

2016 FINANCIAL OVERVIEW

2nd Quarter JUNE 30



Dear Shareholder,

Second quarter net income of \$10.1 million, \$31.93 per share, followed a strong first quarter to deliver June 30, 2016 net income of \$20.2 million, \$63.48 per share. These results exceed prior year second quarter and year to date net income of \$9.1 million and \$16.9 million, respectively.

Interest and loan fee income generated by the bank's core earning assets grew 6.8 percent during second quarter when measured against second quarter last year. Through two quarters of 2016, interest and loan fee income grew 9.2 percent over last year, on loan portfolio growth and yields on the investment portfolio. High loan quality allowed the bank to hold provisions for loan losses to low levels. Second quarter net interest margin at 3.57 percent rose to the highest level in a five quarter period.

Management focus on operating expenses remains a key driver to improved profitability. Your bank's 2016 efficiency ratio dropped to 56 percent, besting the national peer group average of 60 percent, and nearing the top quartile threshold — at 54 percent — of the nation's highest performing community banks.

The bank's total assets stand at \$3.6 billion, growing by 1.1 percent during 2016. Loan growth exceeded \$40 million year to date, and deposits grew on seasonal pace. First National Bank Alaska's performance remains strong and we are positioned to adapt successfully to the changing fiscal environment.

Best regards,

Michele Schuh

Michele Schuh
Senior Vice President and Chief Financial Officer

DIRECTORS

Betsy Lawer
Chair and President

Lucy Mahan
Vice Chair

Tom Barrett
Maurice J. Coyle, M.D.
Perry Eaton
Margy K. Johnson
Jane Klopfer
Loren H. Lounsbury
Tom Tougas
Fran Ulmer
Cheri Gillian
Senior Vice President/ Board Secretary



BRANCHES

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

Financial Overview (Unaudited)

Quarter Ended (dollars in thousands)

We Believe in Alaska

BALANCE SHEET

	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015
Total Assets	\$3,609,192	\$3,616,914	\$3,569,426	\$3,637,671	\$3,358,226
Total Securities	\$1,801,672	\$1,802,466	\$1,832,601	\$1,917,982	\$1,672,055
Total Loans	\$1,594,592	\$1,563,069	\$1,551,405	\$1,481,954	\$1,482,574
Total Deposits	\$2,424,638	\$2,429,519	\$2,425,622	\$2,430,651	\$2,234,039
Repurchase Agreements	\$652,326	\$660,010	\$645,838	\$705,407	\$634,945
Total Deposits and Repurchase Agreements	\$3,076,964	\$3,089,529	\$3,071,460	\$3,136,058	\$2,868,984
Total Shareholders' Equity	\$512,290	\$507,628	\$488,565	\$493,265	\$481,899

INCOME STATEMENT

Net Interest and Loan Fee Income	\$30,752	\$30,026	\$30,729	\$29,618	\$28,803
Provision for Loan losses	\$745	\$358	\$1,523	\$315	\$599
Total Noninterest Income	\$6,861	\$6,182	\$6,409	\$6,694	\$6,813
Total Noninterest Expense	\$21,321	\$20,399	\$21,663	\$20,805	\$21,165
Provision for Income Taxes	\$4,961	\$4,972	\$4,205	\$4,785	\$4,334
Net Income	\$10,142	\$10,035	\$9,292	\$9,947	\$9,088
Earnings per common share	\$31.93	\$31.55	\$29.14	\$31.12	\$28.41
Dividend per common share	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50

FINANCIAL MEASURES

Return on Assets	1.13%	1.13%	1.04%	1.06%	1.02%
Return on Equity	8.03%	8.06%	7.47%	7.42%	7.06%
Net Interest Margin	3.57%	3.54%	3.50%	3.51%	3.51%
Efficiency Ratio	56.61%	56.30%	59.28%	59.65%	61.22%

CAPITAL

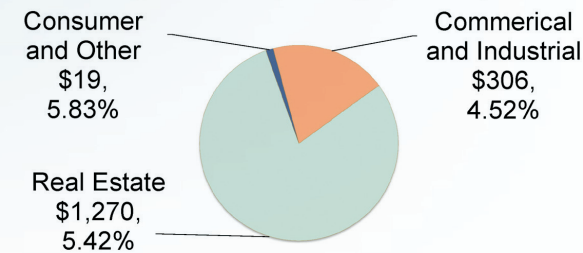
Shareholders' Equity/Total Assets	14.19%	14.03%	13.69%	13.56%	14.35%
Tier 1 Leverage Ratio	13.82%	13.89%	13.18%	13.67%	14.30%
Regulatory Well Capitalized Minimum Ratio-Tier 1					
Leverage Ratio	5.00%	5.00%	5.00%	5.00%	5.00%
Tier 1 (Core) Capital	\$490,749	\$491,447	\$486,398	\$482,330	\$477,163

CREDIT QUALITY

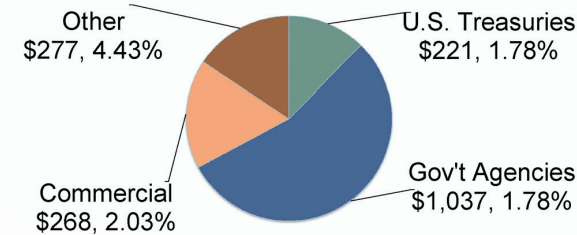
Noncurrent Loans and OREO	\$16,937	\$19,224	\$20,365	\$17,434	\$20,405
Noncurrent Loans and OREO/Total Assets	0.47%	0.53%	0.57%	0.48%	0.61%
Noncurrent Loans and OREO/Tier 1 Capital	3.45%	3.91%	4.19%	3.61%	4.28%
Allowance for Loan Losses	\$15,950	\$15,400	\$15,150	\$14,100	\$14,100
Allowance for Loan Losses/Total Loans	1.00%	0.99%	0.98%	0.95%	0.95%

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

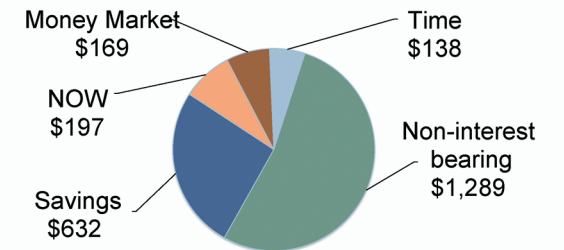
Loan Composition and Average Yields (\$ in millions, average yields %)



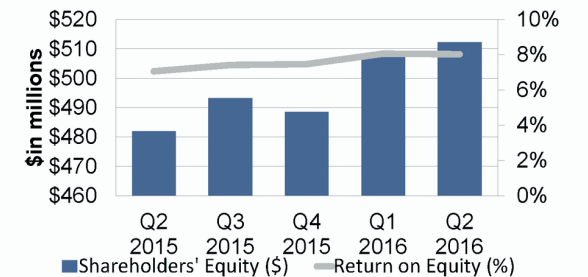
Investment Portfolio and Average Yields (\$ in millions, average yields %)



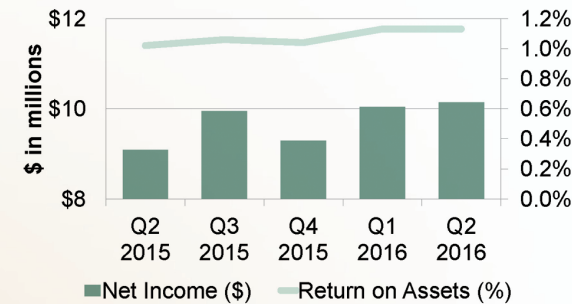
Deposits by Type (\$ in millions)



Shareholders' Equity and Return on Equity



Net Income and Return on Assets



Dividend Payout and Per Share

