



P. O. Box 100720
Anchorage, AK 99510-0720

2010

COMPARATIVE STATEMENTS OF CONDITION
AND STATEMENTS OF INCOME

2nd Quarter **June 30**

Strength signals safety.



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PERMIT NO. 175

Dear Shareholder,



Second quarter results include the following financial and operational highlights:

- **Second quarter 2010** net income of \$9.8 million, or \$29.41 earnings per share, compared to net income of \$10.1 million, or \$30.28 earnings per share, reported during the second quarter 2009.
- **Net interest margin** on a tax-equivalent basis of 4.28%, compared to 4.88% reported during the six months ended June 30, 2009. Second quarter 2010 net interest margin on a tax-equivalent basis of 4.20%, compared to 4.85% reported during the second quarter 2009.
- **Provision for loan losses** recorded at a net recovery of \$0.2 million, compared to a net charge of \$1.4 million recorded during the second quarter 2009.
- **Net loans** increased \$7.2 million for the quarter ended June 30, 2010 and increased \$11.5 million year over year to \$1.2 billion. The allowance for loan losses remained unchanged at \$18.0 million.
- **Delinquent and nonaccrual loans** decreased \$33.3 million to \$54.1 million as of June 30, 2010, compared to \$87.4 million as of June 30, 2009.
- **Deposits** declined \$66.5 million during the second quarter 2010 to \$1.6 billion, as significant short term deposits from the first quarter exited during the second quarter.
- **Total shareholders' equity** of \$457.1 million equates to a total capital ratio of 26.88% as of June 30, 2010; the bank continues to be well above thresholds required for "well capitalized" institutions.
- **The Board of Directors**, subject to the approval of the OCC,* declared a special dividend as well as fourth quarter 2010 and first quarter 2011 dividends at the regularly scheduled board meeting on July 22, 2010. Please see the press release and Form 8K on the bank's website at www.fnbalaska.com for further information.

As our economy at both the state and national levels continues to remain tentative, First National Bank Alaska continues to post solid, consistent earnings and maintain loan and deposit levels demonstrating our ability to support loan demand and provide safety to our depositors.

Respectfully submitted,

Jason L. Roth
Senior Vice President

* Office of the Comptroller of the Currency

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

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>	JUNE 30,	
	2010	2009
ASSETS		
Cash and due from banks	\$201,508	\$227,459
Securities:		
<i>Available-for-sale (amortized cost: 2010 - \$1,102,740; 2009 - \$984,440)</i>	1,127,717	1,013,283
<i>Held-to-maturity (fair value: 2010 - \$23,811; 2009 - \$24,268)</i>	23,000	23,000
Real estate loans to be sold	14,953	12,425
Loans:		
<i>Commercial and industrial</i>	257,638	268,733
<i>Real estate</i>	903,233	877,985
<i>Consumer and other</i>	19,864	19,899
<i>Nontaxable states and political subdivision obligations</i>	17,778	24,130
Total loans, gross	1,198,513	1,190,747
Less: Allowance for loan losses	18,000	21,750
Total loans, net	1,180,513	1,168,997
Premises and equipment, net	41,887	42,542
Other real estate owned, net	16,570	9,706
Other assets	45,166	44,509
Total Assets	\$2,651,314	\$2,541,921

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits:		
Non-interest bearing	\$700,892	\$640,292
<i>Interest bearing:</i>		
<i>Savings</i>	443,037	383,978
<i>NOW</i>	163,394	155,396
<i>Money market</i>	178,515	183,475
<i>Time</i>	160,108	187,407
Total interest bearing	945,054	910,256
Total deposits	1,645,946	1,550,548
Securities sold under agreements to repurchase	538,498	519,787
Federal fund purchased	—	—
Capital lease obligations	88	146
Notes payable	1,977	4,648
Dividend declared	—	—
Other liabilities	7,723	9,687
Total Liabilities	2,194,232	2,084,816
Shareholders' Equity:		
<i>Common stock, \$100 par value</i>		
<i>Authorized: 2010 and 2009 - 400,000 shares</i>		
<i>Issued: 2010 - 332,054 shares; 2009 - 332,808 shares)</i>	33,205	33,281
Surplus	40,000	40,000
Retained earnings	369,168	366,838
Accumulated other comprehensive income (loss)	14,709	16,986
Total Shareholders' Equity	457,082	457,105
Total Liabilities and Shareholders' Equity	\$2,651,314	\$2,541,921

COMPARATIVE STATEMENTS OF INCOME *(Unaudited)*

<i>(Dollars in thousands except per common share data)</i>	FOR THREE MONTHS ENDING JUNE 30,		FOR SIX MONTHS ENDING JUNE 30,	
	2010	2009	2010	2009
INTEREST INCOME AND LOAN FEES				
Interest and fees on loans	\$20,102	\$21,138	\$39,708	\$40,973
Interest and dividends on investment securities	8,327	9,302	17,231	19,092
Interest on cash and cash equivalents	114	84	198	144
Total Interest And Loan Fee Income	28,543	30,524	57,137	60,209

INTEREST EXPENSE

Interest on deposits	837	1,213	1,668	2,470
Interest on federal funds purchased and securities sold under agreements to repurchase	178	210	350	414
Interest on notes payable, capital lease obligations and other	34	42	68	85
Total Interest Expense	1,049	1,465	2,086	2,969
Net Interest And Loan Fee Income	27,494	29,059	55,051	57,240
Provision for loan losses	(226)	1,379	525	3,278
Net Interest And Loan Fee Income After Provision For Loan Losses	27,270	27,680	54,526	53,962

NONINTEREST INCOME

Bankcard fees	4,410	4,100	8,381	7,655
Service charges on deposit accounts	1,256	1,388	2,488	2,769
Gain on sale of mortgage loans	299	673	639	1,401
Mortgage loan servicing income	567	714	1,163	1,478
Net gains on investment securities	—	26	138	26
Other noninterest income	2,229	1,776	3,940	3,438
Total NonInterest Income	8,761	8,677	16,749	16,767

NONINTEREST EXPENSE

Salaries and employee benefits	11,223	10,992	22,435	22,176
Occupancy expense, net	1,676	1,688	3,359	3,605
Furniture and equipment expense	822	715	1,602	1,469
Bankcard expenses	3,544	3,570	6,583	6,403
Other noninterest expense	4,573	4,307	8,598	7,892
Total Noninterest Expense	21,838	21,272	42,577	41,545
Income Before Taxes	14,643	15,085	28,698	29,184
Provision for income taxes	4,879	5,004	9,530	9,578

Net Income	\$9,764	\$10,081	\$19,168	\$19,606
Earnings Per Common Share <i>(not in thousands)</i>	\$29.41	\$30.28	\$57.73	\$58.58
Cash Dividends Paid Per Common Share <i>(not in thousands)</i>	\$25.00	\$25.00	\$50.00	\$50.00

