

2010

COMPARATIVE STATEMENTS OF CONDITION
 AND STATEMENTS OF INCOME

3rd Quarter **September 30**

Strength signals safety.



1 First National Bank
A L A S K A MEMBER FDIC

Dear Shareholder,



Third quarter results include the following financial and operational highlights:

- Third quarter 2010 net income of \$10.6 million, or \$31.84 earnings per share, compared to net income of \$10.6 million, or \$31.82 earnings per share, reported during the third quarter 2009.
- Net interest margin on a tax-equivalent basis of 4.24% for the nine months ended September 30, 2010, compared to 4.77% reported during the nine months ended September 30, 2009. Third quarter 2010 net interest margin on a tax-equivalent basis of 4.15%, compared to 4.54% reported during the third quarter 2009.
- Provision for loan losses recorded at a net recovery of \$45 thousand, compared to a net charge of \$1.8 million recorded during the third quarter 2009.
- Net loans increased \$12.5 million during the nine months ended September 30, 2010 compared to an increase of \$27.6 million year over year to \$1.2 billion. The allowance for loan losses decreased \$2.0 to \$16.0 million as of September 30, 2010.
- Delinquent and nonaccrual loans decreased \$31.4 million to \$44.5 million as of September 30, 2010, compared to \$75.9 million as of September 30, 2009.
- Deposits increased \$103.7 million during the third quarter 2010 to \$1.7 billion from \$1.6 billion as of June 30, 2010.
- Total shareholders' equity decreased \$37.2 million to \$419.9 million equated to a total capital ratio of 23.93% as of September 30, 2010. The bank remains well above thresholds required for "well capitalized" institutions. The decrease resulted primarily from both a special dividend declaration and fourth quarter dividend declarations of \$33.2 million and \$8.3 million, respectively.

As our economy at both the state and national levels continues to be tentative, First National Bank Alaska remains safe and sound, posting consistent earnings and maintaining loan and deposit levels that demonstrate our ability to support loan demand and provide safety to our depositors.

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
 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> ASSETS	SEPTEMBER 30,	
	2010	2009
Cash and cash equivalents:		
Cash and due from banks	\$191,460	\$108,111
Federal funds sold and certificates of deposit	—	—
Total cash and cash equivalents	191,460	108,111
Securities:		
Available-for-sale (amortized cost: 2010 - \$1,255,013; 2009 - \$1,207,764)	1,283,398	1,237,434
Held-to-maturity (fair value: 2010 - \$23,574; 2009 - \$24,343)	23,000	23,000
Real estate loans to be sold	14,394	9,597
Loans:		
Commercial and industrial	251,533	225,330
Real estate	905,472	910,902
Consumer and other	19,078	19,890
Nontaxable states and political subdivision obligations	18,086	17,430
Total loans, gross	1,194,169	1,173,552
Less: Allowance for loan losses	16,000	23,000
Total loans, net	1,178,169	1,150,552
Premises and equipment, net	41,911	42,236
Other real estate owned, net	18,973	10,070
Other assets	43,615	41,575
Total Assets	\$2,794,920	\$2,622,575

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits:		
Non-interest bearing	\$769,797	\$700,180
Interest bearing:		
Savings	454,089	398,945
NOW	178,133	159,689
Money market	191,516	184,855
Time	156,094	166,364
Total interest bearing	979,832	909,853
Total deposits	1,749,629	1,610,033
Securities sold under agreements to repurchase	546,068	538,481
Federal fund purchased	25,000	—
Capital lease obligations	75	125
Notes payable	2,010	4,689
Dividend declared	41,507	—
Other liabilities	10,777	10,643
Total Liabilities	2,375,066	2,163,971
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	329,933	367,926
Accumulated other comprehensive income (loss)	16,716	17,473
Total Shareholders' Equity	419,854	458,604
Total Liabilities and Shareholders' Equity	\$2,794,920	\$2,622,575

COMPARATIVE STATEMENTS OF INCOME (Unaudited)

<small>(Dollars in thousands except per common share data)</small>	FOR THREE MONTHS ENDING SEPTEMBER 30,		FOR NINE MONTHS ENDING SEPTEMBER 30,	
	2010	2009	2010	2009
INTEREST INCOME AND LOAN FEES				
Interest and fees on loans	\$20,882	\$20,442	\$60,590	\$61,415
Interest and dividends on investment securities	8,020	10,008	25,251	29,100
Interest on cash and cash equivalents	113	75	311	219
Total Interest And Loan Fee Income	29,015	30,525	86,152	90,734
INTEREST EXPENSE				
Interest on deposits	756	1,141	2,424	3,611
Interest on federal funds purchased and securities sold under agreements to repurchase	181	250	531	664
Interest on notes payable, capital lease obligations and other	35	41	103	126
Total Interest Expense	972	1,432	3,058	4,401
Net Interest And Loan Fee Income	28,043	29,093	83,094	86,333
Provision for loan losses	(45)	1,797	480	5,075
Net Interest And Loan Fee Income After Provision For Loan Losses	28,088	27,296	82,614	81,258
NONINTEREST INCOME				
Bankcard fees	5,752	5,165	14,133	12,820
Service charges on deposit accounts	1,237	1,450	3,725	4,219
Gain on sale of mortgage loans	457	421	1,096	1,822
Mortgage loan servicing income	722	611	1,885	2,089
Net gains on investment securities	—	—	138	26
Other noninterest income	1,693	2,185	5,633	5,623
Total NonInterest Income	9,861	9,832	26,610	26,599
NONINTEREST EXPENSE				
Salaries and employee benefits	11,070	10,846	33,505	33,022
Occupancy expense, net	1,604	1,721	4,963	5,326
Furniture and equipment expense	881	712	2,483	2,181
Bankcard expenses	4,000	4,173	10,583	10,576
Other noninterest expense	4,180	3,887	12,778	11,779
Total Noninterest Expense	21,735	21,339	64,312	62,884
Income Before Taxes	16,214	15,789	44,912	44,973
Provision for income taxes	5,640	5,214	15,170	14,792
Net Income	\$10,574	\$10,575	\$29,742	\$30,181
Earnings Per Common Share <small>(not in thousands)</small>	\$31.84	\$31.82	\$89.57	\$90.40
Cash Dividends Paid Per Common Share <small>(not in thousands)</small>	\$25.00	\$25.00	\$75.00	\$75.00

