



2012 ANNUAL HIGHLIGHTS

The local touch.

For the last 90 years, a big component of First National's success has been our experience, and knowledge of the opportunities and challenges presented by our state's economy. No one knows Alaska like we do, and this local expertise has helped transform us into a community bank with the strength of \$3.0 billion in assets.

Every transaction, from the smallest depositor to the largest loan customer, begins with a person-to-person connection. These local relationships are the bedrock of First National's success, because they translate into customers who appreciate the convenience, service and value that we bring to the table.

First National's Healy Branch served its community and Alaska with distinction. The U.S. Mint asked the branch, the only banking services provider in the area, to be the official exchange bank for the release of the new Denali National Park Quarter. Immediately after the launch by the mint and the National Park Service, enthusiasts from across the state and the Lower 48 lined up at the branch to be the first in the nation to get the new quarter. The branch exchanged 12,000 quarters in an hour and a half.



Like the one in Healy, the bank's other 29 branches are a tangible, visible expression of First National's involvement in the communities we serve. It's just one more example of how the local touch plays an important role in the everyday lives of our customers and their personal and business success.



We know that Alaska isn't just one economy — every region, every community has its own character that makes local knowledge not just desirable, but essential to the success of a business. Only those who live and work in these communities, like we do, really understand their distinctive elements.

The local touch. It's an important part of the bottom line for our customers and our bank. Important enough to put it in our name. We're First National Bank **Alaska**.

Making a difference locally

First National Bank Alaska gave more than a million dollars last year to hundreds of community groups and charitable organizations, such as Alaska Public Radio Network and United Way.

Photo left: Employee Mark Stearns turned radio personality to help APRN encourage listeners to match the bank's challenge grant. **Photo right:** Bank president D.H. Cuddy, whose mother chaired the first United Way fundraising drive in Alaska, gave UW president Michele Brown a presentation check for more than \$200,000 while employee campaign coordinators Rene Riddick, Gavin Graham and Cheri Gillian looked on. The employee part of that contribution was more than \$90,000, a special goal for the bank's 90th year, and an all-time high.

Chairman's Message



Fiscal year 2012 began with celebration of our bank's 90th anniversary. I am proud of the exclamation point we put on this milestone year with continued growth and strong income performance. These results generated value for shareholders, customers, employees, and communities served across this great state. Our bank's total year-end assets exceeded the \$3.0 billion mark, customer deposits exceeded \$2.5 billion, and loans to Alaskans exceeded \$1.2 billion — all for the first time. Net income of \$40.0 million exceeded 2011 net income of \$34.8 million by 15 percent. Our capital level, exceeding \$460 million, continues to place us among the strongest of all national banks. First National's strength and security will help

us provide consistent, high quality banking services to Alaskans for many more decades.

In June, the bank completed the deregistration process for its common stock. Accordingly, we were able to reduce the staff time and other external resources required for public company shareholder reporting. Resources previously devoted to "rear view mirror" reporting have been redirected to higher-value activities. This forward-looking action will improve our budgeting and forecasting capabilities, interest rate modeling, and profitability analyses, driving improvement in future shareholder value.

After deregistration, the bank's common stock continued to trade over the counter and the share repurchase program was unaffected. Quarterly and annual financial performance is reported and posted on the

bank's website for shareholder information.

The banking industry operates in a challenging environment. Low interest rates reduce operating margins from core banking activities; the regulatory environment adds cost to even the best-managed banks. First National Bank Alaska operates on a solid banking model that favors sound fundamental performance, effective risk management, strong sources of noninterest income and effective operating cost oversight. These fundamentals serve all stakeholders well. I'm pleased to share that just recently the bank was included in "*America's 100 Most Trustworthy Companies*" by Forbes Magazine, reinforcing what our customers, employees, and shareholders already know.

D.H. Cuddy

D.H. Cuddy
Chairman and President



Financial highlights

In its 90th year, First National Bank Alaska reached a number of financial milestones, recording all-time highs in assets, loans, and deposits, maintaining its position as one of the nation's strongest banks.

Assets topped \$3.0 billion for the first time in bank history, growing by \$145.4 million, a 5 percent increase. Loan growth was stronger than anticipated in 2012, climbing to \$1.2 billion, a \$97.4 million increase over last year. Deposits with repurchase agreements grew to \$2.5 billion, a 5 percent improvement, with increases statewide.

Net income rose to \$40.0 million, up 15 percent over 2011. Significant increases in deposit and loan volumes offset the effects of continued low interest rates, leading to a strong year for the bank.

The focus on increased loan portfolio quality paid off for shareholders by limiting bank charge-offs. Indeed, in 2012, the bank had net recoveries instead of loan losses.

Non-interest income held steady, thanks in large part to the outstanding performance in mortgage loan origination. Number of loans increased by 67 percent last year over the previous year, and dollar volume of loans grew 76 percent to \$307.7 million. Non-interest expense decreased with senior management's focus on increased efficiencies.

Until questions about resource development are answered, the trajectory of Alaska's economy remains an area of concern across the state. Many customers report cautious optimism but still hold a "wait-and-see" attitude. Against this backdrop, bank management and directors remain confident that First National has the strategies in place to succeed as we head toward the bank's century mark, offering Alaskans banking services with a "local touch."

STATEMENTS OF CONDITION

(Dollars in thousands)

ASSETS

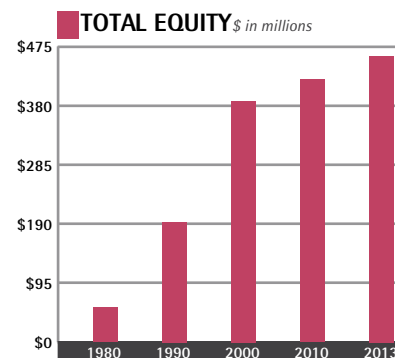
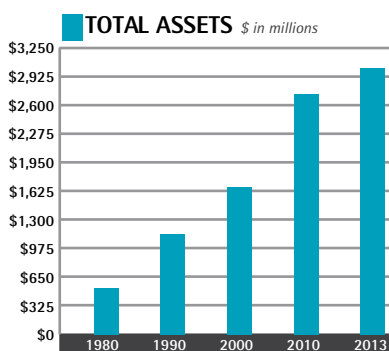
	DECEMBER 31	
	2012	2011
Cash and cash equivalents	\$118,506	\$62,129
Securities, available-for-sale	1,543,451	1,553,675
Real estate loans to be sold	31,493	24,161
Loans:		
Commercial and industrial	242,102	231,438
Real estate	979,906	890,527
Consumer and other	17,791	20,445
Total Loans, Gross	1,239,799	1,142,410
Less: Allowance for loan losses	12,250	12,250
Total Loans, Net	1,227,549	1,130,160
Premises and equipment	43,645	41,961
Other real estate owned	14,418	17,910
Other assets	36,553	40,178
Total Assets	\$3,015,615	\$2,870,174

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits:		
Non-interest bearing	\$958,996	\$849,410
Interest bearing:		
Savings	607,533	566,960
NOW	183,524	177,533
Money market	176,352	197,841
Time	132,114	139,381
Total interest bearing	1,099,523	1,081,715
Total Deposits	2,058,519	1,931,125
Securities sold under agreements to repurchase	484,195	483,198
Capital lease obligations	221	9
Notes payable	551	1,021
Other liabilities	12,006	10,553
Total Liabilities	2,555,492	2,425,906
Shareholders' Equity:		
Common stock, \$100 par value		
(Authorized shares: 2012 and 2011 - 400,000 shares)		
(Issued shares: 2012 - 324,855; 2011 - 329,809 shares)	32,486	32,981
Surplus	40,000	40,000
Retained earnings	371,851	355,495
Accumulated other comprehensive income	15,786	15,792
Total Shareholders' Equity	460,123	444,268
Total Liabilities And Shareholders' Equity	\$3,015,615	\$2,870,174

A year of milestones

In its 90th year, First National reached new levels in important financial indicators. This strength and sustained growth is a testament to the strong vision of the bank's board and management.



STATEMENTS OF INCOME

(Dollars in thousands)

INTEREST INCOME AND LOAN FEES

	DECEMBER 31, 2012	2011
Interest and fees on loans	\$79,946	\$78,455
Interest and dividends on investment securities	27,583	28,202
Interest on cash and cash equivalents	209	335
Total Interest And Loan Fee Income	107,738	106,992

INTEREST EXPENSE

Interest on deposits	1,653	2,404
Interest on federal funds purchased and securities sold under agreements to repurchase	636	665
Interest on notes payable, capital lease obligations and other	71	103
Total Interest Expense	2,360	3,172

Net Interest And Loan Fee Income

	105,378	103,820
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Provision for loan losses	(1,075)	1,242
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Net Interest And Loan Fee Income After Provision For Loan Losses

	106,453	102,578
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NONINTEREST INCOME

Bankcard fees	19,852	20,399
Service charges on deposit accounts	3,758	4,239
Gain on sale of mortgage loans	2,608	1,850
Mortgage loan servicing income	3,595	2,558
Net gains on investment securities	176	795
Other noninterest income	6,606	6,542
Total Noninterest Income	36,595	36,383

NONINTEREST EXPENSE

Salaries and employee benefits	45,083	45,007
Occupancy expense, net	7,238	7,213
Furniture and equipment expense	2,026	2,411
Bankcard expenses	12,506	13,932
Other noninterest expense	15,681	19,292
Total Noninterest Expense	82,534	87,855

Income Before Taxes

	60,514	51,106
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Provision for income taxes	20,477	16,265
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Net Income

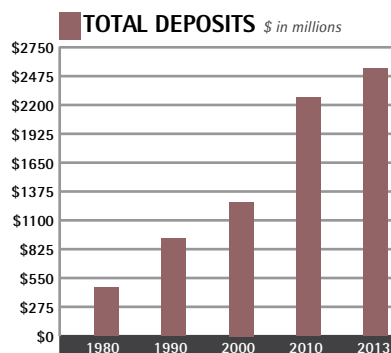
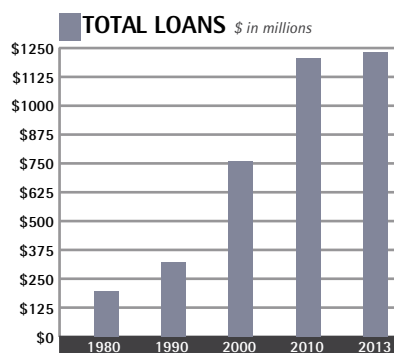
	\$40,037	\$34,841
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Earnings per common share (not in thousands)

	\$122.51	\$105.17
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Cash Dividends Paid Per Common Share (not in thousands)

	\$50.00	\$50.00
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Loan Officer Jenny Mahlen of Golden Valley Branch in Fairbanks discusses banking services with Rita Bishop, a 30-year customer, and co-owner of Bishop's Jewelry Gallery with her husband, Bill. The business turns precious metals into custom jewelry for their clientele.

Mining activity, along with North Slope support work and steady federal and state spending in the area, contributed to a good year in the Fairbanks region, with loans and deposits up 17 and 19 percent respectively.

Senior Vice President and Regional Manager Bill Renfrew looks forward to good things from the Healy Branch, saying "the bank is starting to enjoy the benefits of our willingness to open a branch in Healy."



Major construction of the new North Star Branch, injecting more than \$2.1 million into the local economy, took place in 2012, with the opening early in 2013 on Joint Base Elmendorf-Richardson. The branch boasts the latest in staff and customer efficiencies and convenience, including the first customer kiosk for routine transactions.



Photo right: Loan Officer Jaime Kissner and Alaska Excursions owner Robert Murphy walk along the Juneau waterfront during the busy tourism season. Regional Manager Luke Fanning's strategy of maintaining attention on established clients, like those in the visitor industry, and expanding into new geographical areas and types of businesses resulted in a \$10.8 million increase in loans.

First National's long-term commitment to convenience, service and value, already deeply ingrained in the bank's culture, was evident in performance and outcomes all across the bank.

Local touch generates growth

Ninety years of experience in the Alaska economy coupled with the flexibility to respond quickly to loan requests proved to be a real strength during 2012. Despite a highly competitive environment, First National's lending teams generated an 8 percent increase in loans over the previous year. A full 61 percent of the total increase in loans was realized in regions outside Anchorage, with increases of \$42.8 million in Fairbanks, \$15.8 million on the Kenai Peninsula, and \$10.8 million in Alaska's Southeast region.

Corporate lenders enjoyed their own success, generating an uptick of \$37 million in loans in Anchorage.

We know that living and working in the communities we serve gives our employees a unique knowledge of local economies, a valuable commodity customers appreciate and to which they respond. As Senior Vice President Doug Longacre put it, "Over and over we hear from our customers that they value the benefits we offer them as a community bank. They get fast decision-making from their banker—neighbors genuinely interested in

their success and who understand their challenges. But they also have local access to a bank with the capital to meet their largest needs right now."

Strength undoubtedly also played a role in the deposit growth seen in 2012. Across Alaska, bank branches enjoyed increased deposits during the reporting period, with 67 percent of the total increase seen in branches outside Anchorage. First National consistently outperformed all other Alaska banks in deposit growth, a testament to the value of First National's position as one the nation's strongest and most secure financial institutions.

But loans and deposits are not the only services that attract and generate loyal customers. Customers expected easier access to their bank account information—whenever and wherever they wanted it. And that's what they got.

Increased customer convenience

During the year, teams of bank employees diligently worked to plan, implement and roll out a variety of service enhancements or additions to increase customer convenience and lead to greater customer satisfaction.

For instance, when the military base commissary in Anchorage moved to its current new location, bank management began looking for a site closer to where our customers were shopping and spend-

ing their time in order to better serve Alaska's military members, as we have for 70 years.

Groundbreaking for the bank's newest facility took place on Joint Base Elmendorf Richardson (JBER) in August 2012, with major construction occurring during the third and fourth quarters. The relocation of First National's existing branch, opened at the start of 2013 in a new building, made banking much more convenient for those living and working on JBER.

The new 3,950 square-foot branch building is located adjacent to the Joint Military Mall and Commissary and other businesses frequented by base personnel. With the new building comes a new branch name—the North Star Branch.

Another new offering allows customers to securely access personal account information and perform transactions through their now ever-present mobile devices. Named **FNBApp**, the latest and greatest technology deployed by the bank's experts turns customers' smartphones into their closest "branch."

Using a downloadable app, mobile web access, or text messaging—or all three—First National customers can check balances, transfer money between accounts, pay bills, and even find the closest friendly First National customer service desk, staffed by a real Alaskan, just by logging into their smartphones. The early 2013 roll-out of this highly

popular form of banking was planned, developed and implemented by a cross-divisional team of knowledgeable bank employees during 2012's third and fourth quarters.

First National spent considerable time and resources last year enhancing and upgrading other electronic consumer and business banking services.

Enhanced service adds value

Besides a new look and easy-to-use screens, consumer online banking now offers more budgeting tools, improved Bill Pay, and e-Statements.

Enthusiastic branch employees personified the "Local Touch" when they introduced this enhanced suite of e-services wearing custom "Be More" t-shirts, and explaining how using the online banking services helps our Alaska neighbors "Be More" efficient, secure and green.

An upgrade to Business Online Banking delivered much more than a new look and feel. Business customers now enjoy access to multiple accounts from one screen, more account history, easier and faster user administration, along with expanded cash management tools.

The bank also substantially improved the bank-by-phone system, expanding menu options and upgrading technology.

First National expects to reap multiple rewards from this investment in technology. First, we expect to generate greater satisfaction and build increased loyalty among existing customers. We also intend to attract new customers by demonstrating that there's no substitute for the experience and commitment of the friendly Alaskans who provide the customer support, or "local touch," behind these electronic banking services. Finally, when customers take advantage of these tools to simplify and streamline their banking transactions, First National enjoys internal efficiencies that lead to long-term cost savings.

That's a win-win-win.

Employees bank wide helped spread the news about the convenience and security of our enhanced consumer online banking services. The "Be More..." campaign touted e-services such as improved Bill Pay, new budgeting tools, and e-Statements.



Board of Directors (as of March 2013)



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Betsy Lawer
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Regional Governing Board
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Artist



George Gordon
Retired
Private Utility Manager



Margy Johnson
Oncology Marketing Director
Providence Alaska Medical Center



Jane Klopfer
Co-Owner
Snow Goose Restaurant



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Regional Manager
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Loan Servicing Division



Ryan Strong
Senior Vice President
Mortgage Lending Division



Craig Thorn
Senior Vice President
Regional Manager
Mat-Su Region



Charles Weimer
Senior Vice President
Regional Manager
Combined Region

Branches

ANCHORAGE BRANCHES

777-4362

Dimond Branch

8725 Old Seward Hwy.
P.O. Box 200588
Anchorage, AK 99520-0588

Eastchester Branch

1821 Gambell Street
P.O. Box 200029
Anchorage, AK 99520-0029

Federal Branch

222 W. 7th Avenue
P.O. Box 40113
Anchorage, AK 99510-0413

Main Branch

646 W. 4th Avenue
P.O. Box 100720
Anchorage, AK 99510-0720

Muldoon Branch

1100 Muldoon Road
P.O. Box 200748
Anchorage, AK 99520-0748

Northern Lights Branch

1210 W. Northern Lights Blvd.
P.O. Box 200668
Anchorage, AK 99520-0668

North Star Branch

5850 Westover Avenue
JBER, AK 99506-1603

Parkway Branch

5305 E. Northern Lights Blvd.
P.O. Box 200788
Anchorage, AK 99520-0788

South Center Branch

201 W. 36th Avenue
P.O. Box 200628
Anchorage, AK 99520-0628

BETHEL

Kuskokwim Branch

700 Front Street
P.O. Box 286
Bethel, AK 99559-0286
543-7650

CORDOVA

Cordova Branch

528 First Street
P.O. Box 360
Cordova, AK 99574-0360
424-6700

EAGLE RIVER

Eagle River Branch

11412 Business Blvd.
Eagle River, AK 99577-7720
689-5200

FAIRBANKS

Golden Valley Branch

1300 Washington Drive
P.O. Box 82487
Fairbanks, AK 99708-2487
459-7100

Interior City Branch

800 Noble Street
Fairbanks, AK 99701-4950
459-5300

Johansen Branch

431 Merhar Avenue
Fairbanks, AK 99701-3166
450-7300

GLENNALLEN

Glennallen Branch

Mile 187 Glenn Hwy., Suite C
P.O. Box 85
Glennallen, AK 99588-8085
822-7350

HAINES

Haines Branch

123 Main Street
P.O. Box 70
Haines, AK 99827-0070
766-6100

HEALY

Healy Branch

Tri-Valley Community Center
P.O. Box 460
Healy, AK 99743-0460
683-7750

HOMER

Homer Branch

3655 Heath Street
Homer, AK 99603-7667
235-5800

JUNEAU

Channel Branch

840 W. 10th Street
Juneau, AK 99801-1824
586-5500

Juneau Branch

238 Front Street
P.O. Box 21667
Juneau, AK 99802-1667
586-5400

Valley Centre Branch

8990 Glacier Hwy.
Juneau, AK 99801-8030
790-8000

KENAI

Kenai Branch

11408 Kenai Spur Hwy.
Kenai, AK 99611-7799
283-6800

KODIAK

Kodiak Branch

218 Center Avenue
P.O. Box 2517
Kodiak, AK 99615-2517
486-7900

PALMER

Palmer Branch

303 W. Evergreen Avenue
Palmer, AK 99645-6954
746-8900

SEWARD

Seward Branch

303 4th Avenue
P.O. Box 69
Seward, AK 99664-0069
224-4200

SITKA

Sitka Branch

318 Lincoln Street
Sitka, AK 99835-7545
747-7000

SOLDOTNA

Soldotna Branch

44501 Sterling Hwy.
Soldotna, AK 99669-7938
260-6000

VALDEZ

Valdez Branch

101 Egan Drive
P.O. Box 37
Valdez, AK 99686-0037
834-4800

WASILLA

Wasilla Branch

775 E. Parks Hwy.
Wasilla, AK 99654-8191
352-5900

Corporate Headquarters

101 W. 36th Avenue
Anchorage, AK 99503-5904

Operations Center

1751 Gambell Street
Anchorage, AK 99501-5324

Equal Opportunity Employment Statement

It is the policy of First National Bank Alaska to provide equal opportunity in employment to all employees and applicants and to recruit, hire, train, and promote persons in all job titles, without regard to race, religion, color, sex, age, national origin, genetic information, pregnancy, childbirth or related medical condition, parenthood, marital status or changes in marital status and without discrimination or unlawful harassment against any disabled person or covered veteran afforded protection under applicable federal, state and local laws.

The policy of First National Bank Alaska prohibits retaliation against a person who files a charge or complains of discrimination, participates in a discrimination investigation or proceeding or otherwise opposes an unlawful or prohibited practice.

Photo courtesy of National Park Service

