

**1** First National Bank  
 A L A S K A  
 P. O. Box 100720  
 Anchorage, AK 99510-0720



COMPARATIVE STATEMENTS OF CONDITION  
 AND STATEMENTS OF INCOME

[ 2nd Quarter  
 June 30 ]

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 ANCHORAGE, AK  
 PERMIT NO. 175



Dear Shareholder,



Second quarter results include the following financial and operational highlights:

- **Net Income** of \$10.1 million, or \$30.28 per share, compared with \$11.5 million, or \$33.46 per share reported in the second quarter 2008, a decrease of \$1.4 million. Net income in 2008 included a pretax \$2.7 million gain in June related to a MasterCard stock transaction that was nonrecurring.
- **Provision for Loan Losses** of \$1.4 million, compared to \$0.2 million in the second quarter 2008. The allowance for loan losses increased with additional losses anticipated in real estate loans.
- **Total Loans** of \$1.19 billion, slightly higher than levels from one year ago with growth in commercial lending. The current allowance for loan losses stands at \$21.75 million, compared with \$18.5 million as of June 30, 2008. The allowance represents 1.83% and 1.57% of loans as of the June quarter ends, respectively.
- **Total Deposits** of \$1.55 billion, as compared to \$1.34 billion at June 30, 2008. Customer confidence in the strength and security of First National Bank has been demonstrated through this national period of financial institution upheaval.
- Acquisition of an additional 94 shares of common stock under the Stock Repurchase Program. A total of \$155.1 thousand was paid during the quarter for an average price per share of \$1,650. Total authorization remaining for share acquisition as of June 30, 2009 is \$80.77 million. The program currently expires August 22, 2009.

Our capital strength and continued profitability provides the Bank considerable flexibility to pursue growth along all our business lines. We thank our employees, customers and shareholders for their continued support.

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  
 John T. Kelsey  
 Jane Cuddy Klopfer  
 Loren H. Lounsbury  
 Morton V. Plumb  
 Chief Operating Officer  
 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)

<small>(Dollars in thousands)</small>	JUNE 30,	
<b>ASSETS</b>	2009	2008
Cash and cash equivalents:		
Cash and due from banks	\$227,459	\$102,981
Federal funds sold and certificates of deposit	—	37,084
<b>Total cash and cash equivalents</b>	<b>227,459</b>	<b>140,065</b>
Securities:		
Available-for-sale (amortized cost: 2009 - \$984,440; 2008 - \$899,874) Held-to-maturity (fair value: 2009 - \$24,268; 2008 - \$0)	1,013,283	915,841
Real estate loans to be sold	23,000	—
Loans:	12,425	8,152
Commercial and industrial	268,733	248,319
Real estate	877,985	887,122
Consumer and other	19,899	23,557
Nontaxable states and political subdivision obligations	24,130	18,174
<b>Total loans, gross</b>	<b>1,190,747</b>	<b>1,177,172</b>
Less: Allowance for loan losses	21,750	18,500
<b>Total loans, net</b>	<b>1,168,997</b>	<b>1,158,672</b>
Premises and equipment, net	42,542	45,402
Other assets	54,215	51,641
<b>Total Assets</b>	<b>\$2,541,921</b>	<b>\$2,319,773</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

<b>Liabilities:</b>		
Deposits:		
Non-interest bearing	\$640,292	\$566,053
Interest bearing:		
Savings	383,978	312,092
NOW	155,396	132,470
Money market	183,475	186,344
Time	187,407	144,902
Total interest bearing	910,256	775,808
<b>Total deposits</b>	<b>1,550,548</b>	<b>1,341,861</b>
Securities sold under agreements to repurchase	519,787	496,818
Capital lease obligations	146	305
Notes payable, net	4,648	7,575
Other liabilities	9,687	9,036
<b>Total Liabilities</b>	<b>2,084,816</b>	<b>1,855,595</b>
<b>Shareholders' Equity:</b>		
Common stock, \$100 par value		
Authorized: 2009 and 2008 - 400,000 shares		
Issued: 2009 - 332,808 shares; 2008 - 344,759 shares)	33,281	34,476
Surplus	40,000	40,000
Retained earnings	366,838	380,299
Accumulated other comprehensive income	16,986	9,403
<b>Total Shareholders' Equity</b>	<b>457,105</b>	<b>464,178</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,541,921</b>	<b>\$2,319,773</b>

## COMPARATIVE STATEMENTS OF INCOME (Unaudited)

<small>(Dollars in thousands except per common share data)</small>	FOR THREE MONTHS ENDING JUNE 30,		FOR SIX MONTHS ENDING JUNE 30	
	2009	2008	2009	2008
<b>INTEREST INCOME AND LOAN FEES</b>				
Interest and fees on loans	\$21,138	\$21,706	\$40,973	\$44,599
Interest and dividends on investment securities	9,302	9,962	19,092	20,411
Interest on cash and cash equivalents	84	327	144	913
<b>Total Interest And Loan Fee Income</b>	<b>30,524</b>	<b>31,995</b>	<b>60,209</b>	<b>65,923</b>
<b>INTEREST EXPENSE</b>				
Interest on deposits	1,213	2,356	2,470	5,531
Interest on federal funds purchased and securities sold under agreements to repurchase	210	1,324	414	3,958
Interest on notes payable, capital lease obligations and other	42	51	85	102
<b>Total Interest Expense</b>	<b>1,465</b>	<b>3,731</b>	<b>2,969</b>	<b>9,591</b>
<b>Net Interest And Loan Fee Income</b>	<b>29,059</b>	<b>28,264</b>	<b>57,240</b>	<b>56,332</b>
Provision for loan losses	1,379	189	3,278	(857)
<b>Net Interest And Loan Fee Income After Provision For Loan Losses</b>	<b>27,680</b>	<b>28,075</b>	<b>53,962</b>	<b>57,189</b>
<b>NONINTEREST INCOME</b>				
Bankcard fees	4,100	4,421	7,655	8,263
Service charges on deposit accounts	1,388	1,487	2,769	2,942
Gain on sale of mortgage loans	673	399	1,401	844
Mortgage loan servicing income	714	589	1,478	1,154
Net gains on investment securities	26	43	26	118
Other noninterest income	1,776	4,424	3,438	9,490
<b>Total NonInterest Income</b>	<b>8,677</b>	<b>11,363</b>	<b>16,767</b>	<b>22,811</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	10,992	10,815	22,176	21,428
Occupancy expense, net	1,688	1,910	3,605	3,807
Furniture and equipment expense	715	834	1,469	1,661
Bankcard expenses	3,570	3,815	6,403	6,997
Other noninterest expense	4,307	4,259	7,892	8,625
<b>Total Noninterest Expense</b>	<b>21,272</b>	<b>21,633</b>	<b>41,545</b>	<b>42,518</b>
<b>Income Before Taxes</b>	<b>15,085</b>	<b>17,805</b>	<b>29,184</b>	<b>37,482</b>
Provision for income taxes	5,004	6,268	9,578	13,455
<b>Net Income</b>	<b>\$10,081</b>	<b>\$11,537</b>	<b>\$19,606</b>	<b>\$24,027</b>
<b>Earnings Per Common Share</b> <small>(not in thousands)</small>	<b>\$30.28</b>	<b>\$33.46</b>	<b>\$58.58</b>	<b>\$69.69</b>
<b>Cash Dividends Paid Per Common Share</b> <small>(not in thousands)</small>	<b>\$25.00</b>	<b>\$25.00</b>	<b>\$50.00</b>	<b>\$50.00</b>