

2017
FINANCIAL OVERVIEW
3rd Quarter SEPT 30



Dear Shareholder,

Through the first three quarters our financial performance was strong. Total assets increased \$109.3 million during the quarter and stands at \$3.73 billion at September 30, 2017. Despite the cautious state economy, deposits have grown with the summer season and segments of the economy saw improvement.

Year-to-date net income totals \$32.2 million, or \$101.68 per share, compared to net income of \$32.0 million, or \$100.73 per share through September 30, 2016. Third quarter, net income was \$11.7 million or \$36.90 per share compared to \$11.8 million, or \$37.25 per share, in 2016.

Our core interest earnings on loans and securities improved by 2.1% over September 2016 on improving loan volume and improved yield on investment securities. Total loans grew to \$1.785 billion as of September 30, 2017, representing 47.8% of total assets, an improvement from 44.1% one year ago. This intentional shift in earning assets produced an improved net margin of 3.63% as of September 30, 2017.

Noninterest income decreased 1.0% from the second quarter for a year-to-date total of \$18.7 million compared to \$20.6 million one year ago. Mortgage loan originations in 2017 have been slower on weaker home sales and fewer refinances given the absence of lower interest rate opportunities this year.

Operating expenses continue to be well managed. Total noninterest expense is \$20.1 million for third quarters 2017 and 2016. Year-to-date noninterest expense of \$61.2 million is 1.1% lower than the prior year. Managing for efficiency allowed the bank to hold salary and benefits expense along with operating and occupancy expense level while continuing to implement value-added technological enhancements for customers.

Management focus on core interest income and expense management delivered an efficiency ratio of 53.62%, improved from 55.04% last September. This places us with the top third of banks with assets above \$3 billion. Return on assets and return on equity improved to 1.19% and 8.56%, respectively, as of third quarter 2017. We are pleased with these results in a challenging banking environment.

Best regards,

Michele Schuh

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Senior Vice President and Chief Financial Officer

DIRECTORS

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Vice Chair

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Perry Eaton

Margy K. Johnson
Jane Klopfer

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Tom Tougas

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Senior Vice President/ Board Secretary



BRANCHES

Cordova Branch	Cordova
Dimond Branch	Anchorage
Eagle River Branch	Eagle River
Eastchester 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

*Alaska Business Monthly magazine "Best of Alaska Business" Awards

BALANCE SHEET

	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Total Assets	\$3,732,854	\$3,623,517	\$3,551,884	\$3,609,848	\$3,665,760
Total Securities	\$1,701,043	\$1,636,549	\$1,639,406	\$1,745,429	\$1,834,935
Total Loans	\$1,784,955	\$1,753,101	\$1,703,963	\$1,677,595	\$1,616,610
Total Deposits	\$2,542,523	\$2,471,896	\$2,451,610	\$2,475,675	\$2,503,895
Repurchase Agreements	\$665,082	\$627,743	\$589,141	\$629,966	\$625,827
Total Deposits and Repurchase Agreements	\$3,207,605	\$3,099,639	\$3,040,751	\$3,105,641	\$3,129,722
Total Shareholders' Equity	\$511,663	\$506,192	\$498,978	\$492,735	\$519,065

INCOME STATEMENT

Net Interest and Loan Fee Income	\$31,620	\$31,227	\$30,003	\$30,687	\$30,666
Provision for Loan Losses	\$25	\$291	\$1,407	\$1,153	\$166
Total Noninterest Income	\$6,297	\$6,363	\$5,998	\$6,821	\$7,584
Total Noninterest Expense	\$20,092	\$20,840	\$20,237	\$22,689	\$20,106
Provision for Income Taxes	6,100	\$5,530	\$4,740	\$4,271	\$6,158
Net Income	\$11,700	\$10,929	\$9,617	\$9,395	\$11,820
Earnings per common share	\$36.90	\$34.46	\$30.32	\$29.62	\$37.25
Dividend per common share	\$20.00	\$20.00	\$20.00	\$40.00	\$20.00

FINANCIAL MEASURES

Return on Assets	1.19%	1.15%	1.08%	1.15%	1.19%
Return on Equity	8.56%	8.23%	7.76%	8.21%	8.42%
Net Interest Margin	3.63%	3.63%	3.57%	3.55%	3.56%
Efficiency Ratio	53.62%	54.63%	54.88%	56.14%	55.04%

CAPITAL

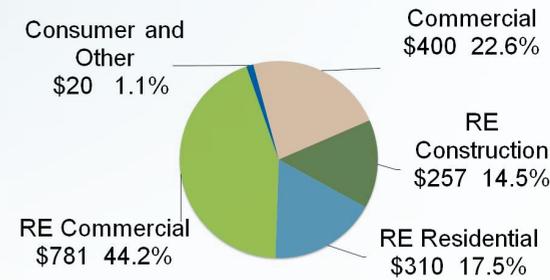
Shareholders' Equity/Total Assets	13.71%	13.97%	14.05%	13.65%	14.16%
Tier 1 Leverage Ratio	13.89%	14.18%	14.12%	13.57%	13.74%
Tier 1 Leverage Ratio-Well Capitalized Minimum	5.00%	5.00%	5.00%	5.00%	5.00%
Tier 1 (Core) Capital	\$512,099	\$506,785	\$502,252	\$498,978	\$502,459

CREDIT QUALITY

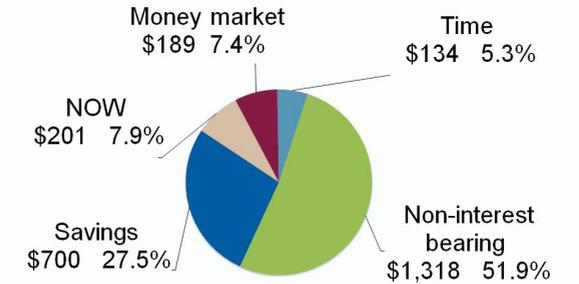
Noncurrent Loans and OREO	\$21,192	\$21,406	\$22,181	\$20,619	\$19,833
Noncurrent Loans and OREO/Total Assets	0.57%	0.59%	0.62%	0.57%	0.54%
Noncurrent Loans and OREO/Tier 1 Capital	4.14%	4.22%	4.42%	4.13%	3.95%
Allowance for Loan Losses	\$17,575	\$18,300	\$18,000	\$16,600	\$16,100
Allowance for Loan Losses/Total Loans	0.98%	1.04%	1.06%	0.99%	1.00%

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

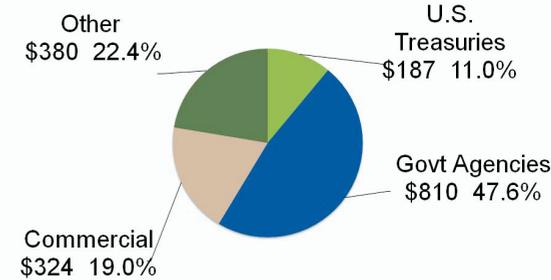
Loan Mix (\$ in millions)



Deposit Mix (\$ in millions)



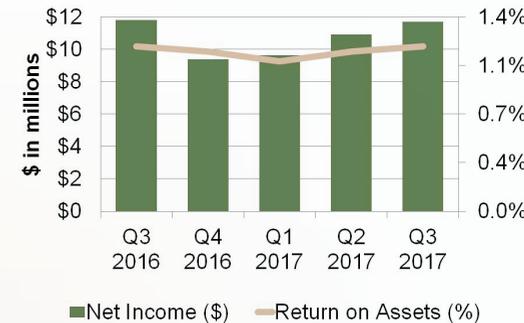
Investment Portfolio Mix (\$ in millions)



Shareholders' Equity and Return on Equity



Net Income and Return on Assets



Dividend Per Share and Payout

