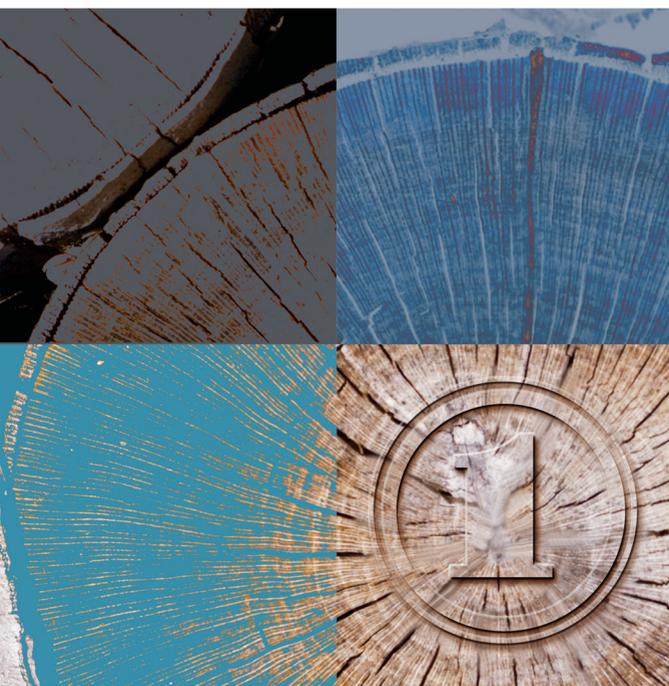


# 2018 FINANCIAL OVERVIEW

3rd Quarter SEPT 30



## Dear Shareholder,

First National Bank Alaska's solid performance continued through the third quarter.

Returns on Assets and Equity improved with increased net interest income and effective expense management. This, combined with net gains on the sale of property no longer used for bank purposes, resulted in strong quarterly net income.

The bank's efficiency ratio improved to a record low despite realized losses on the sale of investments and the effect on noninterest income. The investments were sold under a repositioning strategy to improve total performance on securities and offset other taxable gains.

We recently announced First National shares began trading on the OTCQX® Best Market. The OTC Markets Group operates financial markets for 10,000 U.S. and global securities. The bank qualified to trade on the OTCQX Market and upgraded from the Pink® market.

First National is the first Alaska bank on OTCQX. Companies on the OTCQX Best Market meet high financial standards, follow best practice corporate governance, demonstrate compliance with U.S. securities laws, and have a professional third-party sponsor introduction. The prestigious firm of Raymond James & Associates honored First National by sponsoring the bank's upgrade to the OTCQX Best Market.

This upgrade brings national recognition by investors and a broader market for trading shares. We will continue to seek ways to enhance convenience and value for First National shareholders.

Sincerely,

*Michele Schuh*

**Michele Schuh**

*Executive Vice President and Chief Financial 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 (\$ in thousands)

### BALANCE SHEET

|  | 9/30/2018   | 6/30/2018   | 3/31/2018   | 12/31/2017  | 9/30/2017   |
|--|-------------|-------------|-------------|-------------|-------------|
| Total Assets                             | \$3,757,406 | \$3,647,990 | \$3,618,766 | \$3,653,142 | \$3,732,854 |
| Total Securities                         | \$1,633,690 | \$1,504,841 | \$1,538,478 | \$1,590,444 | \$1,701,043 |
| Total Loans                              | \$1,908,298 | \$1,910,415 | \$1,863,238 | \$1,815,184 | \$1,784,955 |
| Total Deposits                           | \$2,470,058 | \$2,431,401 | \$2,407,902 | \$2,437,817 | \$2,542,523 |
| Repurchase Agreements                    | \$779,305   | \$733,142   | \$695,456   | \$687,064   | \$665,082   |
| Total Deposits and Repurchase Agreements | \$3,249,363 | \$3,146,543 | \$3,103,358 | \$3,124,881 | \$3,207,605 |
| Total Shareholders' Equity               | \$492,979   | \$489,697   | \$488,746   | \$496,877   | \$511,633   |

### INCOME STATEMENT

|                                  |          |          |          |          |          |
|----------------------------------|----------|----------|----------|----------|----------|
| Net Interest and Loan Fee Income | \$33,404 | \$32,217 | \$31,814 | \$32,514 | \$31,620 |
| Provision for Loan Losses        | \$1,266  | \$181    | \$36     | \$863    | \$25     |
| Total Noninterest Income         | \$4,979  | \$5,961  | \$5,652  | \$4,715  | \$6,297  |
| Total Noninterest Expense        | \$16,013 | \$21,606 | \$20,327 | \$23,431 | \$20,092 |
| Provision for Income Taxes       | \$5,189  | \$3,806  | \$3,936  | \$8,754  | \$6,100  |
| Net Income                       | \$15,915 | \$12,585 | \$13,167 | \$4,181  | \$11,700 |
| Earnings per common share*       | \$5.02   | \$3.97   | \$4.15   | \$1.32   | \$3.69   |
| Dividend per common share*       | \$3.20   | \$2.50   | \$2.50   | \$4.00   | \$2.00   |

### FINANCIAL MEASURES

|                     |        |        |        |        |        |
|---------------------|--------|--------|--------|--------|--------|
| Return on Assets    | 1.51%  | 1.42%  | 1.46%  | 1.00%  | 1.19%  |
| Return on Equity    | 11.29% | 10.47% | 10.69% | 7.27%  | 8.56%  |
| Net Interest Margin | 3.68%  | 3.68%  | 3.67%  | 3.64%  | 3.63%  |
| Efficiency Ratio    | 51.63% | 54.64% | 53.06% | 55.05% | 53.62% |

### CAPITAL

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Shareholders' Equity/ Total Assets                                | 13.12%    | 13.42%    | 13.51%    | 13.60%    | 13.71%    |
| Tier 1 Leverage Ratio   | 13.83%    | 14.12%    | 14.11%    | 13.48%    | 13.89%    |
| Regulatory Well Capitalized Minimum Ratio – Tier 1 Leverage Ratio | 5.00%     | 5.00%     | 5.00%     | 5.00%     | 5.00%     |
| Tier 1 (Core) Capital   | \$520,238 | \$514,463 | \$510,282 | \$505,043 | \$512,099 |

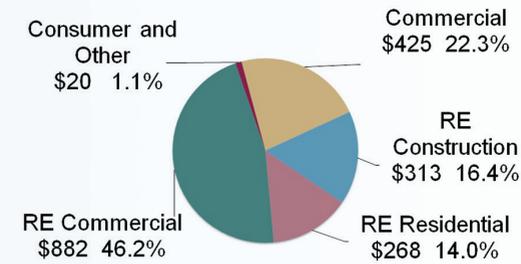
### CREDIT QUALITY

|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Noncurrent Loans and OREO                 | \$9,330  | \$16,269 | \$19,391 | \$18,764 | \$21,192 |
| Noncurrent Loans and OREO/ Total Assets   | 0.25%    | 0.45%    | 0.54%    | 0.51%    | 0.57%    |
| Noncurrent Loans and OREO/ Tier 1 Capital | 1.79%    | 3.16%    | 3.80%    | 3.72%    | 4.14%    |
| Allowance for Loan Losses                 | \$19,100 | \$17,925 | \$17,925 | \$17,825 | \$17,575 |
| Allowance for Loan Losses/ Total Loans    | 1.00%    | 0.94%    | 0.96%    | 0.98%    | 0.98%    |

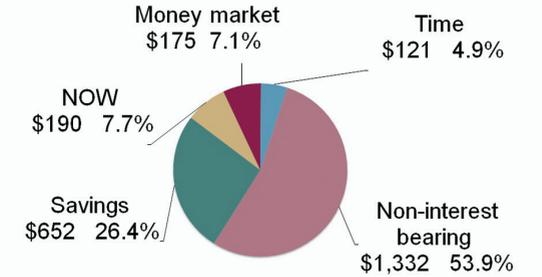
Net interest margin and efficiency ratios are tax effected.  
Per common share amounts are not in thousands.

## We Believe in Alaska

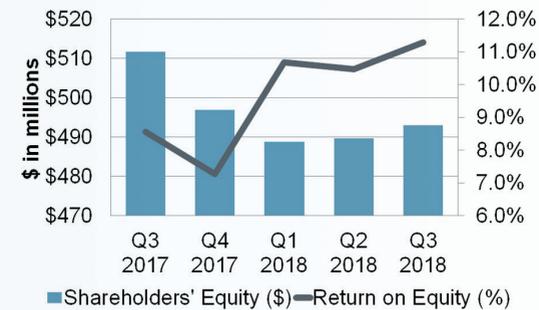
Loan Mix (\$ in millions)



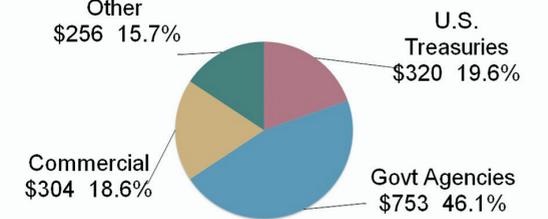
Deposit Mix (\$ in millions)



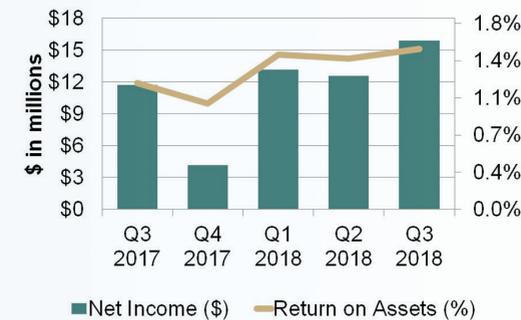
Shareholders' Equity and Return on Equity



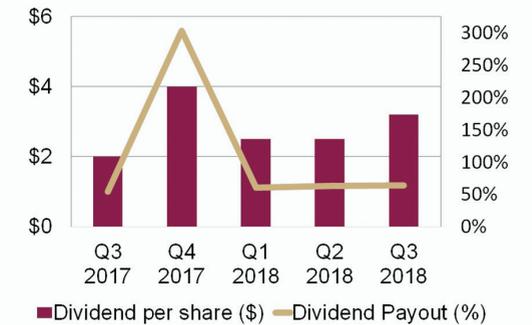
Securities Mix (\$ in millions)



Net Income and Return on Assets



Dividend Per Share and Payout\*



\*All per share amounts restated to reflect 10-for-1 stock split effective Aug. 10, 2018