

PRSR-T STD
U.S. POSTAGE
PAID
ANCHORAGE, AK
PERMIT NO. 175



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

2019 Financial Overview

3RD QUARTER SEPTEMBER 30



Dear Shareholders,

Year-to-date net income of \$41.4 million compares favorably against \$41.7 million for the same period last year considering 2018 included nonrecurring pretax gains of \$4.8 million related to real estate sales. Core interest income for the year has grown 8.2% compared to the same period in 2018. Simultaneously, operating expense growth was managed to 1.2% over the same period.

For the quarter ending September 30, 2019, total interest and loan fee income increased 5.8% over the same period in 2018. Growth in loans resulted in an improved mix of earning assets, increasing the yield on earning assets from the same quarter in 2018 by 5.2%.

Noninterest income, excluding investment gains and losses, decreased by 1.1% when compared to the same period in 2018. This small decrease was offset by strong expense management.

Behind all these numbers are the employees who work hard to help Alaskans and the bank succeed. That's one reason why, more than 70 years ago, a "pleasant work environment" was made a part of the bank's mission statement.

So it's understandable that, for the fourth year in a row, *Alaska Business* readers voted First National the "Best of Alaska Business" in the Best Place to Work category. *American Banker* also recognized the bank as a "Best Bank to Work For" for the second year in a row.

Recognition is always nice, but these honors are more than just superlatives. The bank's culture of valuing every one of its 600-plus employees heightens motivation to provide the very best service to our customers. That translates directly to a positive effect on the bank's bottom line and to the success of our employees, our customers and our shareholders.

Sincerely,

Betsy Lawer

Betsy Lawer
Board Chair and CEO

Michele Schuh

Michele Schuh
Chief Financial Officer

DIRECTORS

Betsy Lawer
Chair & CEO

Lucy Mahan
Vice Chair

Doug Longacre
President

Tom Barrett
Perry Eaton

Margy K. Johnson

Jane Klopfer

Julie Taylor

Tom Tougas

Cheri Gillian

Executive Vice President & Board Secretary

BRANCHES

Cordova Cordova

Dimond Anchorage

Eagle River Eagle River

Eastchester Anchorage

Glennallen Glennallen

Golden Valley Fairbanks

Haines Haines

Healy Healy

Homer Homer

Johansen Fairbanks

Juneau Regional Juneau

Kenai Kenai

Kodiak Kodiak

Kuskokwim Bethel

Main Anchorage

Muldoon Anchorage

North Star JBER

Northern Lights Anchorage

Palmer Palmer

Parkway Anchorage

Seward Seward

Sitka Sitka

Soldotna Soldotna

South Center Anchorage

U-Med Anchorage

Valdez Valdez

Valley Centre Juneau

Wasilla Wasilla



Financial Overview (Unaudited)

Quarter Ended (\$ in thousands)

| BALANCE SHEET | 9/30/2019 | 6/30/2019 | 3/31/2018 | 12/31/2018 | 9/30/2018 |
|--|-------------|-------------|-------------|-------------|-------------|
| Total Assets | \$3,845,102 | \$3,762,718 | \$3,706,753 | \$3,753,466 | \$3,757,406 |
| Total Securities | \$1,610,877 | \$1,562,280 | \$1,559,797 | \$1,597,992 | \$1,633,690 |
| Total Loans | \$2,017,627 | \$2,000,235 | \$1,986,105 | \$1,954,873 | \$1,908,298 |
| Total Deposits | \$2,439,906 | \$2,362,101 | \$2,370,843 | \$2,420,293 | \$2,470,058 |
| Repurchase Agreements | \$842,510 | \$850,936 | \$795,280 | \$809,020 | \$779,305 |
| Total Deposits and Repurchase Agreements | \$3,282,416 | \$3,213,037 | \$3,166,123 | \$3,229,313 | \$3,249,363 |
| Total Shareholders' Equity | \$545,743 | \$534,655 | \$518,721 | \$506,851 | \$492,979 |

INCOME STATEMENT

| | | | | | |
|----------------------------------|----------|----------|----------|----------|----------|
| Net Interest and Loan Fee Income | \$34,773 | \$33,544 | \$32,945 | \$34,384 | \$33,404 |
| Provision for Loan losses | \$179 | \$111 | \$11 | \$510 | \$1,266 |
| Total Noninterest Income | \$6,284 | \$5,898 | \$5,213 | \$5,153 | \$4,979 |
| Total Noninterest Expense | \$21,015 | \$21,897 | \$20,062 | \$22,882 | \$16,013 |
| Provision for Income Taxes | \$5,035 | \$4,379 | \$4,553 | \$3,710 | \$5,189 |
| Net Income | \$14,828 | \$13,055 | \$13,532 | \$12,435 | \$15,915 |
| Earnings per common share | \$4.68 | \$4.12 | \$4.27 | \$3.92 | \$5.02 |
| Dividend per common share | \$3.20 | \$3.20 | \$4.80 | \$3.20 | \$3.20 |

FINANCIAL MEASURES

| | | | | | |
|---------------------|--------|--------|--------|--------|--------|
| Return on Assets | 1.47% | 1.43% | 1.45% | 1.46% | 1.51% |
| Return on Equity | 10.49% | 10.22% | 10.56% | 10.93% | 11.29% |
| Net Interest Margin | 3.72% | 3.69% | 3.65% | 3.68% | 3.68% |
| Efficiency Ratio | 52.77% | 53.71% | 52.17% | 52.96% | 51.63% |

CAPITAL

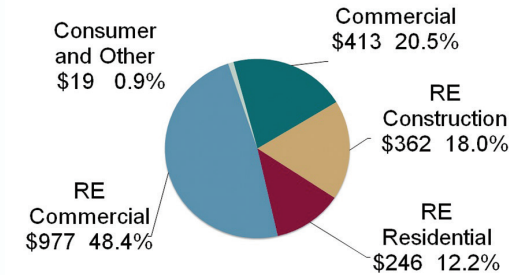
| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Shareholders' Equity/Total Assets | 14.19% | 14.21% | 13.99% | 13.50% | 13.12% |
| Tier 1 Leverage Ratio | 13.87% | 14.10% | 13.98% | 13.62% | 13.83% |
| Regulatory Well Capitalized Minimum Ratio - Tier 1 Leverage Ratio | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Tier 1 (Core) Capital | \$527,965 | \$523,297 | \$520,382 | \$522,534 | \$520,238 |

CREDIT QUALITY

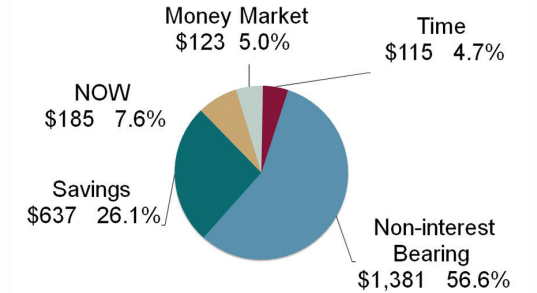
| | | | | | |
|--|----------|----------|----------|----------|----------|
| Noncurrent Loans and OREO | \$9,265 | \$9,083 | \$9,540 | \$9,462 | \$9,330 |
| Noncurrent Loans and OREO/Total Assets | 0.24% | 0.24% | 0.26% | 0.25% | 0.25% |
| Noncurrent Loans and OREO/Tier 1 Capital | 1.75% | 1.74% | 1.83% | 1.81% | 1.79% |
| Allowance for Loan Losses | \$19,500 | \$19,500 | \$19,400 | \$19,400 | \$19,100 |
| Allowance for Loan Losses/Total Loans | 0.97% | 0.97% | 0.98% | 0.99% | 1.00% |

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

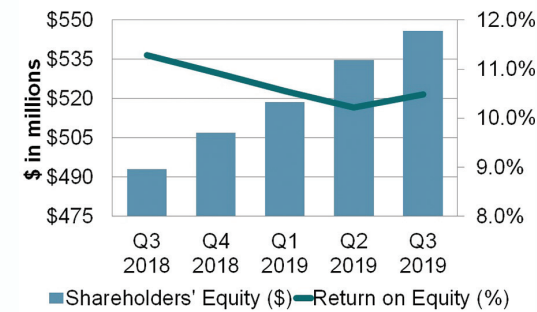
Loan Mix (\$ in millions)



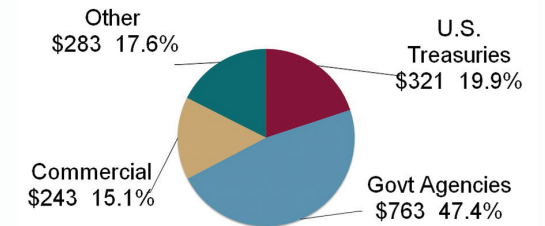
Deposit Mix (\$ in millions)



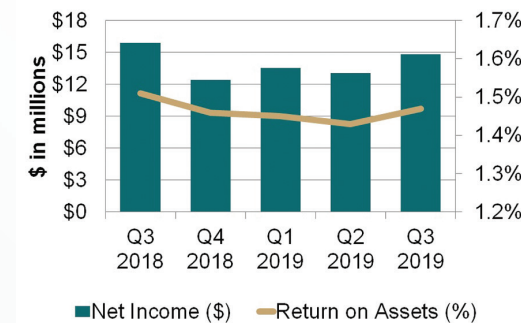
Shareholders' Equity and Return on Equity



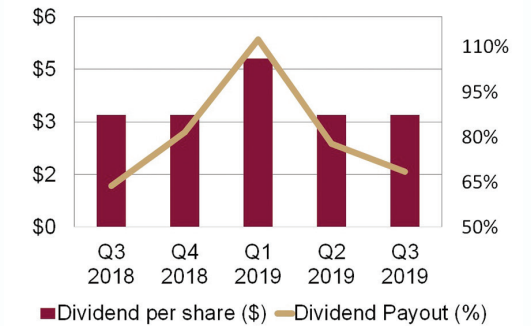
Securities Mix (\$ in millions)



Net Income and Return on Assets



Dividend Per Share and Payout



We Believe in Alaska