

2011
 COMPARATIVE STATEMENTS OF CONDITION
 AND STATEMENTS OF INCOME

1st Quarter MARCH 31



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 PERMIT NO. 175

Dear Shareholder,



First quarter results include the following financial and operational highlights:

- **Net income** of \$8.6 million, or \$25.82 earnings per share, compared to \$9.4 million, or \$28.32 earnings per share, reported during first quarter 2010.
- **Net interest margin** on a tax-equivalent basis of 3.93%, compared to 4.37% reported during the first quarter 2010. Reduction driven by decreasing yields on securities.
- **Provision for loan losses** recorded of \$0.8 million, consistent with a provision charge of \$0.8 million recorded during the first quarter 2010.
- **Loans** decreased \$17.5 million, primarily in the real estate category, to \$1.199 billion for the quarter. Allowance for loan losses remained level at \$15.0 million.
- **Delinquent and nonaccrual loans** decreased \$14.1 million to \$43.0 million as of March 31, 2011, compared to \$57.1 million as of March 31, 2010.
- **Deposits** decreased \$6.25 million during the first quarter to \$1.789 billion, driven primarily by decreases in noninterest bearing accounts.
- **Total shareholders' equity** of \$423.82 million results in a total capital ratio of 24.66% as of March 31, 2011, remaining well above thresholds required for "well capitalized" institutions.

First National Bank Alaska is delivering solid results for shareholders by focusing on a core business model that has served Alaskans well for nearly nine decades.

Despite downward pressure on the net interest margin due to lower investment security yields, the quality of the loan portfolio supports strong earnings, without requiring significant provisions for losses.

Like all Alaska businesses, we continue to closely watch our statewide economy. Bold legislative action is needed to restore and ensure the health and vibrancy of the business climate across the state for current and future generations.

Respectfully submitted,

Jason L. Roth
 Senior Vice President

Directors

- D.H. Cuddy
 Chairman and President
- Betsy Lawer
 Vice Chair
- Maurice J. Coyle, M.D.
 George E. Gordon
 Margy K. Johnson
 Jane Cuddy Klopfer
 Loren H. Lounsbury
- Cheri Gillian
 Secretary to the Board

Branches

- | | |
|-------------------------------|---------------|
| Channel Branch | Juneau |
| Cordova Branch | Cordova |
| Dimond Branch | Anchorage |
| Eagle River Branch | Eagle River |
| Eastchester Branch | Anchorage |
| Elmendorf Branch | Elmendorf AFB |
| 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 Branch | Juneau |
| Kenai Branch | Kenai |
| Kodiak Branch | Kodiak |
| Kuskokwim Branch | Bethel |
| Main Branch | Anchorage |
| Muldoon Branch | Anchorage |
| Northern Lights Branch | Anchorage |
| Palmer Branch | Palmer |
| Parkway Branch | Anchorage |
| Seward Branch | Seward |
| Sitka Branch | Sitka |
| Soldotna Branch | Soldotna |
| South Center Branch | Anchorage |
| Valdez Branch | Valdez |
| Valley Centre Branch | Juneau |
| Wasilla Branch | Wasilla |



COMPARATIVE STATEMENTS OF CONDITION (Unaudited)

(Dollars in thousands)	MARCH 31,	
ASSETS	2011	2010
Cash and cash equivalents:		
Cash and due from banks	\$250,256	\$268,352
Securities:		
Available-for-sale		
(amortized cost: 2011 - \$1,178,915; 2010 - \$1,145,833)	1,188,452	1,167,459
Held-to-maturity (fair value: 2011 - \$0; 2010 - \$24,031)	—	23,000
Real estate loans to be sold	20,138	7,568
Loans:		
Commercial and industrial	281,587	248,563
Real estate	900,293	923,675
Consumer and other	17,339	19,045
Total loans, gross	1,199,219	1,191,283
Less: Allowance for loan losses	15,000	18,000
Total loans, net	1,184,219	1,173,283
Premises and equipment, net	41,579	42,390
Other real estate owned, net	18,605	13,957
Other assets	47,363	44,289
Total Assets	\$2,750,612	\$2,740,298

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits:		
Non-interest bearing	\$762,641	\$683,212
Interest bearing:		
Savings	495,590	427,325
NOW	176,146	161,239
Money market	198,820	277,990
Time	156,266	162,657
Total interest bearing	1,026,822	1,029,211
Total deposits	1,789,463	1,712,423
Securities sold under agreements to repurchase	499,326	537,433
Federal fund purchased	25,000	25,000
Capital lease obligations	49	100
Notes payable	1,499	1,944
Other liabilities	11,456	9,752
Total Liabilities	2,326,793	2,286,652
Shareholders' Equity:		
Common stock, \$100 par value		
(Authorized: 2011 and 2010 - 400,000 shares)		
(Issued: 2011 - 2010 - 332,054 shares)	33,205	33,205
Surplus	40,000	40,000
Retained earnings	344,997	367,705
Accumulated other comprehensive income	5,617	12,736
Total Shareholders' Equity	423,819	453,646
Total Liabilities and Shareholders' Equity	\$2,750,612	\$2,740,298

COMPARATIVE STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands except per common share data)	FOR THREE MONTHS ENDED MARCH 31,	
	2011	2010
INTEREST INCOME AND LOAN FEES		
Interest and fees on loans	\$19,832	\$19,606
Interest and dividends on investment securities	7,071	8,904
Interest on cash and cash equivalents	77	84
Total Interest And Loan Fee Income	26,980	28,594
INTEREST EXPENSE		
Interest on deposits	685	831
Interest on federal funds purchased and securities sold under agreements to repurchase	168	172
Interest on notes payable, capital lease obligations and other	26	34
Total Interest Expense	879	1,037
Net Interest And Loan Fee Income	26,101	27,557
Provision for loan losses	816	751
Net Interest And Loan Fee Income After Provision For Loan Losses	25,285	26,806
NONINTEREST INCOME		
Bankcard fees	4,266	3,971
Service charges on deposit accounts	1,084	1,232
Gain on sale of mortgage loans	423	340
Mortgage loan servicing income	606	596
Net gains on investment securities	320	138
Other noninterest income	1,451	1,711
Total NonInterest Income	8,150	7,988
NONINTEREST EXPENSE		
Salaries and employee benefits	11,349	11,212
Occupancy expense, net	1,901	1,683
Furniture and equipment expense	596	780
Bankcard expenses	2,977	3,039
Other noninterest expense	4,142	4,025
Total Noninterest Expense	20,965	20,739
Income Before Taxes	12,470	14,055
Provision for income taxes	3,895	4,651
Net Income	\$8,575	\$9,404
Earnings Per Common Share (not in thousands)	\$25.82	\$28.32
Cash Dividends Paid Per Common Share (not in thousands)	\$12.50	\$25.00