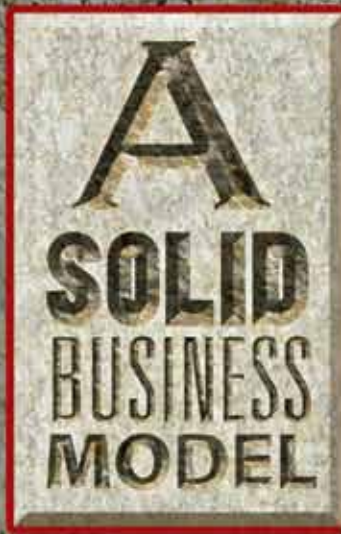


2010 ANNUAL REPORT



First National Bank
ALASKA MEMBER FDIC



Chairman's Message

A net income for 2010 of \$40.4 million was the result of your bank's prudent management in a year marked by a relatively flat economy in Alaska. The bank's assets increased to \$2.73 billion, outstanding loans increased \$33 million over 2009, and deposits showed a \$146 million increase.

Your bank's equity decreased \$30.7 million primarily due to dividends declared of \$66.4 million, consisting of a \$100 per share Special Dividend and \$25 per share quarterly dividend. In the years ahead, we anticipate dividends will be lower.

The low interest rate environment continued to challenge bank staff who delivered excellent results for the bank and its shareholders. This was accomplished as management

Chairman's Message continues on page 1

STATEMENTS OF CONDITION

(Dollars in thousands)

ASSETS

	DECEMBER 31	
	2010	2009
Cash and cash equivalents	\$74,269	\$169,572
Securities:		
Available-for-sale (amortized cost: 2010 - \$1,285,416; 2009 - \$1,159,550)	1,300,117	1,182,118
Held-to-maturity (fair value: 2010 - \$23,232; 2009 - \$24,222)	23,000	23,000
Real estate loans to be sold	20,854	10,798
Loans:		
Commercial and industrial	273,917	234,695
Real estate	894,694	911,154
Consumer and other	17,914	19,652
Nontaxable states and political subdivision obligations	30,157	18,172
Total Loans, Gross	1,216,682	1,183,673
Less: Allowance for loan losses	15,000	18,000
Total Loans, Net	1,201,682	1,165,673
Premises and equipment, net	42,066	42,986
Other real estate owned, net	18,230	9,332
Other assets	45,391	47,833
Total Assets	\$2,725,609	\$2,651,312

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits:		
Non-interest bearing	\$780,772	\$707,005
Interest bearing:		
Savings	477,956	423,748
NOW	176,090	169,990
Money market	201,494	180,682
Time	159,403	168,305
Total interest bearing	1,014,943	942,725
Total Deposits	1,795,715	1,649,730
Securities sold under agreements to repurchase	473,136	537,748
Federal funds purchased	25,000	—
Capital lease obligations	62	113
Notes payable, net	1,474	1,912
Other liabilities	7,787	8,711
Total Liabilities	2,303,174	2,198,214
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, \$100 par value (Authorized: 2010 and 2009 - 400,000 shares) (Issued: 2010 and 2009 - 332,054 shares)	33,205	33,205
Surplus	40,000	40,000
Retained earnings	340,573	366,602
Accumulated other comprehensive income	8,657	13,291
Total Shareholders' Equity	422,435	453,098
Total Liabilities And Shareholders' Equity	\$2,725,609	\$2,651,312

"Our business model: Keep it simple.

— D.H. CUDDY, CHAIRMAN AND PRESIDENT



STATEMENTS OF INCOME

(Dollars in thousands)

	FOR YEARS ENDED DECEMBER 31,		
INTEREST INCOME AND LOAN FEES	2010	2009	2008

Interest and fees on loans:

Taxable	\$80,125	\$80,370	\$85,829
Nontaxable	1,214	1,379	1,312
Total Interest And Fees On Loans	81,339	81,749	87,141

Interest and dividends on investment securities:

Taxable	31,173	36,612	38,070
Nontaxable	2,068	2,372	2,521
Total Interest And Dividends On Investment Securities	33,241	38,984	40,591

Interest on cash and cash equivalents

	397	302	1,570
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Total Interest And Loan Fee Income	114,977	121,035	129,302
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INTEREST EXPENSE

Interest on deposits	3,100	4,532	9,892
Interest on federal funds purchased and securities sold under agreements to repurchase	708	866	5,613
Interest on notes payable, capital lease obligations and other	136	168	204
Total Interest Expense	3,944	5,566	15,709

Net Interest And Loan Fee Income	111,033	115,469	113,593
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Provision for loan losses

	(521)	6,625	3,475
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Net Interest And Loan Fee Income After Provision For Loan Losses	111,554	108,844	110,118
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NONINTEREST INCOME

Bankcard fees	18,927	17,433	18,095
Service charges on deposit accounts	4,804	5,484	5,540
Gain on sale of mortgage loans	1,791	2,210	1,492
Mortgage loan servicing income	2,653	2,681	2,340
Net gains on investment securities	242	88	118
Other noninterest income	7,540	7,278	13,781
Total Noninterest Income	35,957	35,174	41,366

NONINTEREST EXPENSE

Salaries and employee benefits	44,822	43,990	42,771
Occupancy expense, net	6,740	7,245	7,153
Furniture and equipment expense	3,268	3,065	3,329
Bankcard expenses	13,681	13,854	14,505
Other noninterest expense	17,854	20,946	17,911
Total Noninterest Expense	86,365	89,100	85,669

Income Before Taxes	61,146	54,918	65,815
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Provision for income taxes

	20,764	17,760	22,913
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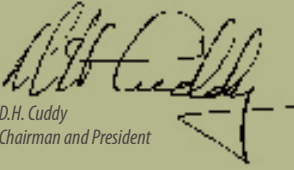
Net Income	\$40,382	\$37,158	\$42,902
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Earnings per common share (not in thousands)	\$121.61	\$111.45	\$124.59
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and employees followed a simple but solid business model. This model has guided your bank for 89 years. Management and employees continue to focus their banking expertise and local knowledge to provide all legitimate banking services, consistent with your bank's resources, to the communities it serves.

For the past 40 years, Alaska businesses have been fortunate to operate in an economy fueled by oil production. The petroleum industry's continued investment and responsible development has a direct impact on all Alaskans' businesses and future success. This is a fact of critical importance each Alaskan must understand.

We must do all we can now to encourage the necessary investments by the petroleum industry in our state for the future of a healthy economy in Alaska.



D.H. Cuddy
Chairman and President

It's worked for 89 years."



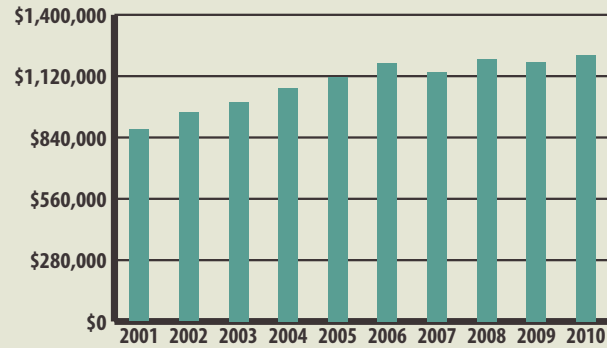
Financial Highlights

The bank's assets increased for the seventh year in a row, totaling \$2.73 billion at year-end, an increase of \$74.3 million year over year from 2009. Alaskans demonstrated their confidence in First National's safety and security and boosted deposits and securities sold under agreements to repurchase by \$81 million over 2009, to \$2.27 billion.

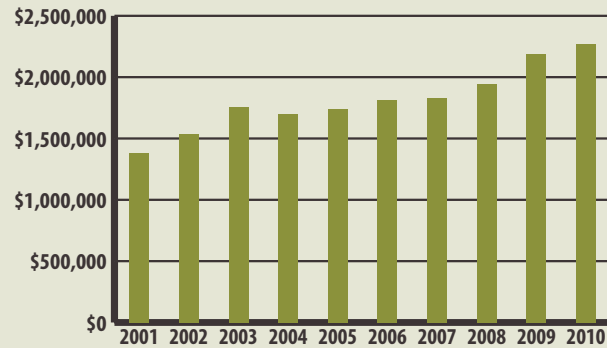
Outstanding loans increased \$33 million and the investment portfolio grew by \$118 million compared to year-end 2009. Led by a strong management team and the hard work of its employees, First National increased net income almost \$3 million year over year to \$40.4 million. The annual increase in net income was complemented by a \$2.7 million decrease in total non-interest expense.

Looking ahead, the bank is prepared for growth, relying on the ingenuity and sound judgment of its management and staff.

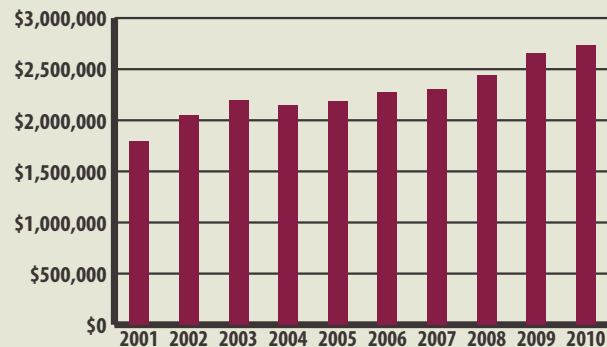
10-YEAR NET LOAN GROWTH



10-YEAR DEPOSIT GROWTH

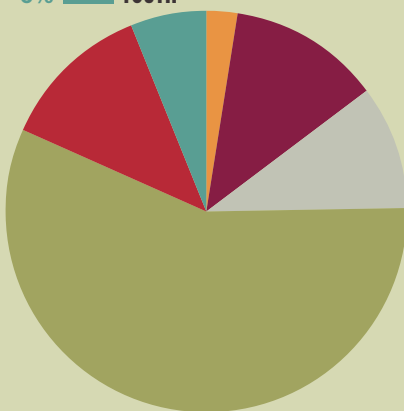


10-YEAR ASSET GROWTH



2010 DONATIONS

- 3% ARTS
- 13% COMMUNITY
- 10% EDUCATION
- 56% LOW-INCOME HOUSING
- 12% SOCIAL SERVICES
- 6% YOUTH



Each year, First National Bank Alaska and its employees donate a significant amount of time and money to local non-profit organizations, an important part of the bank's mission to support the communities it serves.

Here, a family in Anchorage shows off new backpacks filled with school supplies, courtesy of the HUGSS (Helping Us Give School Supplies) program and, in part, First National. A partnership between the Anchorage School District and several Alaska non-profits and businesses, HUGSS helps low-income families provide their children with supplies needed for the coming school year, and First National was glad to play a part in the effort.

“In Alaska’s relatively flat economy it’s more important than ever before that Alaska business owners have a trusted advisor, with a depth of banking experience and the ability to make quick decisions, right in their own community.”

— BETSY LAWER, VICE CHAIR

LENDING:

Alaska businesses, their owners and their customers

First National made good loans to Alaskans in 2010, a testament to knowing about our customers’ businesses.

Understanding the business and financial needs of Alaskans became more important than ever as the state’s economy remained fairly flat for the year. Our experienced Alaskan employees cultivated and nurtured strong relationships with customers. We offered reliable guidance, allowing for the best local banking solutions.

Trust in the bank’s experience and leadership was evident in the fact business loans increased by

\$26 million at year’s end compared with the same period in 2009.

The bank experienced strong loan demand from the healthcare industry; specifically, financing medical office construction like The Surgery Center of Fairbanks. We also created a medical microsite designed to help meet healthcare professionals’ specific financial business needs.

Loans remained in demand for Alaska Native corporations with 8(a) designations which give minority-owned companies preference when bidding for government contracts. Loans for

other Alaska businesses with government contracts remained steady.

Seven of the bank’s 30 branches increased loans by more than \$1 million each. The Golden Valley (\$21.5 million increase) and Johansen (\$6.3 million) branches in Fairbanks saw the largest escalation from the previous year. The Healy Branch, the bank’s newest branch, increased loans by \$5.6 million.



Caution, concern impact state economy

By Tim Bradner

Signs of economic recovery and some employment growth exist in Alaska, but the national recession and uncertainties over the future of the state's oil and gas industry continue to cause weak business confidence. This is illustrated best by a weak commercial building sector.

As elsewhere, Alaska firms are uncertain about the national economy, how long the recession may go and the timing of recovery. There are additional concerns in Alaska over future petroleum investment and progress of large energy projects like an Alaska natural gas pipeline. This translates into a caution on new business investment.

On the gas pipeline, two competing consortiums planning a gas pipeline held Open Seasons (periods in which bids for capacity are solicited) in 2010. Bids were received and negotiations are continuing with potential shippers. It will not be known for some time whether there will be sufficient volumes contracted for the large gas project to proceed. There are

Tim Bradner continues on page 5

DEPOSITS:

Branch activity reflects the strength of communities

"Return of principal" ruled over "return on principal" as concerned customers looked to keep money safe in a troubled economy.

First National's reputation for superior customer service, safety and our strong capital position made the bank an attractive haven for Alaskans and the choice financial institution for new deposit customers.

Core deposits continued to significantly increase during 2010, growing 11.19 percent, a little more than \$182.5 million, bank wide. Core deposits include checking and savings accounts, money markets and certificates of deposit. Among the Anchorage branches, the South Center Branch enjoyed the largest increase in core deposits (19.5 percent). Outside of Anchorage, the Kodiak Branch achieved 29.44 percent core deposit growth and two of the bank's newest branches, Healy and the Johansen Branch in Fairbanks, saw core deposits increase 238.42 percent and 40.91 percent respectively.

Branch Managers, Personal Bankers and Business Development experts focused on learning more

about the Alaska businesses that use our services. Our relationship bankers understand what is important to our customers, how their businesses operate now and where they are trying to take their businesses in the future.

Our local experts demonstrated their understanding of customers' needs and clearly articulated how particular services can help them operate more efficiently and cost effectively.

While much of the deposit increase may be attributable to the economy, employees in each of the bank's 30 branches focused on understanding their communities' business and personal banking needs. The efforts certainly played a big role in bringing in new relationships and in maintaining the existing ones.

The dedication to top customer service by the bank's employees, from the teller line to the backroom, continued to ensure our customers received the high level of service they expected.



"Our deposit growth is largely due to the current economic climate."

Jason Roth
Senior Vice President, Financial Division



INVESTMENTS:

Managing for the future

The diversity of the bank's 2010 investment portfolio reflected the bank's commitment to a solid business plan. These investments provided the liquidity needed to meet the demands of customers in branches across the state. Short-term and long-term bond investments were also successfully leveraged to compensate for the inherent repricing risks in the bank's loan portfolio.

The bank's net interest margin continued to decrease due to securities maturing at rates above the rates available for new investments. Therefore, the bank's ability to purchase pledgeable securities to be utilized in repurchase agreements played an important role in the bank's investment strategy. Also, the bank was successful in positioning the investment portfolio to provide an acceptable repricing of the bank's earning assets relative to its interest bearing liabilities.

After-tax profits on investments, another solid outcome of the bank's investment strategy, allowed for reinvestment in local projects to assist local communities. These included bond purchases to support local governments, hospitals, civic ventures and airports throughout the state.



The healthcare industry in Alaska continued its steady growth in 2010. To help meet the banking needs of this growing business sector, First National implemented a customized website, FNBAAlaskaMedical.com featuring success stories of Alaska healthcare businesses and quick access to online business and personal banking services.

To help publicize the customized healthcare business website, bank employees acted as models for photographs used on the website and in print promotions. From left to right, Clem Edwards, Jay Thompson, Doreen Rossberg, Amy Salvador, Ernie Nidiffer and Toi Browning.

TECHNOLOGY:
Foundation for future growth

First National remained technologically safe and sound in 2010 ensuring delivery of customer-focused services and greater employee efficiency in our ever-evolving electronic age.

The improved information technology infrastructure established a firm foundation for future growth. The bank moved its backbone network to Multi-Protocol Label Switching (MPLS) and increased bandwidth to remote branches. The MPLS move provided the ability to divert and route traffic around congestion and bottlenecks. The bank also upgraded network switches at Corporate Headquarters and branches outside Anchorage.

These projects gave employees access to information and data faster than ever, thus making better use of customers' time and improving productivity.

The last of the bank's 10 aging ATM machines were replaced in 2010 with state-of-the-art touch-screen ATMs. Most ATMs were updated with new software allowing for more frequently-refreshed promotional campaigns and thorough maintenance of transaction records.

A new wire system gave way to faster, automated wire transfer service. With its activation, customers could receive immediate electronic wire confirmation numbers to know exactly when monies moved.

Stronger server performance, reduced hardware and maintenance costs and better disaster recovery capability resulting from implementation of a server virtualization platform also proved a highlight. The platform centralized administrative tasks associated with the computer network and enhanced productivity for all employees.

These improvements allowed for better efficiency throughout the bank. Employees accessed information much faster, especially in the bank's remote branches.

Tim Bradner continued from page 4

also concerns over new competition from shale gas in Lower 48 gas markets.

The petroleum industry is of prime importance to Alaska, and a downturn in investment in new drilling and projects is a concern. There are also concerns about declining volumes of oil moving through the Trans-Alaska Pipeline System. Employment in oil and gas ticked up in 2010 but much of this appears to be related to increased maintenance.

Although there is one small field set to begin production in 2011 and another is in development, overall development of new projects has slowed. Some of this results from federal permit

.....
The petroleum industry is of prime importance to Alaska, and a downturn in investment in new drilling and projects is a concern.

difficulties and some, industry argues, results from state tax policy.

Gov. Sean Parnell has proposed a series of tax changes intended to boost industry investment. Also, new incentives established by the Legislature last year are resulting in new exploration for natural gas in Southcentral Alaska, where new gas supplies are badly needed.

Tim Bradner continues on page 6

Other natural resource industries are doing well. Seafood harvesting earnings are up due to larger catches and rising prices. Mining activity is strong, particularly with precious metals projects. A gold mine in Southeast Alaska started production and several others are in advanced stages of exploration and development planning. Existing producing mines are doing well. Coal exports from Alaska are setting records.

One measure of activity, wage and salary employment, showed increases in the last half of 2010, a positive sign. Within the overall total, oil and gas employment construction jobs showed increases. While petroleum growth was related to increased maintenance, construction growth came mainly through increases in state capital budgets and federal stimulus spending. Other industries, such as health care, continued growing in 2010. These trends are positive because petroleum, construction and health care are high-wage industries.

Editor's Note: Alaskans are asking elected officials in Juneau this legislative session to take action to ensure our economic success. State lawmakers have a variety of options, some of which will encourage new responsible investment in resource development that produces lasting benefits. Learn the facts and ways you can help encourage Alaska's leaders to choose a path that leads to a stable economic future for all Alaskans. Visit AlaskasEconomy.org



STATE OF BANKING:

The impact of regulations in banking

By David Lawer



Editor's Note: In 2010, federal regulations again had a dramatic impact on First National Bank Alaska's activities. ¶ While some of the regulatory changes do not become effective until sometime in 2011, they required extensive preparation on the part of management and staff prior to implementation of new processes and procedures. ¶ The changes affected lending and deposit operations. New or enhanced processes in connection with the Bank Secrecy Act and the Anti-Money Laundering statute were also required.

David Lawer is First National Bank Alaska's General Counsel and a Senior Vice President.

Up until 2010, First National Bank Alaska devoted to consumer compliance the enormous amount of resources required to satisfy all such regulatory requirements.

The past year marked a change in the bank's response.

In several instances, instead of implementing new processes and procedures to satisfy regulatory requirements with respect to certain banking services, management chose not to offer those particular services any longer. The rationale being that the regulatory compliance cost of providing those services could not be recouped from revenues generated by providing those services.

Originally, regulatory compliance was primarily directed at protecting consumers from bank discrimination in offering or withholding services on a prohibited basis.

More recently, regulatory compliance was directed at protecting consumers from practice viewed as "unfair" or "deceptive," particularly in connection with pricing and the imposition of fees and charges. First National Bank Alaska has never engaged in any of the newly prohibited practices. But still, the bank had to implement processes and change forms of disclosures to satisfy the new requirements. The experts on the subject, as well as First National management, anticipate a further change in emphasis by the regulators that will have an even more dramatic impact on First National's activities.

The prediction is that regulatory emphasis will change to "fair banking" in connection with small business lending, a concept that merges prohibited discrimination with deceptive acts and practices in connection with banking services offered to other than individuals or, for other than personal, household or consumer related purposes. That is to say that the bank will be faced with new compliance burdens in connection with its core business — providing banking services to small businesses.

Compliance requirements are expected to change and increase, and the cost of compliance will increase commensurately with the risk of non-compliance.

The foregoing does not include broad, complex and sweeping changes respecting consumer compliance that will be brought on by the so called "Dodd-Frank Act."

Specific rules for the act are forthcoming, but it will likely contemplate changes in the structure and approach to bank supervision, more intense focus on consumer protection, and even yet more heightened regulation of mortgage lending and servicing.

However, the greatest impact will be that provision of the act that calls for the creation of a "Consumer Financial Protection Bureau" which is intended to be, henceforth, the major force in consumer compliance.



The passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in the summer of 2010 set the stage for sweeping changes in America's financial services industry. These changes will have significant regulatory and legal consequences for years to come, with commensurate increases in cost.

The bank's Credit Card Operations Department is just one area of the bank significantly affected by the new rules. Vice President Christine Newsome and her team worked with employees in several departments, including Cash Management expert Scott Bleeker. These colleagues worked to ensure compliance with the new rules, in addition to keeping up with day-to-day business operations and delivery of services.

Board of Directors



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President
Chairman of the Board



Betsy Lawer
Vice Chair
Bank Director



Dr. Maurice Coyle
Regional Governing Board
Providence Alaska Medical Center
Bank Director



George Gordon
Former President and CEO
Doyon Utilities, LLC
Bank Director



Margy Johnson
Oncology Marketing Director
Providence Alaska Medical Center
Bank Director



Jane Klopfer
Co-Owner
Snow Goose Restaurant
Bank Director



Loren Lounsbury
Chairman
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Chairman of the Board



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Bank Director



Sue Foley
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Corporate Lending Division



David Lawer
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Corporate Systems Division
General Counsel



Doug Longacre
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William Renfrew
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Regional Manager
Interior Alaska



Jason Roth
Senior Vice President
Financial Division



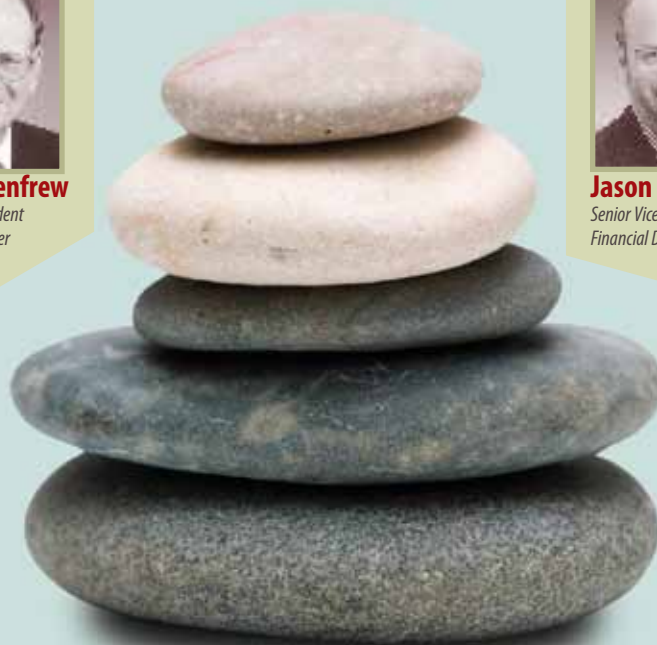
David Stringer
Senior Vice President
Loan Servicing Division



Craig Thorn
Senior Vice President
Regional Manager
Mat-Su Region



Charles Weimer
Senior Vice President
Regional Manager
Kenai Peninsula



Equal Opportunity Employment Statement

It is the policy of First National Bank Alaska to provide equal opportunity in employment to all employees and applicants and to recruit, hire, train, and promote persons in all job titles, without regard to race, religion, color, sex, age, national origin, genetic information, pregnancy, childbirth or related medical condition, parenthood, marital status or changes in marital status and without discrimination or unlawful harassment against any disabled person or covered veteran afforded protection under applicable federal, state and local laws.

The policy of First National Bank Alaska prohibits retaliation against a person who files a charge or complains of discrimination, participates in a discrimination investigation or proceeding or otherwise opposes an unlawful or prohibited practice.

“Our business development strategy is simple – understand our customers’ needs so we’re in a position to offer solutions that can help them be successful.”

— DOUG LONGACRE, SENIOR VICE PRESIDENT

Branches

ANCHORAGE BRANCHES

777-4362

Dimond Branch

8725 Old Seward Hwy.
P.O. Box 200588
Anchorage, AK 99520-0588

Eastchester Branch

1821 Gambell Street
P.O. Box 200029
Anchorage, AK 99520-0029

Elmendorf Branch

8509 Rickenbacker Avenue
Elmendorf AFB, AK 99506-1398

Federal Branch

222 W. 7th Avenue
P.O. Box 100413
Anchorage, AK 99510-0413

Main Branch

646 W. 4th Avenue
P.O. Box 100720
Anchorage, AK 99510-0720

Muldoon Branch

1100 Muldoon Road
P.O. Box 200748
Anchorage, AK 99520-0748

Northern Lights Branch

1210 W. Northern Lights Blvd.
P.O. Box 200668
Anchorage, AK 99520-0668

Parkway Branch

5305 E. Northern Lights Blvd.
P.O. Box 200788
Anchorage, AK 99520-0788

South Center Branch

201 W. 36th Avenue
P.O. Box 200628
Anchorage, AK 99520-0628

BETHEL

Kuskokwim Branch

700 Front Street
P.O. Box 286
Bethel, AK 99559-0286
543-7650

CORDOVA

Cordova Branch

528 First Street
P.O. Box 360
Cordova, AK 99574-0360
424-6700

EAGLE RIVER

Eagle River Branch

11412 Business Blvd.
Eagle River, AK 99577-7720
689-5200

FAIRBANKS

Golden Valley Branch

1300 Washington Drive
P.O. Box 82487
Fairbanks, AK 99708-2487
459-7100

Interior City Branch

800 Noble Street
P.O. Box 70105
Fairbanks, AK 99707-0105
459-5300

Johansen Branch

431 Merhar Street
P.O. Box 80989
Fairbanks, AK 99708-0989
450-7300

GLENNALLEN

Glennallen Branch

Mile 187 Glenn Hwy., Suite C
P.O. Box 85
Glennallen, AK 99588-8085
822-7350

HAINES

Haines Branch

123 Main Street
P.O. Box 70
Haines, AK 99827-0070
766-6100

HEALY

Healy Branch

Tri-Valley Community Center
P.O. Box 460
Healy, AK 99743-0460
683-7750

HOMER

Homer Branch

3655 Heath Street
Homer, AK 99603-7667
235-5800

JUNEAU

Channel Branch

840 W. 10th Street
P.O. Box 21248
Juneau, AK 99802-1248
586-5500

Juneau Branch

238 Front Street
P.O. Box 21667
Juneau, AK 99802-1667
586-5400

Valley Centre Branch

8990 Glacier Hwy.
Juneau, AK 99801-8030
790-8000

KENAI

Kenai Branch

11408 Kenai Spur Hwy.
Kenai, AK 99611-7799
283-6800

KODIAK

Kodiak Branch

218 Center Avenue
P.O. Box 2517
Kodiak, AK 99615-2517
486-7900

PALMER

Palmer Branch

303 W. Evergreen Avenue
Palmer, AK 99645-6954
746-8900

SEWARD

Seward Branch

303 4th Avenue
P.O. Box 69
Seward, AK 99664-0069
224-4200

SITKA

Sitka Branch

318 Lincoln Street
Sitka, AK 99835-7545
747-7000

SOLDOTNA

Soldotna Branch

44501 Sterling Hwy.
Soldotna, AK 99669-7938
260-6000

VALDEZ

Valdez Branch

101 Egan Drive
P.O. Box 37
Valdez, AK 99686-0037
834-4800

WASILLA

Wasilla Branch

775 E. Parks Hwy.
Wasilla, AK 99654-8191
352-5900

Corporate Headquarters

101 W. 36th Avenue
Anchorage, AK 99503-5904

Operations Center

1751 Gambell Street
Anchorage, AK 99501-5324

