



2007
COMPARATIVE STATEMENTS OF CONDITION
AND STATEMENTS OF INCOME

2nd Quarter ❁ June 30



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Dear Shareholder,

This quarter's letter highlights three noteworthy topics impacting this condensed financial report.

Of first note, while total deposits decreased \$32 million when compared to June 30, 2006, securities sold under agreements to repurchase increased \$94 million as our customers continue to migrate toward our highest yielding products. The additional funding provided for asset growth of \$78 million over the same period last year. Increases in federal funds sold of \$45 million and outstanding loans of \$38 million headline this growth.

Secondly, with proposals for a possible gasline due later this year, and the possibility of a special legislative session to reconsider the tax on oil and gas companies doing business in Alaska this fall, it is difficult to predict the direction of our economy. As the future of oil and gas development is critical to our state economic health, we await with great interest the outcomes of these activities.

Finally, we historically see seasonal improvement in the performance of our loan portfolio during the second quarter. This quarter however, saw an increase in both delinquent and non-accrual loans, primarily in construction and land development. Management believes it has identified the material loans at risk and continues to undertake steps to strengthen them. It will take time for these credits to resolve and they will continue to be a drain on resources and income until then. Reflecting the increased level of non-performing loans and uncertainty regarding the direction of the Alaska economy, we have increased the Allowance for Loan Losses by \$4 million, raising it to \$17.5 million or 1.47% of loans.

Respectfully submitted,

Jason L. Roth, SVP
Financial Division

Directors

- D.H. Cuddy
Chairman and President
- Betsy Lawer
Vice Chair and Chief Operating Officer
- Maurice J. Coyle, M.D.
- Margy K. Johnson
- John T. Kelsey
- Loren H. Lounsbury
- George E. Gordon

- Nancy Jones
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
- 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)	June 30,	
Assets	2007	2006
Cash and cash equivalents:		
<i>Cash and due from banks</i>	\$90,543	\$79,612
<i>Federal funds sold</i>	115,922	71,300
Total cash and cash equivalents	206,465	150,912
Securities, available-for-sale	845,829	\$852,476
Real estate loans to be sold	9,075	14,170
Loans:		
<i>Commercial and industrial</i>	263,350	266,203
<i>Real estate</i>	883,840	846,099
<i>Consumer and other</i>	24,679	24,774
<i>Nontaxable state and political subdivision obligations</i>	16,305	13,271
Total loans, gross	1,188,174	1,150,347
Less: Allowance for loan losses	17,500	13,000
Total loans, net	1,170,674	1,137,347
Premises and equipment	47,116	45,911
Other assets	45,869	46,692
Total Assets	\$2,325,028	\$2,247,508
Liabilities And Shareholders' Equity		
Liabilities:		
Deposits:		
<i>Non-interest bearing</i>	\$595,420	\$598,378
Interest bearing:		
<i>Savings</i>	317,108	350,730
<i>NOW</i>	129,839	133,011
<i>Money market</i>	177,438	176,056
<i>Time</i>	139,659	133,392
Total interest bearing	764,044	793,189
Total deposits	1,359,464	1,391,567
Securities sold under agreements to repurchase	508,664	414,808
Capital lease obligations	219	319
Notes payable	3,269	3,680
Other liabilities	11,362	6,435
Total Liabilities	1,882,978	1,816,809
Shareholders Equity:		
Common stock, \$100 par value		
Authorized: 2007 and 2006 - 400,000 shares		
Issued: 2007 and 2006 - 344,759 shares)	34,476	34,476
Surplus	40,000	40,000
Retained earnings	370,629	365,108
Accumulated other comprehensive loss	(3,055)	(8,885)
Total Shareholders' Equity	442,050	430,699
Total Liabilities and Shareholders' Equity	\$2,325,028	\$2,247,508

Comparative Statements of Income (Unaudited)

(Dollars in thousands except per common share data)	For three months ending		For six months ending	
	June 30,		June 30,	
Interest Income	2007	2006	2007	2006
Interest and fees on loans	\$27,185	\$26,632	\$53,958	\$52,588
Interest and dividends on investment securities	9,920	8,057	19,346	15,661
Interest on federal funds sold	1,521	1,026	2,343	1,713
Total Interest And Loan Fee Income	38,626	35,715	75,647	69,962
Interest Expense				
Interest on deposits	4,222	3,758	8,344	7,266
Interest on federal funds purchased and securities sold under agreements to repurchase	5,881	4,325	11,164	7,975
Interest on notes payable and capital lease obligations	56	65	113	129
Total Interest Expense	10,159	8,148	19,621	15,370
Net Interest And Loan Fee Income	28,467	27,567	56,026	54,592
Provision for loan losses	3,903	(340)	4,198	672
Net Interest And Loan Fee Income After Provision For Loan Losses	24,564	27,907	51,828	53,920
Noninterest Income				
Bankcard fees	4,740	4,361	8,779	7,955
Service charges on deposit accounts	1,520	1,701	3,022	3,353
Gain on sale of mortgage loans	382	350	689	628
Mortgage loan servicing income	480	369	899	693
Other noninterest income	1,817	1,705	3,611	3,419
Total NonInterest Income	8,939	8,486	17,000	16,048
Noninterest Expense				
Salaries and employee benefits	10,827	10,100	21,339	20,123
Occupancy expense, net	1,735	1,751	3,631	3,505
Furniture and equipment expense	870	966	1,797	2,056
Bankcard expenses	3,877	3,653	7,130	6,874
Other noninterest expense	3,447	3,500	6,862	6,752
Total Noninterest Expense	20,756	19,970	40,759	39,310
Income Before Taxes	12,747	16,423	28,069	30,658
Provision for income taxes	4,513	6,210	10,156	10,570
Net Income	\$8,234	\$10,213	\$17,913	\$20,088
Earnings Per Common Share (not in thousands)	\$23.88	\$29.62	\$51.96	\$58.27
Cash Dividends Paid Per Common Share (not in thousands)	\$25.00	\$25.00	\$50.00	\$50.00