

First National Bank Alaska

2013

COMPARATIVE STATEMENTS OF CONDITION
AND STATEMENTS OF INCOME

3rd Quarter Financial Highlights SEPTEMBER 30



Dear Shareholder,

Third quarter financial and operational highlights:

- **Net income** of \$8.3 million, or \$25.70 earnings per share, compared to \$11.1 million, or \$34.23 earnings per share, reported during third quarter 2012. Lower yields on investment securities continue to put downward pressure on interest income.
- **Net interest margin** decreased to 3.40% on a tax-equivalent basis, compared to 3.55% reported during the third quarter 2012.
- **Provision for loan losses** recorded a net charge of \$562 thousand reducing the year-to-date net recovery to \$25 thousand.
- **Outstanding loans** remain relatively unchanged at \$1.27 billion at September 30, 2013. Allowance for loan losses remained unchanged during 2013 at \$12.3 million.
- **Delinquent and nonaccrual loans** declined by \$12.6 million to \$17.9 million as of September 30, 2013 due to the pay-off of large non-accrual loans.
- **Devaluation expenses** of \$830 thousand were recorded during the quarter on real estate held for sale (acquired through foreclosure) which is carried at market value.
- **Common shares** repurchased during third quarter 2013 totaled 2,139 at an average price of \$1,751.
- **Total shareholders' equity** at September 30, 2013 was \$452.4 million, an increase of \$3.0 million from the prior quarter. The increase was primarily due to improvements in the market values, net of tax, in the securities investment portfolio. Unrealized gains and losses are considered to be temporary due to changes in the market interest rates.

The Share Repurchase Program is currently authorized through April 2014. Interested shareholders can contact Bob Tannahill (907-777-4560), Senior Trust Officer, at First National Bank Alaska.

Respectfully submitted,

Michele Schuh

Michele Schuh
Senior Vice President

Directors

D.H. Cuddy
Chairman

Betsy Lawer
President and Vice Chair

Maurice J. Coyle, M.D.

Perry Eaton

George E. Gordon

Margy K. Johnson

Jane Klopfer

Loren H. Lounsbury

Lucy Mahan

Cheri Gillian

Senior Vice President
Secretary to the Board

Branches

Channel Branch	Juneau
Cordova Branch	Cordova
Dimond Branch	Anchorage
Eagle River Branch	Eagle River
Eastchester Branch	Anchorage
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
North Star Branch	JBER
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



FNBAAlaska.com

COMPARATIVE STATEMENTS OF CONDITION *(Unaudited)**(Dollars in thousands)*

	SEPTEMBER 30,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$234,149	\$122,599
Available-for-sale securities	1,532,465	1,536,752
Real estate loans to be sold	13,954	27,898
Loans:		
Commercial and industrial	244,302	245,695
Real estate	1,006,813	968,756
Consumer and other	16,212	20,442
Total loans, gross	1,267,327	1,234,893
Less: Allowance for loan losses	12,250	12,250
Total loans, net	1,255,077	1,222,643
Premises and equipment	48,009	42,485
Other real estate owned	11,773	14,427
Other assets	40,916	38,102
Total Assets	\$3,136,343	\$3,004,906

LIABILITIES AND SHAREHOLDERS' EQUITY**Liabilities:**

Deposits:		
Non-interest bearing	\$1,054,768	\$1,014,627
Interest bearing:		
Savings	588,705	573,907
NOW	194,029	177,331
Money market	157,741	170,144
Time	136,953	130,633
Total interest bearing	1,077,428	1,052,015
Total deposits	2,132,196	2,066,642
Securities sold under agreements to repurchase	542,407	466,721
Capital lease obligations	182	235
Notes payable	579	1,073
Other liabilities	8,552	12,840
Total Liabilities	2,683,916	2,547,511

Shareholders' Equity:

Common stock, \$100 par value		
Authorized: 2013 and 2012 - 400,000 shares		
Issued: 2013 - 322,408 shares; 2012 - 325,181 shares	32,241	32,518
Surplus	40,000	40,000
Retained earnings	380,142	367,050
Accumulated other comprehensive income	44	17,827
Total Shareholders' Equity	452,427	457,395
Total Liabilities and Shareholders' Equity	\$3,136,343	\$3,004,906

COMPARATIVE STATEMENTS OF INCOME *(Unaudited)**(Dollars in thousands except per common share data)*

	FOR THREE MONTHS ENDED SEPTEMBER 30,		FOR NINE MONTHS ENDED SEPTEMBER 30,	
	2013	2012	2013	2012
INTEREST INCOME AND LOAN FEES				
Interest and fees on loans	\$21,309	\$20,773	\$59,351	\$60,117
Interest and dividends on investment securities	5,325	6,578	16,754	21,465
Interest on cash and cash equivalents	99	61	159	142
Total Interest And Loan Fee Income	26,733	27,412	76,264	81,724

INTEREST EXPENSE

Interest on deposits	246	361	772	1,292
Interest on federal funds purchased and securities sold under agreements to repurchase	190	156	524	467
Interest on notes payable, capital lease obligations and other	10	18	29	53
Total Interest Expense	446	535	1,325	1,812
Net Interest And Loan Fee Income	26,287	26,877	74,939	79,912
Provision for loan losses	562	(718)	(25)	(1,075)
Net Interest And Loan Fee Income After Provision For Loan Losses	25,725	27,595	74,964	80,987

NONINTEREST INCOME

Bankcard fees	3,927	6,014	10,861	15,520
Service charges on deposit accounts	999	918	2,922	2,860
Mortgage loan origination income	787	1,531	3,131	3,275
Mortgage loan servicing income	446	418	1,379	1,367
Net gains on investment securities	—	—	64	135
Other noninterest income	1,492	1,748	4,413	5,026
Total NonInterest Income	7,651	10,629	22,770	28,183

NONINTEREST EXPENSE

Salaries and employee benefits	11,735	11,295	35,420	34,279
Occupancy expense, net	1,760	1,523	5,566	5,278
Furniture and equipment expense	465	530	1,445	1,503
Bankcard expenses	2,170	3,898	6,272	10,069
Other noninterest expense	4,831	3,855	12,567	11,448
Total Noninterest Expense	20,961	21,101	61,270	62,577
Income Before Taxes	12,415	17,123	36,464	46,593
Provision for income taxes	4,106	5,991	11,984	15,925

Net Income	\$8,309	\$11,132	\$24,480	\$30,668
Earnings Per Common Share (not in thousands)	\$25.70	\$34.23	\$75.51	\$93.67
Cash Dividends Paid Per Common Share (not in thousands)	\$12.50	\$12.50	\$37.50	\$37.50