

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

[3rd Quarter
 September 30]

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Dear Shareholder,



Third quarter results include the following financial and operational highlights:

- **Net Income** of \$10.6 million, or \$31.82 per share, compared with \$10.2 million, or \$29.55 per share, reported in the third quarter 2008, an increase of \$0.4 million.
- **Provision for Loan Losses** of \$1.8 million, compared to \$1.0 million in the third quarter 2008. The allowance for loan losses increased with additional losses anticipated in real estate loans.
- **Total Loans** of \$1.17 billion, as compared to \$1.19 billion from one year ago with declines in commercial lending offset by growth in real estate loans. **The current allowance for loan losses** stands at \$23.0 million, compared with \$17.0 million as of September 30, 2008. The allowance represents 1.96% and 1.42% of loans for the third quarter ended 2009 and 2008, respectively.
- **Total Deposits** of \$1.61 billion, as compared to \$1.48 billion at September 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 754 shares of common stock under the **Stock Repurchase Program**. A total of \$1,262.3 million was paid during the quarter for an average price per share of \$1,674. The program expired August 22, 2009.

Throughout this period of economic recession, the Bank has been able to maintain capital strength and profitability, allowing the bank to continue to provide an array of services. 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)

<i>(Dollars in thousands)</i>	SEPTEMBER 30,	
	2009	2008
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$108,111	\$181,240
Federal funds sold and certificates of deposit	—	80,000
Total cash and cash equivalents	108,111	261,240
Securities:		
Available-for-sale (amortized cost: 2009 - \$1,207,763; 2008 - \$938,017) Held-to-maturity (fair value: 2009 - \$24,343; 2008 - \$0)	1,237,434	951,010
Real estate loans to be sold	23,000	—
Loans:	9,597	10,805
Commercial and industrial	225,330	253,830
Real estate	910,902	894,694
Consumer and other	19,890	23,403
Nontaxable states and political subdivision obligations	17,430	21,264
Total loans, gross	1,173,552	1,193,191
Less: Allowance for loan losses	23,000	17,000
Total loans, net	1,150,552	1,176,191
Premises and equipment, net	42,236	44,034
Other assets	51,645	51,740
Total Assets	\$2,622,575	\$2,495,020

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits:		
Non-interest bearing	\$700,180	\$628,767
Interest bearing:		
Savings	398,945	362,738
NOW	159,689	145,829
Money market	184,855	193,047
Time	166,364	152,222
Total interest bearing	909,853	853,836
Total deposits	1,610,033	1,482,603
Securities sold under agreements to repurchase	538,481	531,672
Capital lease obligations	125	268
Notes payable, net	4,689	7,622
Other liabilities	10,643	8,858
Total Liabilities	2,163,971	2,031,023
Shareholders' Equity:		
Common stock, \$100 par value		
Authorized: 2009 and 2008 - 400,000 shares		
Issued: 2009 - 332,054 shares; 2008 - 344,759 shares)	33,205	34,476
Surplus	40,000	40,000
Retained earnings	367,926	381,869
Accumulated other comprehensive income	17,473	7,652
Total Shareholders' Equity	458,604	463,997
Total Liabilities and Shareholders' Equity	\$2,622,575	\$2,495,020

COMPARATIVE STATEMENTS OF INCOME (Unaudited)

<i>(Dollars in thousands except per common share data)</i>	FOR THREE MONTHS ENDING SEPTEMBER 30,		FOR NINE MONTHS ENDING SEPTEMBER 30	
	2009	2008	2009	2008
INTEREST INCOME AND LOAN FEES				
Interest and fees on loans	\$20,442	\$21,405	\$61,415	\$66,004
Interest and dividends on investment securities	10,008	9,675	29,100	30,086
Interest on cash and cash equivalents	75	449	219	1,362
Total Interest And Loan Fee Income	30,525	31,529	90,734	97,452
INTEREST EXPENSE				
Interest on deposits	1,141	2,445	3,611	7,976
Interest on federal funds purchased and securities sold under agreements to repurchase	250	1,128	664	5,086
Interest on notes payable, capital lease obligations and other	41	50	126	152
Total Interest Expense	1,432	3,623	4,401	13,214
Net Interest And Loan Fee Income	29,093	27,906	86,333	84,238
Provision for loan losses	1,797	1,020	5,075	163
Net Interest And Loan Fee Income After Provision For Loan Losses	27,296	26,886	81,258	84,075
NONINTEREST INCOME				
Bankcard fees	5,165	5,453	12,820	13,716
Service charges on deposit accounts	1,450	1,409	4,219	4,351
Gain on sale of mortgage loans	421	253	1,822	1,097
Mortgage loan servicing income	611	590	2,089	1,744
Net gains on investment securities	—	—	26	118
Other noninterest income	2,185	2,185	5,623	11,675
Total Noninterest Income	9,832	9,890	26,599	32,701
NONINTEREST EXPENSE				
Salaries and employee benefits	10,846	10,602	33,022	32,030
Occupancy expense, net	1,721	1,569	5,326	5,376
Furniture and equipment expense	712	798	2,181	2,459
Bankcard expenses	4,173	4,402	10,576	11,399
Other noninterest expense	3,887	3,786	11,779	12,411
Total Noninterest Expense	21,339	21,157	62,884	63,675
Income Before Taxes	15,789	15,619	44,973	53,101
Provision for income taxes	5,214	5,430	14,792	18,885
Net Income	\$10,575	\$10,189	\$30,181	\$34,216
Earnings Per Common Share <small>(not in thousands)</small>	\$31.82	\$29.55	\$90.40	\$99.25
Cash Dividends Paid Per Common Share <small>(not in thousands)</small>	\$25.00	\$25.00	\$75.00	\$75.00