real estate	5,881	3,467	9,348	1,577,107	1,586,455
Consumer and other	<u>22</u>	<u>237</u>	<u>259</u>	<u>20,489</u>	<u>20,748</u>
Total	<u>\$ 9,549</u>	<u>\$ 5,927</u>	<u>\$ 15,476</u>	<u>\$ 2,710,195</u>	<u>\$ 2,725,671</u>
Deferred loan fees, net					<u>(13,707)</u>
Total loans					<u>\$ 2,711,964</u>
<u>December 31, 2024</u>					
Commercial and industrial	\$ 934	\$ 369	\$ 1,303	\$ 503,563	\$ 504,866
Real Estate					
Construction and development	-	274	274	248,746	249,020
1 - 4 and multifamily residential	360	136	496	316,811	317,307
Commercial real estate	381	877	1,258	1,390,524	1,391,782
Consumer and other	<u>21</u>	<u>-</u>	<u>21</u>	<u>19,420</u>	<u>19,441</u>
Total	<u>\$ 1,696</u>	<u>\$ 1,656</u>	<u>\$ 3,352</u>	<u>\$ 2,479,064</u>	<u>\$ 2,482,416</u>
Deferred loan fees, net					<u>(12,481)</u>
Total loans					<u>\$ 2,469,935</u>

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2025 and 2024:

	Nonaccrual with no Allowance <u>for Credit Loss</u>	Nonaccrual with Allowance <u>for Credit Loss</u>	Loans Past Due Over 89 Days <u>Still Accruing</u>
<u>December 31, 2025</u>			
Commercial and industrial	\$ 675	\$ 5,534	\$ -
Real Estate			
Construction and development	70	407	-
1 - 4 and multifamily residential	9	282	-
Commercial real estate	81	6,645	-
Consumer and other	-	-	232
Total	<u>\$ 835</u>	<u>\$ 12,868</u>	<u>\$ 232</u>
 <u>December 31, 2024</u>			
Commercial and industrial	\$ 6	\$ 1,895	\$ -
Real Estate			
Construction and development	-	868	-
1 - 4 and multifamily residential	80	635	-
Commercial real estate	-	3,725	-
Consumer and other	-	-	-
Total	<u>\$ 86</u>	<u>\$ 7,123</u>	<u>\$ -</u>

The Bank recognized \$168 and \$92 on interest income on nonaccrual loans during the years ended December 31, 2025 and 2024, respectively.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents the amortized cost basis of collateral-dependent loans by loan class as of December 31, 2025 and 2024:

	Business Assets	Real Estate
<u>December 31, 2025</u>		
Commercial and industrial	\$ 3,805	\$ -
Real Estate		
Construction and development	-	338
1 - 4 and multifamily residential	-	291
Commercial real estate	-	4,353
Consumer and other	-	-
	<u>\$ 3,805</u>	<u>\$ 4,982</u>
	Business Assets	Real Estate
<u>December 31, 2024</u>		
Commercial and industrial	\$ 1,696	\$ -
Real Estate		
Construction and development	-	701
1 - 4 and multifamily residential	-	608
Commercial real estate	-	1,890
Consumer and other	-	-
	<u>\$ 1,696</u>	<u>\$ 3,199</u>

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying loans as to credit risk. Formal analysis of classified loans is performed quarterly, including all loans 60 days delinquent. Ongoing evaluation of certain performing loans is conducted through internal credit examinations and loan committee reviews.

The Bank uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful/Loss: Loans classified as doubtful/loss have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass-rated loans. Loans listed as not rated are either current loans performing in accordance with contractual terms or are included in groups of homogenous loans.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Based on the most recent analysis performed, the amortized cost basis of loans by class of loans, risk category and origination year is as follows:

<u>As of December 31, 2025</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>Prior</u>	<u>Total</u>
Commercial and industrial:					
Risk rating					
Pass	\$ 169,943	\$ 173,014	\$ 48,298	\$ 81,013	\$ 472,268
Special mention	823	59	779	684	2,345
Substandard	6,319	8,815	1,296	4,714	21,144
Doubtful	-	307	-	-	307
Total commercial and industrial	<u>\$ 177,085</u>	<u>\$ 182,195</u>	<u>\$ 50,373</u>	<u>\$ 86,411</u>	<u>\$ 496,064</u>
Gross charge-offs	\$ 346	\$ -	\$ 15	\$ 80	\$ 441
Real estate construction and development:					
Risk rating					
Pass	\$ 195,506	\$ 45,758	\$ 8,083	\$ 27,990	\$ 277,337
Special mention	-	-	-	1,685	1,685
Substandard	-	97	-	477	574
Total real estate construction and development	<u>\$ 195,506</u>	<u>\$ 45,855</u>	<u>\$ 8,083</u>	<u>\$ 30,152</u>	<u>\$ 279,596</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ 30	\$ 30
Real estate 1-4 and multifamily residential:					
Risk rating					
Pass	\$ 106,041	\$ 48,289	\$ 36,790	\$ 138,346	\$ 329,466
Special mention	6,081	-	-	-	6,081
Substandard	205	-	1,239	482	1,926
Total real estate 1-4 and multifamily residential	<u>\$ 112,327</u>	<u>\$ 48,289</u>	<u>\$ 38,029</u>	<u>\$ 138,828</u>	<u>\$ 337,473</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ 137	\$ 137
Real estate commercial:					
Risk rating					
Pass	\$ 428,871	\$ 289,075	\$ 153,199	\$ 681,809	\$ 1,552,954
Special mention	897	250	-	2,726	3,873
Substandard	3,442	3,697	2,856	10,916	20,911
Doubtful	-	-	-	322	322
Total real estate commercial	<u>\$ 433,210</u>	<u>\$ 293,022</u>	<u>\$ 156,055</u>	<u>\$ 695,773</u>	<u>\$ 1,578,060</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

<u>As of December 31, 2025</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>Prior</u>	<u>Total</u>
Consumer and other:					
Risk rating					
Pass	\$ 10,817	\$ 2,703	\$ 3,350	\$ 3,624	\$ 20,494
Substandard	<u>250</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>277</u>
Total consumer and other	<u>\$ 11,067</u>	<u>\$ 2,703</u>	<u>\$ 3,350</u>	<u>\$ 3,651</u>	<u>\$ 20,771</u>
Gross charge-offs	\$ 305	\$ -	\$ -	\$ 217	\$ 522
Total loans:					
Risk rating					
Pass	\$911,178	\$558,839	\$249,720	\$932,782	\$2,652,519
Special mention	7,801	309	779	5,095	13,984
Substandard	10,216	12,609	5,391	16,616	44,832
Doubtful	<u>-</u>	<u>307</u>	<u>-</u>	<u>322</u>	<u>629</u>
Total loans	<u>\$929,195</u>	<u>\$572,064</u>	<u>\$255,890</u>	<u>\$954,815</u>	<u>\$2,711,964</u>
Gross charge-offs	\$ 651	\$ -	\$ 15	\$ 464	\$ 1,130

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

<u>As of December 31, 2024</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Total</u>
Commercial and industrial:					
Risk rating					
Pass	\$ 288,925	\$ 67,124	\$ 42,965	\$ 85,730	\$ 484,744
Special mention	66	685	309	-	1,060
Substandard	11,592	785	2,368	2,354	17,099
Doubtful	-	-	-	20	20
Total commercial and industrial	<u>\$ 300,583</u>	<u>\$ 68,594</u>	<u>\$ 45,642</u>	<u>\$ 88,104</u>	<u>\$ 502,923</u>
Gross charge-offs	\$ -	\$ -	\$ 68	\$ -	\$ 68
Real estate construction and development:					
Risk rating					
Pass	\$ 106,200	\$ 72,704	\$ 60,865	\$ 6,736	\$ 246,506
Special mention	261	-	-	-	261
Substandard	132	274	-	594	999
Total real estate construction and development	<u>\$ 106,593</u>	<u>\$ 72,978</u>	<u>\$ 60,865</u>	<u>\$ 7,330</u>	<u>\$ 247,766</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ 52	\$ 52
Real estate 1-4 and multifamily residential:					
Risk rating					
Pass	\$ 51,277	\$ 49,444	\$ 83,500	\$ 128,816	\$ 313,037
Substandard	106	1,296	477	818	2,697
Total real estate 1-4 and multifamily residential	<u>\$ 51,383</u>	<u>\$ 50,740</u>	<u>\$ 83,977</u>	<u>\$ 129,634</u>	<u>\$ 315,734</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate commercial:					
Risk rating					
Pass	\$ 301,102	\$ 164,331	\$ 237,096	\$ 663,998	\$ 1,366,526
Special mention	265	114	-	1,190	1,569
Substandard	1,761	1,483	5,224	7,141	15,610
Doubtful	-	-	-	338	338
Total real estate commercial	<u>\$ 303,128</u>	<u>\$ 165,928</u>	<u>\$ 242,320</u>	<u>\$ 672,667</u>	<u>\$ 1,384,043</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

<u>As of December 31, 2024</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Total</u>
Consumer and other:					
Risk rating					
Pass	\$ 9,768	\$ 4,530	\$ 1,220	\$ 3,923	\$ 19,441
Substandard	-	22	-	6	28
Total consumer and other	<u>\$ 9,768</u>	<u>\$ 4,552</u>	<u>\$ 1,220</u>	<u>\$ 3,929</u>	<u>\$ 19,469</u>
Gross charge-offs	\$ 241	\$ 409	\$ 272	\$ 117	\$ 1,039
Total loans:					
Risk rating					
Pass	\$ 757,272	\$ 358,133	\$ 425,646	\$ 889,203	\$ 2,430,254
Special mention	592	799	309	1,190	2,890
Substandard	13,591	3,860	8,069	10,913	36,433
Doubtful	-	-	-	358	358
Total loans	<u>\$ 771,455</u>	<u>\$ 362,792</u>	<u>\$ 434,024</u>	<u>\$ 901,664</u>	<u>\$ 2,469,935</u>
Gross charge-offs	\$ 241	\$ 409	\$ 340	\$ 169	\$ 1,159

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Occasionally, the Bank modifies loans to borrowers in financial distress by providing term extension, other-than-insignificant payment delay, or interest rate changes. In some cases, the Bank provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans experiencing financial difficulty, multiple types of modifications have been made on the same loan within the current reporting period. For 2025 and 2024, at least two of the following modifications were made: a term extension, an other-than-insignificant payment delay, and/or an interest rate reduction.

The following table presents the amortized cost basis of loans at December 31, 2025 and 2024 that were both experiencing financial difficulty and modified during the years ended December 31, 2025 and 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Payment Delay	Term Extension	Combination Term Extension Interest Rate Reduction	Total Class of Financing Receivable
<u>December 31, 2025</u>				
Commercial and industrial	\$ 1,793	\$ 501	\$ 102	0.48%
Real Estate				
Construction and development	-	-	-	0.00%
1 - 4 and multifamily residential	-	206	-	0.06%
Commercial real estate	-	-	136	0.01%
Consumer and other	-	-	-	0.00%
	<u>\$ 1,793</u>	<u>\$ 707</u>	<u>\$ 238</u>	<u>0.10%</u>

	Payment Delay	Term Extension	Combination Term Extension Interest Rate Reduction	Total Class of Financing Receivable
<u>December 31, 2024</u>				
Commercial and industrial	\$ 2,158	\$ -	\$ -	0.43%
Real Estate				
Construction and development	-	-	-	0.00%
1 - 4 and multifamily residential	-	-	106	0.03%
Commercial real estate	450	-	-	0.03%
Consumer and other	-	-	-	0.00%
	<u>\$ 2,608</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>0.11%</u>

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bank has not committed to lend additional amounts to the borrowers included in the financial difficulty modification status for the years ended December 31, 2025 and 2024.

The Bank closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. That Bank has no loans in financial difficulty modification status that are past due.

Upon the Bank's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. For the years ended December 31, 2025 and 2024, no modified loans were written off.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 4 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP requires disclosure of the estimated fair values of certain financial assets and liabilities, both on and off-balance sheet, for which it is practical to estimate the fair value. Because the estimated fair values provided herein exclude disclosure of the fair value of certain other financial instruments and all non-financial instruments, any aggregation of the estimated fair value amounts presented would not represent the underlying value of the Bank. Examples of non-financial instruments having significant value include the future earnings potential of significant customer relationships and the value of the Bank's trust department operations and other fee-generating businesses. In addition, other significant assets including property, plant, and equipment and mortgage servicing rights for portfolio loans are not considered financial instruments and, therefore, have not been valued.

Various methodologies and assumptions have been utilized in management's determination of the estimated fair value of the Bank's financial instruments, which are detailed below. The fair value estimates are made at a discrete point in time based on relevant market information. Because no market exists for a significant portion of these financial instruments, fair value estimates are based on judgments regarding future expected economic conditions, loss experience, and risk characteristics of the financial instruments. These estimates are subjective, involve uncertainties, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2025 and 2024. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 4 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Amounts and estimated fair value of financial instruments as of December 31,

	Carrying Amount	Fair Value Measurements at December 31, 2025 Using:			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 278,703	\$ 278,703	\$ -	\$ -	\$ 278,703
Securities, available-for-sale	1,989,022	812,797	1,176,225	-	1,989,022
Real estate loans to be sold	6,147	-	6,381	-	6,381
Loans, net	2,690,514	-	-	2,702,673	2,702,673
Interest receivable	21,590	3,735	5,435	12,420	21,590
Federal Reserve Bank stock	2,150	N/A	N/A	N/A	N/A
Federal Home Loan Bank stock	3,674	N/A	N/A	N/A	N/A

Financial liabilities:					
Deposits	\$ 3,734,714	\$ 3,370,717	\$ 367,945	\$ -	\$ 3,738,662
Securities sold under agreements to repurchase	739,103	-	739,103	-	739,103
Finance lease obligation	127	-	-	127	127
Interest payable	3,930	2,289	1,641	-	3,930

	Carrying Amount	Fair Value Measurements at December 31, 2024 Using:			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 472,442	\$ 472,442	\$ -	\$ -	\$ 472,442
Securities, available-for-sale	1,928,625	936,216	992,409	-	1,928,625
Real estate loans to be sold	3,926	-	3,886	-	3,886
Loans, net	2,451,910	-	-	2,417,338	2,417,338
Interest receivable	20,588	4,431	4,716	11,441	20,588
Federal Reserve Bank stock	2,150	N/A	N/A	N/A	N/A
Federal Home Loan Bank stock	4,114	N/A	N/A	N/A	N/A

Financial liabilities:					
Deposits	\$ 3,679,155	\$ 3,319,758	\$ 363,603	\$ -	\$ 3,683,361
Securities sold under agreements to repurchase	743,193	-	743,193	-	743,193
Finance lease obligation	250	-	-	250	250
Interest payable	3,809	2,208	1,601	-	3,809

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 4 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

In accordance with ASC 820, we measure some of the financial assets and financial liabilities disclosed in the following tables at fair value in three levels based on the markets in which the assets and liabilities are traded and reliability of the assumptions used to determine fair value. The levels are:

- Level 1 Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets, liabilities, or funds. Level 1 includes U.S. Treasury Securities.
- Level 2 Valuations for assets and liabilities traded in less active dealer, or broker markets, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active. Level 2 includes U.S. government-sponsored enterprises, securities of state and political subdivisions, residential mortgage-backed securities, and corporate bonds. Valuations are usually obtained from third party pricing services for identical or comparable assets or liabilities.
- Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, such as option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 4 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value on a recurring basis:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2025</u>				
<u>Securities:</u>				
U.S. Treasury	\$ 812,797	\$ 812,797	\$ -	\$ -
U.S. government-sponsored enterprises	593,765	-	596,765	-
States and political subdivisions	123,230	-	123,230	-
Mortgage-backed - residential	331,567	-	331,567	-
Mortgage-backed - commercial	29,346	-	29,346	-
Corporate bonds	98,317	-	98,317	-
Total securities	<u>\$ 1,989,022</u>	<u>\$ 812,797</u>	<u>\$ 1,179,225</u>	<u>\$ -</u>
<u>December 31, 2024</u>				
<u>Securities:</u>				
U.S. Treasury	\$ 936,216	\$ 936,216	\$ -	\$ -
U.S. government-sponsored enterprises	514,285	-	514,285	-
States and political subdivisions	128,447	-	128,447	-
Mortgage-backed - residential	206,641	-	206,641	-
Mortgage-backed - commercial	37,744	-	37,744	-
Corporate bonds	105,292	-	105,292	-
Total securities	<u>\$ 1,928,625</u>	<u>\$ 936,216</u>	<u>\$ 992,409</u>	<u>\$ -</u>

For investment securities, where quoted prices are available in an active market for identical securities, they are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models and quoted prices of securities with similar characteristics and securities are classified as Level 2.

Where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy. No securities were classified as Level 3 during 2025 and 2024.

The majority of the Bank's investments are in high-quality short term U.S. Treasury, U.S. government-sponsored enterprise bonds where the fair values are determined by the Bank's pricing service using quoted prices of similar securities. As of December 31, 2025, the Bank had no investments in Fannie Mae or Freddie Mac common or preferred stock.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 4 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value on a nonrecurring basis:

	<u>Total</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2025</u>				
<u>Collateral dependent loans:</u>				
Real estate	\$ 1,554	-	-	\$ 1,554
Total collateral dependent loans	<u>\$ 1,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,554</u>

The fair value of collateral dependent loans is based on the value of the collateral securing those loans and is determined using the sale or market comparison. The market comparison evaluates the sales price of similar properties or assets in the same market area. The amortized cost of collateral dependent loans measured for impairment using the fair value of the collateral for collateral dependent loans was \$1,707 for the year ended December 31, 2025. An allowance of \$223 was applied which resulted in a decrease to allowance for credit losses of \$22 for the year ended December 31, 2025.

	<u>Total</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2024</u>				
<u>Collateral dependent loans:</u>				
Real estate	\$ 1,617	-	-	\$ 1,617
Total collateral dependent loans	<u>\$ 1,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,617</u>

The fair value of collateral dependent loans is based on the value of the collateral securing those loans and is determined using the sale or market comparison. The market comparison evaluates the sales price of similar properties or assets in the same market area. The amortized cost of collateral dependent loans measured for impairment using the fair value of the collateral for collateral dependent loans was \$1,783 for the year ended December 31, 2024. An allowance of \$245 was applied which resulted in an increase to allowance for credit losses of \$22 for the year ended December 31, 2024.

The fair value of other real estate owned is based upon current appraised values of the properties. Appraisals are obtained at least annually and reductions in value are recorded as a valuation loss through a charge to expense. At December 31, 2025 and 2024, the Bank had zero write-downs for other real estate owned measured at fair value less costs to sell.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 4 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a nonrecurring basis at December 31, 2025 and 2024:

	<u>Fair value</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range (Weighted Average)</u>
<u>December 31, 2025</u>				
Collateral Dependent Loans - real estate	\$ 1,554	Sales comparison approach	Adjustment for differences between the comparable sales	-7.45% to -55.09% (-14.34%)
<u>December 31, 2024</u>				
Collateral Dependent Loans - real estate	\$ 1,617	Sales comparison approach	Adjustment for differences between the comparable sales	-7.31% to -55.36% (-15.13%)

ASC 825 provides an option to selectively report financial assets and financial liabilities at fair value and establishes presentation and disclosure requirements. The Bank did not elect the fair value option for any additional financial assets or liabilities as of December 31, 2025. The Bank may adopt this guidance for financial assets and liabilities in the future as permitted under the guidance.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 5 - MORTGAGE SERVICING RIGHTS

Real estate loans serviced for others as of December 31, 2025 and 2024 were \$1,507,591 and \$1,479,681, respectively. Custodial balances, associated with these loans and held in noninterest bearing demand accounts, amounted to \$14,338 and \$13,542 as of December 31, 2025 and 2024, respectively.

The following is an analysis of the changes in mortgage servicing rights:

	<u>2025</u>	<u>2024</u>
Balance, January 1	\$ 1,614	\$ 2,089
Additions:		
Capitalization of servicing assets	296	486
Subtractions:		
Amortization	(570)	(724)
Accelerated amortization due to early payoffs	<u>(178)</u>	<u>(237)</u>
Balance December 31	<u>\$ 1,162</u>	<u>\$ 1,614</u>

Mortgage loan servicing income is comprised of the following:

	<u>2025</u>	<u>2024</u>
Mortgage loan servicing fees	\$ 3,404	\$ 3,398
Amortization of costs	(570)	(724)
Accelerated amortization due to early payoffs	<u>(178)</u>	<u>(237)</u>
Mortgage loan servicing income	<u>\$ 2,656</u>	<u>\$ 2,437</u>

Mortgage servicing rights (MSRs) are accounted for under the amortization method. MSRs are included in other assets on the statements of financial condition. MSRs are initially recorded at estimated fair value and are then amortized in proportion to and over the period of estimated net servicing income. The fair value of MSRs is estimated at the present value of the estimated expected future cash flows using a discount rate equivalent with the risks involved. MSRs are amortized against mortgage loan servicing income over seven years based upon prepayment assumptions. Those prepayment assumptions predict mortgages will pay off or refinance at lower levels during the first 30 months and at a constant level over the remaining 54 months. Accordingly, MSRs are amortized against mortgage loan servicing income at higher levels during the initial 30 months. If actual payments received exceed the prepayment assumptions, an impairment is recorded. Fair value of MSRs exceed amortized cost for each individual stratum. Accordingly, there has been no impairment for 2025 and 2024.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 6 - PREMISES AND EQUIPMENT

The following is a summary of the major components of premises and equipment as of December 31:

	<u>2025</u>	<u>2024</u>
Land	\$ 13,405	\$ 13,405
Bank premises	86,852	85,159
Leasehold improvements	345	345
Furniture and equipment	37,966	36,100
Construction in process	<u>1,691</u>	<u>3,101</u>
Total premises and equipment	140,259	138,110
Less: Accumulated depreciation and amortization	<u>91,497</u>	<u>89,110</u>
Premises and equipment, net	<u>\$ 48,762</u>	<u>\$ 49,000</u>

Depreciation and amortization expense on premises and equipment for the years ended December 31, 2025 and 2024 totaled \$3,745 and \$3,796, respectively.

NOTE 7 - LEASES

The Bank is party to various operating leases for the rental of premises and equipment. Total rental expenses for Bank premises and equipment were \$445 and \$485 as of December 31, 2025 and 2024, respectively.

The Bank has lease agreements for land and office facilities that it occupies to operate several retail branch locations that are classified as operating leases and are recognized on the balance sheet as right-of-use ("ROU") assets and lease liabilities. The Bank uses the rate implicit in each lease as the discount rate to determine the lease liability, which is the present value of lease payments not yet paid at the lease commencement date. If the rate implicit in each lease is not readily determinable, the Bank uses its incremental borrowing rate as of the lease commencement date as the discount rate. As of December 31, 2025, the Bank has operating lease ROU assets of \$2,530 and operating lease liabilities of \$2,530. As of December 31, 2025 and 2024, operating lease ROU assets are included in other assets in the statements of financial condition. As of December 31, 2025 and 2024, operating lease liabilities are included in other liabilities in the statements of financial condition.

In 2022, the Bank entered into an obligation for a finance lease covering copy equipment. The gross amount of copy equipment, including installation costs, and related accumulated amortization under the finance lease was \$894 and \$767 as of December 31, 2025. Amortization of assets held under finance leases is included with depreciation expense. As of December 31, 2025 and 2024, the Bank has financing lease liabilities of \$127 and \$250, respectively. As of December 31, 2025 and 2024, financing lease liabilities are included in other liabilities in the statements of financial condition.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 7 - LEASES (Continued)

The table below reconciles future undiscounted cash flows for finance and operating leases with initial terms of one year or more as of December 31, 2025 to the finance lease obligations and operating lease liabilities recorded on the balance sheet.

	<u>Finance Leases</u>	<u>Operating Leases</u>
Year ended December 31:		
2026	\$ 117	\$ 257
2027	10	239
2028	-	216
2029	-	210
2030	-	183
Thereafter	-	5,104
Total undiscounted lease payments	127	6,209
Less: imputed interest	-	(3,679)
Net finance lease obligations and operating lease liabilities	\$ 127	\$ 2,530

Finance lease weighted average remaining lease term (years)	1.08
Finance lease weighted average discount rate	4.25%
Operating lease weighted average remaining lease term (years)	42.83
Operating lease weighted average discount rate	4.13%

The Bank enters into leases in the normal course of business primarily for branch locations and office equipment. The Bank's leases have remaining terms ranging from 1 to 58 years, some of which include renewal options to extend the lease for up to 20 years. The Bank has not entered into subleases for space in vacated branch locations.

NOTE 8 - DEPOSITS

Total deposits by type of depositor as of December 31:

	<u>2025</u>	<u>2024</u>
Deposits of individuals, partnerships, and corporations	\$ 3,387,350	\$ 3,267,089
Deposits of U.S. government	177	161
Deposits of states and political subdivisions	345,924	411,890
Other deposits	1,263	15
Total deposits	\$ 3,734,714	\$ 3,679,155

As of December 31, 2025 and 2024, the aggregate deposits of related parties (directors and executive officers of the Bank and their family members) were \$7,045 and \$8,210, respectively.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 8 - DEPOSITS (Continued)

Time deposits have aggregate maturities as of December 31 as follows:

	<u>2025</u>
Maturity:	
2026	\$ 361,588
2027	878
2028	1,001
2029	316
2030	143
Thereafter	<u>71</u>
Total time deposits	<u>\$ 363,997</u>

Time deposits that meet or exceed the FDIC Insurance Limit of \$250 were \$155,296 and \$150,629 as of December 31, 2025 and 2024, respectively.

The Bank offers IntraFi® Network DepositsSM (IntraFi) to our customers. When a customer places a deposit using IntraFi, that deposit account is divided into amounts under the standard FDIC insurance maximum (\$250) and is allocated among member banks, making the large deposit eligible for FDIC insurance. The Bank had \$25,155 and \$6,289 in IntraFi deposit accounts as of December 31, 2025 and 2024, respectively.

NOTE 9 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Investment securities, primarily including U.S. Treasuries and U.S. government-sponsored enterprises, with carrying amounts of \$780,931 and \$828,520 at December 31, 2025 and 2024, respectively, were pledged to secure securities sold under agreements to repurchase. As of December 31, 2025, all repurchase agreements matured within 1 business day. Repurchase agreements are secured borrowings.

As of December 31, 2025 and 2024, aggregate repurchase agreement balances of related parties (directors and executive officers of the Bank and their family members) are zero.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Bank offers a 401(k) plan for all employees whom have attained 18 years of age. Participants are allowed to make voluntary salary deferral of up to 50% of their eligible pay subject to certain limitations. For 2025, the maximum amount that may be deferred by participants is \$23. Additionally, participants who reach the age of 50 by the end of the calendar year are eligible to make a "catch-up contribution" in an amount up to \$7.5. The participant's salary deferral plus any earnings they generate are 100% vested.

The Bank will make matching contributions equal to 100% of the portion of each participant's before-tax contributions (excluding "catch-up contributions") up to 6.0% of the participant's eligible pay. Matching contributions made by the Bank, including any earnings generated, are vested beginning at 20% after completion of one full year of service, increasing 20% each year until fully vested at five years of service. The 2025 combined limit of all employee and employer contributions to an individual participant's account is \$69.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 10 - EMPLOYEE BENEFIT PLANS (Continued)

The Bank has a qualified non-contributory profit-sharing plan for all employees. The annual profit-sharing contribution can be made only from profits and the amount is determined by the Board of Directors.

The contribution to the profit sharing and 401(k) plan was \$2,776 and \$2,709 for the years ended December 31, 2025 and 2024, respectively.

The Bank implemented a non-qualified deferred compensation plan in 2025 in which certain of the executive officers participate. The Bank's net liability under this plan is dependent upon market gains and losses on assets held in the plan. At December 31, 2025, the balance of the accrued liability for this plan was \$655 and is included in other liabilities in the statements of financial condition.

NOTE 11 - PROVISION FOR INCOME TAXES

The provision for income taxes from continuing operations is comprised of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Current:		
Federal	\$ 20,093	\$ 16,555
State	<u>7,352</u>	<u>5,768</u>
Total current	<u>27,445</u>	<u>22,323</u>
Deferred:		
Federal	(661)	684
State	<u>(215)</u>	<u>(168)</u>
Total deferred	<u>(876)</u>	<u>516</u>
Provision for income taxes	<u>\$ 26,569</u>	<u>\$ 22,839</u>

The Bank does not conduct business outside of the United States and has no foreign income tax expense. With the adoption of proportional amortization, the amortization related to low income housing tax credit investments is recognized in income tax expense in the income statement.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 11 - PROVISION FOR INCOME TAXES (Continued)

Income tax expense for 2025 differed from the Federal statutory rate of 21% for the following reasons as required under ASU 2023-09:

	<u>2025</u>	<u>%</u>
U.S. Federal statutory tax rate	\$ 21,863	21.00%
State and local income tax, net of Federal income tax effect benefit (1)	5,638	5.42%
Tax Credits		
Low income housing tax credit investments, net (2)	(677)	-0.65%
Nontaxable or nondeductible items	(376)	-0.36%
Other adjustments, net	<u>121</u>	0.11%
Total	<u>\$ 26,569</u>	25.52%

(1) Alaska makes up the majority (greater than 50%) of the state tax effect in this category.

(2) The tax credits category includes proportional amortization and other tax benefits.

Income tax expense for 2024 differed from the Federal statutory rate of 21% for the following reasons prior to the adoption of ASU 2023-09:

	<u>2024</u>	<u>%</u>
Tax expense at federal statutory rate	\$ 18,877	21.00%
Increase (decrease) resulting from:		
State tax, net of Federal tax effect	4,424	4.92%
Disallowed interest expense	438	0.49%
Interest exempt from federal taxation	(794)	-0.88%
Low income housing tax credits	(808)	-0.90%
Other items, net	<u>702</u>	<u>0.78%</u>
Provision for income taxes	<u>\$ 22,839</u>	<u>25.41%</u>

Cash paid (net of refunds) for income taxes were as follows:

	<u>2025</u>
Federal	\$ 18,750
State and local	
Alaska	5,890
All other states	<u>602</u>
Total	<u>\$ 25,242</u>

The Bank made no foreign income tax payments for the year ended December 31, 2025.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 11 - PROVISION FOR INCOME TAXES (Continued)

The tax effect of temporary differences that give rise to the Bank's deferred tax assets and deferred tax liabilities are comprised of the following:

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Net unrealized loss on available-for-sale securities	\$ 9,731	\$ 25,015
Allowance for credit losses	6,098	5,124
Vacation accrual	1,125	1,204
Accumulated depreciation and amortization	730	894
Interest collected on nonperforming loans	913	809
Lease liability	719	722
Mortgage servicing rights	575	504
Other	<u>1,325</u>	<u>1,024</u>
Total deferred tax assets	<u>21,216</u>	<u>35,296</u>
Deferred tax liabilities:		
Net deferred loan fees	3,715	3,499
Low income housing projects	966	896
Right of use asset	719	722
Deferred loan costs	453	435
Accreted discount	4,164	4,217
Other	<u>642</u>	<u>562</u>
Total deferred tax liabilities	<u>10,659</u>	<u>10,331</u>
Net deferred tax assets	<u>\$ 10,557</u>	<u>\$ 24,965</u>

The Bank believes that it is more likely than not that the previous taxes paid and results of future operations will generate sufficient taxable income to realize deferred tax assets.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 11 - PROVISION FOR INCOME TAXES (Continued)

The Bank does not have any material uncertain tax positions or unrecognized tax benefits for additional disclosure in the financial statements.

The total amount of interest and penalties recorded in the income statement for the years ended December 31, 2025 and 2024 were immaterial and no amounts are accrued for interest and penalties at December 31, 2025 or 2024.

The Bank is subject to U.S. federal income tax as well as income tax for the state of Alaska and various other state income and franchise taxes. The Bank is no longer subject to examination by taxing authorities for years before 2022.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 12 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possible additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements.

The directors of the Bank may declare and pay dividends as frequently and of such amount of undivided profits as they judge prudent, subject to certain restrictions on capital accounts as defined in Federal banking regulations.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Under Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital rules. The capital conservation buffer is 2.5%.

The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes, as of December 31, 2025, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2025, the most recent notifications from the Comptroller of the Currency (OCC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action for both 2025 and 2024. To be categorized as well capitalized, the Bank is required to maintain minimum total risk-based, Tier 1 risk based, Common Tier I, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

(Continued)

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 12 - REGULATORY MATTERS (Continued)

The Bank's actual amounts and ratios at December 31, 2025 and 2024 are as follows:

	<u>Actual</u>		Minimum Requirement for Capital Adequacy Purposes Plus Fully Phased In Capital Conservation Buffer		Minimum Requirement to Be Well Capitalized Under Prompt Corrective Action Provisions	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<u>2025</u>						
Total capital						
(to risk-weighted assets)	\$ 617,248	19.05%	\$ 340,197	10.50%	\$ 323,998	10.00%
Tier I capital						
(to risk-weighted assets)	593,748	18.33%	275,398	8.50%	259,198	8.00%
Common Tier 1 (CET1)	593,748	18.33%	226,798	7.00%	210,598	6.50%
Tier I capital (to average assets)	593,748	11.27%	210,713	4.00%	263,391	5.00%
<u>2024</u>						
Total capital						
(to risk-weighted assets)	\$ 598,772	20.12%	\$ 312,516	10.50%	\$ 297,635	10.00%
Tier I capital						
(to risk-weighted assets)	579,547	19.47%	252,989	8.50%	238,108	8.00%
Common Tier 1 (CET1)	579,547	19.47%	208,344	7.00%	193,462	6.50%
Tier I capital (to average assets)	579,547	10.54%	220,016	4.00%	275,021	5.00%

The Bank's principal source of funds for dividend payments is net income and cash provided by operations. Banking regulations limit the amount of dividends that may be paid without prior approval of the OCC. Under these regulations, the amount of dividends that may be paid in any calendar year is subject to the current year's net profits (net income less dividends paid), combined with the retained net profits of the preceding two years, subject to the minimum requirements for capital adequacy in the table above. The maximum dividend that can be paid as of December 31, 2025 is \$30,579 without OCC approval.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 13 - CREDIT ARRANGEMENTS

The Bank had a committed line of credit, secured by investment securities and loans, of \$111,023 and \$113,665 from the Federal Reserve Bank at a rate of 3.75% and 4.50% as of December 31, 2025 and 2024, respectively. The Bank had a line of credit from Federal Home Loan Bank Des Moines, secured by loans, of \$602,313 and \$535,196 at a rate of 3.98% and 4.60% as of December 31, 2025 and 2024, respectively.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments include standby letters of credit, loan and bankcard commitments, subscriptions for the purchase of stock in the Federal Reserve Bank, and commitments to fund mortgage loans to be sold. The credit and market risks involved in issuing letters of credit and loan commitments are essentially the same as those involved in extending loans to customers. Such transactions are made under the same terms, including interest rates and collateral, as those prevailing at the same time for comparable on-balance-sheet transactions.

To reduce credit risk, related to the use of credit-related financial instruments, the Bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Bank's credit evaluation of the customer. Collateral varies but may include cash, securities, accounts receivable, inventory, premises and equipment, and real estate.

Amounts of off-balance-sheet commitments as of December 31,

	<u>2025</u>	<u>2024</u>
Loan commitments	\$ 698,644	\$ 615,672
Bankcard commitments	80,447	75,244
Commitments to fund mortgage loans to be sold	<u>23,381</u>	<u>19,405</u>
Total loan commitments	<u>\$ 802,472</u>	<u>\$ 710,321</u>
Commitments at fixed interest rates	280,483	302,935
Commitments at variable interest rates	<u>521,989</u>	<u>407,386</u>
Total loan commitments	<u>\$ 802,472</u>	<u>\$ 710,321</u>
Standby and commercial letters of credit	\$ 13,963	\$ 18,566
Subscriptions to purchase Federal Reserve Bank stock	2,150	2,150

Commitments to make loans are generally made for periods of 90 days or less. At December 31, 2025, the fixed rate loan commitments have interest rates ranging from 3.49% to 16.50%.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 15 – SHAREHOLDER EQUITY

Since November 2008, the Bank has been authorized to repurchase up to a value of \$100,000 of its outstanding common stock on the open market and through privately negotiated transactions. The authorization has been renewed annually, and the existing authority expires April 22, 2026.

Repurchase transactions are accounted for as a reduction in common stock and retained earnings. Repurchases are funded from available capital and retired. These transactions have not impacted the surplus balance of \$40,000 as of December 31, 2025 and 2024, which is maintained to comply with regulatory requirements. Changes to surplus require regulatory approval.

During 2025 and 2024, the Bank did not repurchase any common stock. Cumulative shares of 280,705 have been repurchased under the program since inception for a combined purchase total of \$45,495.

At the January 29, 2026 Board of Directors meeting, cash dividends of \$4.00 per share were declared, payable March 16, 2026 to shareholders of record as of February 27, 2026.

NOTE 16 – QUALIFIED AFFORDABLE HOUSING PROJECT INVESTMENTS

The Bank invests in qualified affordable housing projects. At December 31, 2025 and 2024, the balances of the investment for qualified affordable housing projects were \$33,273 and \$25,784, respectively, and are included in other assets on the statements of financial condition. Total unfunded commitments related to the investments in qualified affordable housing projects totaled \$20,106 and \$17,217 at December 31, 2025 and 2024, respectively, and are included in other liabilities in the statements of financial condition. The Bank expects to fulfill these commitments between 2026 through 2035.

During the year ended December 31, 2025 and 2024, the Bank recognized amortization expense of \$2,511 and \$762, respectively, which is included within income tax expense on the statements of income.

Additionally, during the years ended December 31, 2025 and 2024, the Bank recognized tax credits and other benefits from its investment in affordable housing tax credits of \$2,661 and \$808, respectively.

FIRST NATIONAL BANK ALASKA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollars in thousands except per share data)

NOTE 17 – OTHER REAL ESTATE OWNED

The following is an analysis of the changes in other real estate owned:

	<u>2025</u>	<u>2024</u>
Balance, January 1	\$ -	\$ -
Acquired upon foreclosure	514	-
Dispositions	<u>(245)</u>	<u>-</u>
Balance December 31	<u>269</u>	<u>-</u>
Less Devaluation Reserves:		
Balance, January 1	-	-
Impairments subsequent to foreclosure	-	-
Dispositions	<u>-</u>	<u>-</u>
Balance December 31	<u>-</u>	<u>-</u>
Other real estate owned, net	<u>\$ 269</u>	<u>\$ -</u>

Net losses on sales of other real estate owned included in other noninterest expense for the years ended December 31, 2025 and 2024, totaled \$16 and \$0, respectively. Operating expenses, net of rental income totaled \$5 and \$0 for the years ended December 31, 2025 and 2024, respectively.