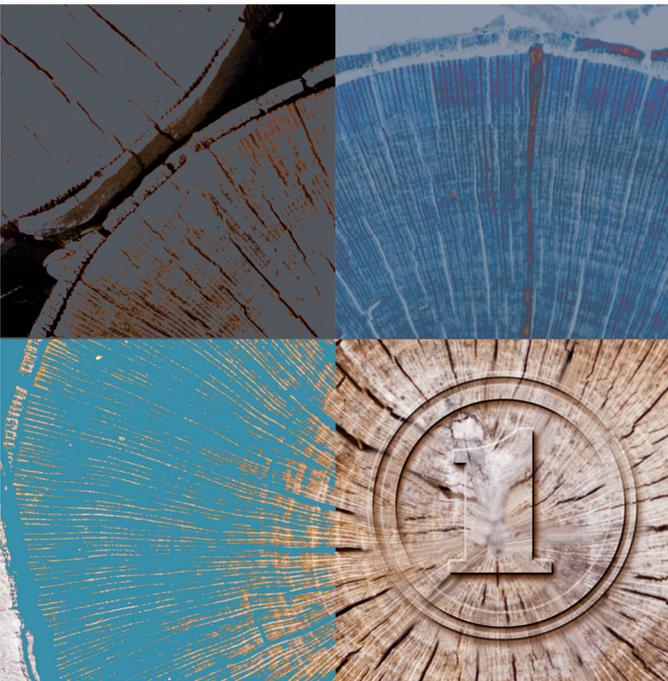


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ANCHORAGE, AK  
PERMIT NO. 175

# 2018 FINANCIAL OVERVIEW

2nd Quarter JUNE 30



**1** First National Bank  
ALASKA

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

## Dear Shareholder,

Through the second quarter, First National Bank Alaska's performance remained strong.

Loan growth improved the bank's earning asset mix, contributing to net interest margin improvement even in the face of rising deposit costs. Loan portfolio quality remained high, and loan delinquency is low. Growth in core earnings eclipsed the growth in operating costs resulting in pre-tax income growth of 8.7 percent.

This positive news reminds us of the many steps First National has recently taken to benefit our shareholders, customers and employees.

One of those steps has led to greater convenience and value for shareholders – the appointment of Broadridge Corporate Issuer Solutions, Inc. as the transfer agent and registrar for the shares of our common stock.

Broadridge will manage all stock registry requests for shareholders, including change of address, certificate replacement and transfer of shares. This change was effective July 13, 2018. Broadridge will continue to administer the proxy services associated with the Annual Meeting.

The letter you recently received from Broadridge includes more details about this new relationship and its benefits.

You may remember First National's Board of Directors approved a 10-for-1 stock split at its April meeting. You should soon receive information from Broadridge on the stock split and issuance of your shares, which takes effect on August 10, 2018. Your paper certificate remains a negotiable instrument and should continue to be safeguarded.

As your local community bank, First National's management team is always available to speak directly with you. Contact us anytime.

Thank you for choosing First National. We value your confidence in Alaska's largest locally owned bank.

*Michele Schuh* *Charlie Weimer*

**Michele Schuh**  
Executive Vice President  
& Chief Financial Officer

**Charlie Weimer**  
Executive Vice President  
& Chief Commercial Lending Officer

## DIRECTORS

Betsy Lawer  
*Chair and CEO*

Lucy Mahan  
*Vice Chair*

Doug Longacre  
*President*

Tom Barrett  
Perry Eaton

Margy K. Johnson  
Jane Klopfer

Loren H. Lounsbury  
Julie Taylor

Tom Tougas

Cheri Gillian

*Executive Vice President/ Board Secretary*

## BRANCHES

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



## Financial Overview (Unaudited)

## Quarter Ended (dollars in thousands)

## We Believe in Alaska

### BALANCE SHEET

	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Total Assets	\$3,647,990	\$3,618,766	\$3,653,142	\$3,732,854	\$3,623,517
Total Securities	\$1,504,841	\$1,538,478	\$1,590,444	\$1,701,043	\$1,636,549
Total Loans	\$1,910,415	\$1,863,238	\$1,815,184	\$1,784,955	\$1,753,101
Total Deposits	\$2,413,401	\$2,407,902	\$2,437,817	\$2,542,523	\$2,471,896
Repurchase Agreements	\$733,142	\$695,456	\$687,064	\$665,082	\$627,743
Total Deposits and Repurchase Agreements	\$3,146,543	\$3,103,358	\$3,124,881	\$3,207,605	\$3,099,639
Total Shareholders' Equity	\$489,697	\$488,746	\$496,877	\$511,663	\$506,192

### INCOME STATEMENT

Net Interest and Loan Fee Income	\$32,217	\$31,814	\$32,514	\$31,620	\$31,227
Provision for Loan losses	\$181	\$36	\$863	\$25	\$291
Total Noninterest Income	\$5,961	\$5,652	\$4,715	\$6,297	\$6,363
Total Noninterest Expense	\$21,606	\$20,327	\$23,431	\$20,092	\$20,840
Provision for Income Taxes	\$3,806	\$3,936	\$8,754	\$6,100	\$5,530
Net Income	\$12,585	\$13,167	\$4,181	\$11,700	\$10,929
Earnings per common share	\$39.70	\$41.53	\$13.19	\$36.90	\$34.46
Dividend per common share	\$25.00	\$25.00	\$40.00	\$20.00	\$20.00

### FINANCIAL MEASURES

Return on Assets	1.42%	1.46%	1.00%	1.19%	1.15%
Return on Equity	10.47%	10.69%	7.27%	8.56%	8.23%
Net Interest Margin	3.68%	3.67%	3.64%	3.63%	3.63%
Efficiency Ratio	54.64%	53.06%	55.05%	53.62%	54.63%

### CAPITAL

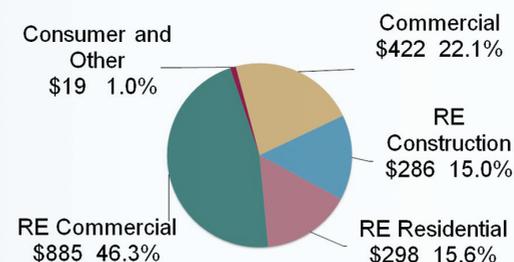
Shareholders' Equity/Total Assets	13.42%	13.51%	13.60%	13.71%	13.97%
Tier 1 Leverage Ratio	14.12%	14.11%	13.48%	13.89%	14.18%
Regulatory Well Capitalized Minimum Ratio-Tier 1 Leverage Ratio	5.00%	5.00%	5.00%	5.00%	5.00%
Tier 1 (Core) Capital	\$514,463	\$510,282	\$505,043	\$512,099	\$506,785

### CREDIT QUALITY

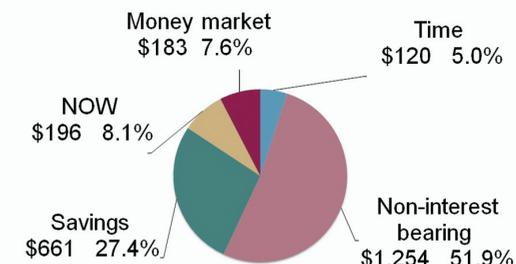
Noncurrent Loans and OREO	\$16,269	\$19,391	\$18,764	\$21,192	\$21,406
Noncurrent Loans and OREO/Total Assets	0.45%	0.54%	0.51%	0.57%	0.59%
Noncurrent Loans and OREO/Tier 1 Capital	3.16%	3.80%	3.72%	4.14%	4.22%
Allowance for Loan Losses	\$17,925	\$17,925	\$17,825	\$17,575	\$18,300
Allowance for Loan Losses/Total Loans	0.94%	0.96%	0.98%	0.98%	1.04%

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

### Loan Mix (\$ in millions)



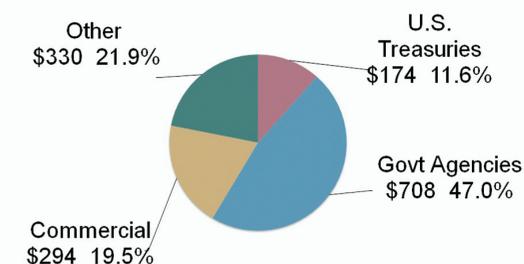
### Deposit Mix (\$ in millions)



### Shareholders' Equity and Return on Equity



### Securities Mix (\$ in millions)



### Net Income and Return on Assets



### Dividend Per Share and Payout

