

UNITED STATES  
COMPTROLLER OF THE CURRENCY  
WASHINGTON, D. C. 20219

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**FORM 10-Q**

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

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**FIRST NATIONAL BANK ALASKA**

**ALASKA**

**92-0006595**

**101 West 36th Avenue, P. O. Box 100720, Anchorage, Alaska 99510-0720**

**(907) 777-4362**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company.

Yes  No

There were **344,759** shares of \$100 par value common stock outstanding as of **September 30, 2007**.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q**

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**FIRST NATIONAL BANK ALASKA  
CONDENSED STATEMENTS OF CONDITION (UNAUDITED)**

**PART I - ITEM 1.**

(dollars in thousands)

<b>ASSETS</b>	<b>September 30, 2007</b>	<b>December 31, 2006</b>
Cash and cash equivalents:		
Cash and due from banks	\$78,600	\$66,471
Federal funds sold	86,199	43,758
<b>Total Cash and Cash Equivalents</b>	<b>164,799</b>	<b>110,229</b>
Securities, available-for-sale, at fair value	944,975	872,383
Mortgage loans held for sale	10,922	23,808
Loans, net of allowance for loan losses of \$19,500 and \$13,000 for 2007 and 2006	1,153,517	1,179,326
Premises and equipment, net	47,234	45,030
Other assets	42,289	41,867
<b>Total Assets</b>	<b>\$2,363,736</b>	<b>\$2,272,643</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest bearing	\$589,873	\$571,510
Interest bearing	766,355	782,485
<b>Total Deposits</b>	<b>1,356,228</b>	<b>1,353,995</b>
Securities sold under agreements to repurchase	543,158	462,409
Notes payable and capital lease obligations	3,712	4,072
Dividends declared	-	8,619
Other liabilities	10,258	9,087
<b>Total Liabilities</b>	<b>1,913,356</b>	<b>1,838,182</b>
<b>Shareholders' Equity:</b>		
Common stock, \$100 par value (Authorized: 2007 and 2006 - 400,000 shares Issued: 2007 and 2006 - 344,759 shares)	34,476	34,476
Surplus	40,000	40,000
Retained earnings	371,936	361,335
Accumulated other comprehensive income (loss)	3,968	(1,350)
<b>Total Shareholders' Equity</b>	<b>450,380</b>	<b>434,461</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,363,736</b>	<b>\$2,272,643</b>

See accompanying notes to condensed financial statements.

**FIRST NATIONAL BANK ALASKA  
CONDENSED STATEMENTS OF INCOME (UNAUDITED)**

**PART I - ITEM 1.**

(dollars in thousands)

FOR THREE MONTHS ENDED  
September 30,

<b>Interest Income and Loan Fees</b>	<b>2007</b>	<b>2006</b>
Interest and fees on loans	\$27,110	\$28,137
Interest and dividends on investment securities	10,286	8,959
Interest on Federal funds sold	1,632	1,153
<b>Total Interest and Loan Fee Income</b>	<b>39,028</b>	<b>38,249</b>
<b>Interest Expense</b>		
Interest on deposits	4,203	4,104
Interest on federal funds purchased and securities sold under agreements to repurchase	5,203	5,284
Interest on notes payable and capital lease obligations	58	65
<b>Total Interest Expense</b>	<b>9,464</b>	<b>9,453</b>
<b>Net Interest and Loan Fee Income</b>	<b>29,564</b>	<b>28,796</b>
Provision for loan losses	2,868	185
<b>Net Interest And Loan Fee Income After Provision For Loan Losses</b>	<b>26,696</b>	<b>28,611</b>
<b>Noninterest Income</b>		
Bankcard fees	5,730	5,375
Service charges on deposit accounts	1,441	1,604
Gain on sale of mortgage loans	360	370
Mortgage loan servicing income	529	356
Other noninterest income	1,778	2,066
<b>Total Noninterest Income</b>	<b>9,838</b>	<b>9,771</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	10,041	9,849
Occupancy, net	1,549	1,813
Furniture and equipment	902	1,099
Bankcard	4,332	4,296
Other noninterest expense	3,395	3,220
<b>Total Noninterest Expense</b>	<b>20,219</b>	<b>20,277</b>
<b>Income Before Taxes</b>	<b>16,315</b>	<b>18,105</b>
Provision for income taxes	6,389	6,916
<b>NET INCOME</b>	<b>\$9,926</b>	<b>\$11,189</b>
<b>Earnings Per Common Share</b> (not in thousands)	<b>\$28.79</b>	<b>\$32.45</b>
<b>Cash Dividends Paid Per Common Share</b> (not in thousands)	<b>\$25.00</b>	<b>\$25.00</b>

See accompanying notes to condensed financial statements.

**FIRST NATIONAL BANK ALASKA  
CONDENSED STATEMENTS OF INCOME (UNAUDITED)**

**PART I - ITEM 1.**

(dollars in thousands)

FOR NINE MONTHS ENDED  
September 30,

<b>Interest Income and Loan Fees</b>	<b>2007</b>	<b>2006</b>
Interest and fees on loans	\$81,068	\$80,725
Interest and dividends on investment securities	29,632	24,620
Interest on Federal funds sold	3,975	2,866
<b>Total Interest and Loan Fee Income</b>	<b>114,675</b>	<b>108,211</b>
<b>Interest Expense</b>		
Interest on deposits	12,547	11,370
Interest on federal funds purchased and securities sold under agreements to repurchase	16,367	13,259
Interest on notes payable and capital lease obligations	171	194
<b>Total Interest Expense</b>	<b>29,085</b>	<b>24,823</b>
<b>Net Interest and Loan Fee Income</b>	<b>85,590</b>	<b>83,388</b>
Provision for loan losses	7,066	857
<b>Net Interest And Loan Fee Income After Provision For Loan Losses</b>	<b>78,524</b>	<b>82,531</b>
<b>Noninterest Income</b>		
Bankcard fees	14,509	13,330
Service charges on deposit accounts	4,463	4,957
Gain on sale of mortgage loans	1,049	998
Mortgage loan servicing income	1,428	1,049
Other noninterest income	5,389	5,485
<b>Total Noninterest Income</b>	<b>26,838</b>	<b>25,819</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	31,380	29,972
Occupancy, net	5,180	5,318
Furniture and equipment	2,699	3,155
Bankcard	11,462	11,170
Other noninterest expense	10,257	9,972
<b>Total Noninterest Expense</b>	<b>60,978</b>	<b>59,587</b>
<b>Income Before Taxes</b>	<b>44,384</b>	<b>48,763</b>
Provision for income taxes	16,545	17,486
<b>NET INCOME</b>	<b>\$27,839</b>	<b>\$31,277</b>
<b>Earnings Per Common Share</b> (not in thousands)	<b>\$80.75</b>	<b>\$90.72</b>
<b>Cash Dividends Paid Per Common Share</b> (not in thousands)	<b>\$75.00</b>	<b>\$75.00</b>

See accompanying notes to condensed financial statements.

**FIRST NATIONAL BANK ALASKA**  
**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

**PART I - ITEM 1.**

(dollars in thousands)

<b>Comprehensive Income</b>	<b>For Three Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Net Income</b>	<b>\$9,926</b>	<b>\$11,189</b>
<b>Other Comprehensive Income, net of taxes:</b>		
Increase in unrealized net holding gains during the period, net of tax effect of \$4,903 and \$4,867, 2007 and 2006	7,023	6,972
<b>Net Gains Recognized in Other Comprehensive Income</b>	<b>7,023</b>	<b>6,972</b>
<b>Comprehensive Income</b>	<b>\$16,949</b>	<b>\$18,161</b>

<b>Comprehensive Income</b>	<b>For Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Net Income</b>	<b>\$27,839</b>	<b>\$31,277</b>
<b>Other Comprehensive Income, net of taxes:</b>		
Increase in unrealized net holding gains during the period, net of tax effect of \$3,713 and \$2,765, 2007 and 2006	5,318	3,962
<b>Net Gains Recognized in Other Comprehensive Income</b>	<b>5,318</b>	<b>3,962</b>
<b>Comprehensive Income</b>	<b>\$33,157</b>	<b>\$35,239</b>

See accompanying notes to condensed financial statements.

**FIRST NATIONAL BANK ALASKA  
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**PART I - ITEM 1.**

(dollars in thousands)

	<b>For Nine Months Ended September 30,</b>	
<b>Operating Activities</b>	<b>2007</b>	<b>2006</b>
Net income	\$27,839	\$31,277
Adjustments to reconcile net income to net cash provided by operating activities	7,531	4,824
Net other operating activity	12,910	4,521
<b>Net Cash Provided By Operating Activities</b>	<b>48,280</b>	<b>40,622</b>
<b>Investing Activities</b>		
Proceeds from sales/maturities of securities, available-for-sale	208,476	359,815
Purchase of securities, available-for-sale	(271,173)	(388,849)
Net decrease (increase) in loans, net of undisbursed portion	16,330	(56,992)
Net other investing activity	(3,742)	(2,704)
<b>Net Cash Provided Used In Investing Activities</b>	<b>(50,109)</b>	<b>(88,730)</b>
<b>Financing Activities</b>		
Net increase (decrease) in total deposits	2,234	(36,423)
Net increase in securities sold under agreements to repurchase	80,749	154,450
Payments on notes and capital leases	(727)	(726)
Dividends paid	(25,857)	(25,857)
<b>Net Cash Provided by Financing Activities</b>	<b>56,399</b>	<b>91,444</b>
Increase in cash and cash equivalents	54,570	43,336
Cash and cash equivalents, January 1,	110,229	89,789
<b>Cash and Cash Equivalents, September 30,</b>	<b>\$164,799</b>	<b>\$133,125</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	\$28,656	\$24,513
Cash paid during the period for income taxes	\$18,485	17,270
Increase in unrealized holding gains on available-for-sale securities, net of deferred tax of \$3,713 and \$2,765, 2007 and 2006	\$5,318	\$3,962
Purchase of equipment under capital lease obligation	\$196	\$0

See accompanying notes to condensed financial statements.

**FIRST NATIONAL BANK ALASKA**  
**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

**PART I - ITEM 1.**

(dollars in thousands)

**Shareholders' Equity**

<b>Balance, January 1, 2007</b>	<b>\$434,461</b>
Net income for the nine months ended September 30, 2007	27,839
Cash dividends declared on common stock	(17,238)
Increase in accumulated other comprehensive income	5,318
<b>Balance, September 30, 2007</b>	<b>\$450,380</b>

See accompanying notes to condensed financial statements.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
PART I**

**ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS**

The accompanying unaudited condensed financial statements have been prepared by First National Bank Alaska (the Bank) in accordance with U.S. generally accepted accounting principles (GAAP) and instructions to Form 10-Q under the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

In the opinion of management, adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2007, are not necessarily indicative of the results anticipated for the year ending December 31, 2007. These condensed financial statements should be read in conjunction with the Bank's Annual Report to Shareholders for the year ended December 31, 2006, which is incorporated by reference as an exhibit.

Management affirms all of its accounting policies as described in the Bank's Annual Report to Shareholders. During the nine month period ended September 30, 2007, the Bank has not changed any of its policies or altered the way it formulates critical accounting estimates.

Earnings per share are computed on the basis of the weighted average number of shares outstanding of 344,759 for September 30, 2007 and 2006.

Certain reclassifications have been made to conform 2006 financial data to the 2007 presentation.

During 2007, the Financial Accounting Standards Board (FASB) has issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The Bank believes the adoption of this Statement will have no impact on the financial statements of the Bank.

**Subsequent Event**

On October 19, 2007, the Bank signed documents to execute an investment in a real estate limited partnership with a total investment and subscription amount of \$10.0 million, payable in installments of \$2.3 million due in 2007, \$4.4 million due in 2008, \$1.1 million due in 2009 and \$2.2 million due in 2010. This is the fourth and largest investment in a community development project done in the spirit of the Community Reinvestment Act. The investment transaction closed October 25, 2007 and was recorded shortly thereafter on the financial statements of the Bank.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
PART I**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

**MATERIAL CHANGES IN FINANCIAL POSITION**

The following table provides condensed balance sheet change analysis for the current quarter ended September 30, 2007, previous quarter ended June 30, 2007 and December 31, 2006:

<u>Dollars in thousands</u>				
	September 30, 2007	% Change	June 30, 2007	December 31, 2006
Cash and equivalents	\$164,799	-20.2%	\$206,465	\$110,229
Securities, available for sale	944,975	11.7%	845,829	872,383
Total loans, net	1,164,439	-1.3%	1,179,749	1,203,134
Premises and equipment	47,234	0.3%	47,116	45,030
All other assets	42,289	-7.8%	45,869	41,867
<b>Total Assets</b>	<b>\$2,363,736</b>	<b>1.7%</b>	<b>2,325,028</b>	<b>2,272,643</b>
Noninterest bearing deposits	\$589,873	-0.9%	\$595,420	\$571,510
Interest bearing deposits	766,355	0.3%	764,044	782,485
Securities sold under agreement to repurchase	543,158	6.8%	508,664	462,409
All other liabilities	13,970	-5.9%	14,850	21,778
Shareholders' equity	450,380	1.9%	442,050	434,461
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,363,736</b>	<b>1.7%</b>	<b>\$2,325,028</b>	<b>\$2,272,643</b>

**FIRST NATIONAL BANK ALASKA**  
**FORM 10-Q**  
**PART I**

**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

The following table provides condensed, comparative balance sheets and composition percentages as of the current quarter ended September 30, 2007, previous quarter ended June 30, 2007 and December 31, 2006:

<u>Dollars in thousands</u>						
	September 30 2007	% Total	June 30, 2007	% Total	December 31, 2006	% Total
Cash and equivalents	\$164,799	7%	\$206,465	9%	\$110,229	5%
Securities, available for sale	944,975	40%	845,829	36%	872,383	38%
Total loans, net	1,164,439	49%	1,179,749	51%	1,203,134	53%
Premises and equipment	47,234	2%	47,116	2%	45,030	2%
All other assets	42,289	2%	45,869	2%	41,867	2%
<b>Total Assets</b>	<b>\$2,363,736</b>	<b>100%</b>	<b>2,325,028</b>	<b>100%</b>	<b>2,272,643</b>	<b>100%</b>
Noninterest bearing deposits	\$589,873	25%	\$595,420	25%	\$571,510	25%
Interest bearing deposits	766,355	32%	764,044	33%	782,485	35%
Securities sold under agreement to repurchase	543,158	23%	508,664	22%	462,409	20%
All other liabilities	13,970	1%	14,850	1%	21,778	1%
Shareholders' equity	450,380	19%	442,050	19%	434,461	19%
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,363,736</b>	<b>100%</b>	<b>\$2,325,028</b>	<b>100%</b>	<b>\$2,272,643</b>	<b>100%</b>

**Management Summary**

Total assets increased \$38.7 million (1.7%) during the third quarter of 2007. Consistent with activity seen in both the first and second quarters, growth in assets was funded in substantial portion by increases in securities sold under agreements to repurchase of \$34.5 million for the quarter. Statewide, seasonal summer economic activity generates cash flow for our repurchase agreement customers who continue to utilize this product as an attractive liquid investment option.

Third quarter asset composition shifted toward securities, classified as available-for-sale, as quarterly loan payoffs and cash equivalents were converted into security investments, a concerted shift to reduce exposure to credit risk associated with federal fund sales and capitalize on current yields in anticipation of potentially lower future short term interest rates. Shareholders' equity increased \$8.3 million (1.9%) as third quarter net income exceeded dividends declared by \$1.3 million and \$7.0 million of unrealized gains, net of tax, were recorded within the securities portfolio.

Total assets have increased \$91.1 million (4.0%) since December 31, 2006. Securities sold under agreements to repurchase funded \$80.7 million of this growth. In addition, year to date unrealized gains of \$5.3 million, net of tax, have increased the securities, available-for-sale, portfolio.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
PART I**

**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

**Loan Portfolio Analysis**

The following table provides comparative loan portfolio detail as of the current quarter ended September 30, 2007, previous quarter ended June 30, 2007 and December 31, 2006:

Dollars in thousands	September 30, 2007	June 30, 2007	December 31, 2006
Commercial and industrial	\$248,517	\$263,350	\$261,304
Real estate	878,945	883,840	889,549
Consumer and other	26,116	24,679	24,674
Nontaxable states and political subdivision obligations	19,439	16,305	16,799
Total Loans, gross	1,173,017	1,188,174	1,192,326
Allowance for Loan Losses	(19,500)	(17,500)	(13,000)
Total Loans, Net	1,153,517	\$1,170,674	\$1,179,326

Combined loan volume decreased \$15.2 million (1.3%) at the end of the third quarter as compared to June 30, 2007 with reductions in both commercial and real estate loan categories. The combined loan portfolio as of September 30, 2007 remains below December 31, 2006 levels, a fact that reverses a multiple year running growth trend in commercial and real estate loan levels for the Bank. The current hesitancy in the statewide economic outlook is demonstrated by reduced loan applications as many businesses take a "wait and see" attitude towards the state's future. Potential gas line proposals, a special legislative session to reconsider taxes on oil and gas companies doing business in Alaska, controversial mineral resource development projects, slowing residential housing markets in Anchorage, Mat-Su, and Fairbanks, decreasing future federal spending, and current high profile industry and legislator corruption allegations and trials are having an impact on the economic outlook and raising questions as to whether the state of Alaska can continue adding to it's consecutive 20 years-and-counting run of economic expansion.

Following the second quarter upward adjustment of \$4.0 million in the allowance for loan losses, an additional \$2.0 million was recorded during the quarter ended September 30, 2007 to bring the allowance to \$19.5 million or 1.66% of loans. Continuing concerns exist with delinquency rates, nonaccrual loans, and performance specifically in construction and land development loans.

Loans delinquent 30 days have risen since December 31, 2006 to \$54.9 as of September 25, 2007. Nonaccrual loans totaled \$50.9 million, \$48.7 million, \$33.8 million and \$29.7 million as of September 30, June 30, 2007, March 31, 2007, and December 31, 2006, respectively.

Management believes it has identified the material loans at risk and continues to undertake steps to strengthen them. It will take time for the outcome of these credits to resolve and these loans will continue to be a drain on financial resources until resolution.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
PART I**

**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

**Continued Repurchase Agreements Growth**

Deposits balances shifted only slightly during the third quarter while securities sold under agreements to repurchase rose \$34.5 million (6.8%) during the quarter, continuing the running quarterly growth trend in these attractive, higher-yielding products. New account openings in 2007 continue to outpace account closures three to one, with the number of accounts up 20.4% for the current year.

**Changes in Shareholders' Equity**

Shareholders' equity increased during the third quarter by \$8.3 million (1.9%), as accumulated other comprehensive income increased \$7.0 million, net of tax, as the securities, available-for-sale portfolio gained market value when measured against current investment yields, a move from a net unrealized holding loss of \$3.1 million at June 30, 2007.

Net income for the quarter ended September 30, 2007 was \$9.9 million and dividend declarations of \$8.6 million were recorded. Year-to-date net income of \$27.8 million, offset with year-to-date dividend declarations of \$17.2 million and a year to date accumulated other comprehensive income of \$5.3 million, resulted in a year to date increase in shareholders' equity of \$15.9 million (3.7%).

**LIQUIDITY AND CAPITAL RESOURCES**

Liquidity management is the process by which banks provide the continuing flow of funds necessary to meet financial commitments on a timely basis. These commitments include withdrawals by depositors, funding credit commitments to borrowers, repaying debt when due, paying shareholder dividends and paying the expenses of operation.

Liquidity sources are provided from both the asset and liability side of the statement of condition and are available from cash flows received in the ordinary course of business from interest and fee income payments. Asset side liquidity is generated from maturing loans and investments plus marketable assets disposable at or near book value. The ability to attract and retain deposits represents the Bank's primary source of liquidity on the liability side. The Bank has a large base of core deposits and has the ability to obtain other funds in order to maintain a deposit level adequate to meet its liquidity needs.

**Credit Facilities**

The Bank's committed line of credit of \$17.1 million from the Federal Reserve Bank held a rate of 5.25% as of September 30, 2007. In addition, the Bank also has committed line of credit arrangements available from unaffiliated banks of \$170.0 million at rates of 4.75% – 5.50% as of September 30, 2007. There were no outstanding balances against these lines of credit as of September 30, 2007.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
PART I**

**LIQUIDITY AND CAPITAL RESOURCES, continued**

**Cash Flows**

The following table provides comparative condensed cash flow statement highlights for the current quarter and year to date periods.

<i>Dollars in thousands</i>	<b>Third Quarter</b>		<b>Year to Date</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Net income	\$9,926	\$11,189	\$27,839	\$31,277
Adjustments to reconcile income to net cash provided by operating activities				
Net (increase) decrease in real estate loans to be sold	4,568	2,284	7,531	4,824
All other operating activity	(1,848)	(2,348)	12,886	3,634
	<u>(2,340)</u>	<u>3,527</u>	<u>24</u>	<u>887</u>
<b>Net Cash Provided by Operating Activities</b>	<b>10,306</b>	<b>14,652</b>	<b>48,280</b>	<b>40,622</b>
Net purchases of securities, available-for-sale	(86,946)	(39,671)	(62,697)	(29,034)
Net (increase) decrease in loans	12,566	(36,878)	16,330	(56,992)
All other financing activity	(203)	(557)	(3,742)	(2,704)
<b>Net Cash Provided Used in Investing Activities</b>	<b>(74,583)</b>	<b>(77,106)</b>	<b>(50,109)</b>	<b>(88,730)</b>
Net increase (decrease) in deposits	(3,235)	(4,371)	2,234	(36,423)
Net increase in securities sold under agreements to repurchase	34,493	57,686	80,749	154,450
Dividends paid	(8,619)	(8,619)	(25,857)	(25,857)
Payments on notes and capital leases	(28)	(29)	(727)	(726)
<b>Net Cash Provided By Financing Activities</b>	<b>22,611</b>	<b>44,667</b>	<b>56,399</b>	<b>91,444</b>
<b>Increase(Decrease) in Cash and Cash Equivalents</b>	<b>(\$41,666)</b>	<b>(\$17,787)</b>	<b>\$54,570</b>	<b>\$43,336</b>

During the third quarter, cash and equivalents decreased \$41.7 million, as compared to a decrease of \$17.8 million during the same period in 2006. Net cash was consistently provided by operating and financing activities and consistently used in investing activities during 2007. Third quarter operations provided \$4.3 million less than third quarter 2006 and cash provided by growth in repurchase activities occurred at a lower pace to provide \$22.1 million less cash from financing activities. Investing activities were consistent in overall level for the quarters, although investments in securities accounted for substantially all the investment in the third quarter as loans provided cash.

For the nine months ended September 30, 2007, cash and cash equivalents increased \$54.6 million, compared to \$43.3 million increase in 2006. Net cash provided by operating activities increased to \$48.3 million from \$40.6 million in 2006 through increased volume in investor loan production and sales. Net cash of \$50.1 million was used in investing activities for the nine months ended September 30, 2007 compared to a use of cash of \$88.7 million in 2006 when the loan portfolio was growing. Cash provided by financing activities was \$56.4 million as compared with \$91.4 million for nine months of 2006.

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**LIQUIDITY AND CAPITAL RESOURCES, continued**

Deposits and securities sold under agreements to repurchase provided cash during 2007, at combined lower levels than recorded in 2006.

**Regulatory Capital**

Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum risk-based capital and leverage ratios (Tier I capital to average assets). To be categorized as "well capitalized", the Bank is required to maintain minimum total risk-based capital, Tier 1 risk-based capital, and Tier 1 leverage ratios as set forth in the table below. The Bank's actual ratios are as follows:

	<b>September 30, 2007</b>	<b>December 31, 2006</b>	<b>To Be Well Capitalized Under Prompt Corrective Action Provisions</b>
Total Capital Ratio	29.66%	28.95%	10.0%
Tier 1 Capital Ratio	28.42%	28.11%	6.0%
Tier 1 Leverage Ratio	19.04%	18.98%	5.0%

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**MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION**

The following table provides quarterly summary of operations data for five consecutive quarters ended September 30, 2007:

<b>Quarterly Summary of Operations</b>	<b>2007</b>			<b>2006</b>	
	<b>Third</b>	<b>Second</b>	<b>First</b>	<b>Fourth</b>	<b>Third</b>
Interest and Loan Fee Income	\$39,028	\$38,626	\$37,021	\$38,528	\$38,249
Interest Expense	9,464	10,159	9,462	9,621	9,453
Net Interest and Fee Income	29,564	28,467	27,559	28,907	28,796
Provision for Loan Losses	2,868	3,903	295	563	185
Net Interest and Fee Income After Provision for Loan Losses	26,696	24,564	27,264	28,344	28,611
Noninterest Income	9,838	8,939	8,061	7,903	9,771
Salaries and employee benefits	10,041	10,827	10,512	9,941	9,849
Noninterest Expense	10,178	9,929	9,491	9,553	10,428
Income Before Taxes	16,315	12,747	15,322	16,753	18,105
Provision for Income Taxes	6,389	4,513	5,643	5,858	6,916
Net Income	\$9,926	\$8,234	\$9,679	\$10,895	\$11,189
Earnings Per Common Share	\$28.79	\$23.88	\$28.08	\$31.60	\$32.45
Dividends Declared Per Common Share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average Assets	\$2,342,292	\$2,286,689	\$2,222,577	\$2,293,734	\$2,301,609
Average Total Equity	\$445,012	\$444,550	\$443,669	\$442,012	\$439,378
Annualized Ratio of Net Income to Average Assets	1.69%	1.45%	1.76%	1.90%	1.93%
Annualized Return on Average Equity	8.85%	7.43%	8.85%	9.78%	10.10%

Net income for the quarters ended September 30, 2007 and 2006 was \$9.9 million and \$11.2 million, respectively, significantly impacted by a charge during the current quarter to the provision for loan losses. While net interest and loan fee income rose \$0.8 million as interest rate margins continued to improve, this improvement was not adequate to offset the significant increase in the provision for loan losses of \$2.0 million. As a result, net interest and loan fee income after provision for loan losses was \$26.7 million and \$28.6 million as of the quarters ended September 30, 2007 and 2006, respectively.

Modest improvements in noninterest income and effective cost control over noninterest expenses held net noninterest expense to comparable levels for the quarterly periods. The provision for income taxes for the nine months ended September 30, 2007 increased to an effective rate of 37.3% as compared to an effective rate of 35.9% during the same period of 2006.

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**MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued**

The following table provides comparative average balances of interest earning assets, respective yields on a tax equivalent basis, and change analysis for the quarters ended September 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Third Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
<b>Earning Assets</b>						
Loans-Taxable	\$1,130,323	\$1,153,187	8.86%	8.96%		
Loans-Nontaxable	17,281	13,579	8.54%	8.41%		
Investment Securities-Taxable	819,856	853,644	4.74%	4.03%		
Investment Securities-Nontaxable	51,125	28,909	5.80%	5.85%		
Federal Funds Sold	126,985	86,043	5.10%	5.32%		
<b>Total Earning Assets</b>	<b>\$2,145,570</b>	<b>\$2,135,362</b>	<b>6.99%</b>	<b>6.79%</b>	<b>0.17%</b>	<b>0.03%</b>

Interest and loan fee income for the quarters ended September 30, 2007 and 2006 was \$39.0 million and \$38.2 million, respectively, for an increase of \$0.8 million or 2.0%. The tax equivalent yield on the average earning assets increased 20 basis points, from 6.79% in 2006 to 6.99% in 2007. Total average earning assets increased \$10.2 million, from \$2.135 billion at September 30, 2006 to \$2.146 billion as of September 30, 2007. Average loan levels decreased \$19.2 million year over year, while average investment securities decreased \$11.6 million for the same period. The improving rates on investment securities provided quarterly improvements to interest and loan fee income in 2007 enough to offset lower net volumes and yields on lending assets.

The following table provides comparative average balances of interest bearing liabilities, respective yields, and change analysis for the quarters ended September 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Third Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
<b>Interest Bearing Liabilities</b>						
Savings	\$309,654	\$344,967	1.49%	1.54%		
First Rate	131,494	133,672	1.54%	1.64%		
First Investment Time	178,703	175,467	2.56%	2.69%		
	137,214	127,209	3.98%	3.19%		
Federal Funds Purchased	0	16	0%	0%		
Repurchase Agreements	532,661	459,532	3.80%	4.56%		
Other Debt	3,509	4,017	6.60%	6.50%		
<b>Total Interest Bearing Liabilities</b>	<b>\$1,293,235</b>	<b>\$1,244,880</b>	<b>2.87%</b>	<b>3.01%</b>	<b>(0.8)%</b>	<b>0.6%</b>

Interest expense for the quarters ended September 30, 2007 and 2006 was \$9.46 million and \$9.45 million, respectively. Interest expense barely increased as interest rates paid for the total average aggregate interest bearing liabilities decreased 14 basis points, from 3.01% in 2006 to 2.87% in 2007. Total average aggregate outstanding interest bearing liabilities increased \$48.4 million from \$1.245 billion at September 30, 2006 to \$1.293 billion in 2007.

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**MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued**

The following table provides comparative average balances of interest earning assets, respective yields on a tax equivalent basis, and change analysis for the nine month periods ended September 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Third Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
<b>Earning Assets</b>						
Loans-Taxable	\$1,131,833	\$1,155,940	8.90%	8.64%		
Loans-Nontaxable	17,061	13,316	8.28%	8.68%		
Investment Securities-Taxable	809,874	856,279	4.67%	3.73%		
Investment Securities-Nontaxable	46,091	30,005	5.77%	4.82%		
Federal Funds Sold	101,637	94,804	5.23%	4.04%		
<b>Total Earning Assets</b>	<b>\$2,106,496</b>	<b>\$2,150,344</b>	<b>7.02%</b>	<b>6.43%</b>	<b>0.76%</b>	<b>(0.17)%</b>

Interest and loan fee income for the nine months ended September 30, 2007 and 2006 was \$114.7 million and \$108.2 million, respectively, for an increase of \$6.5 million or 6.0%. The tax equivalent yield on the average earning assets increased 59 basis points, from 6.43% in 2006 to 7.02% in 2007. Total average earning assets decreased \$43.8 million, from \$2.150 billion at September 30, 2006 to \$2.106 billion as of September 30, 2007. Average loan levels decreased \$20.4 million year over year, while average investment securities decreased \$30.3 million for the same period. The decreased volume of lending levels and securities investments did not offset gains in interest yields and margin improvements were still recorded through September 31, 2007.

The following table provides comparative average balances of interest bearing liabilities, respective yields, and change analysis for the nine months ended September 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Third Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
<b>Interest Bearing Liabilities</b>						
Savings	\$318,344	\$346,035	1.50%	1.40%		
First Rate	128,967	134,346	1.61%	1.54%		
First Investment Time	177,295	175,541	2.66%	2.57%		
	134,167	127,180	3.89%	2.97%		
Federal Funds Purchased	147	43	5.46%	0%		
Repurchase Agreements	509,869	467,770	4.27%	3.79%		
Other Debt	3,477	4,017	6.65%	6.53%		
<b>Total Interest Bearing Liabilities</b>	<b>\$1,272,266</b>	<b>\$1,254,932</b>	<b>3.05%</b>	<b>2.64%</b>	<b>0.38%</b>	<b>0.03%</b>

Interest expense for the nine months ended September 30, 2007 and 2006 was \$29.1 million and \$24.8 million, respectively, for an increase of \$4.3 million or 17.2%. Interest expense increases follow directly an increase in the interest rates paid for the total average aggregate interest bearing liabilities of 41 basis points, from 2.64% in 2006 to 3.05% in 2007. Total average aggregate outstanding interest bearing liabilities increased \$17.3 million from \$1.255 billion at September 30, 2006 to \$1.272 billion in 2007.

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**MATERIAL CHANGES IN RESULTS OF OPERATION, continued**

**Provision for Loan Losses**

The allowance for loan losses increased to \$19.5 million as of September 30, 2007, a \$2.0 million increase over the June 30, 2007 level and \$6.5 million over the December 31, 2006 reserve level. The allowance adjustment reflects increasing levels of classified and non-accrual loans recorded through the third quarter of 2007. The allowance for loan losses as a percentage of loans was 1.66% at September 31, 2007, 1.47% at June 30, 2007, 1.18% at March 31, 2007 and 1.09% as of December 31, 2006. Non-accrual loans totaled \$50.9 million, \$48.7 million, \$33.8 million and \$29.7 million as of September 30, 2007, June 30, 2007, March 31, 2007 and December 31, 2006, respectively. Non-accrual loans were \$18.1 million as of September 30, 2006. Non-accrual loans have increased substantially in the current year over previous levels. The Bank considers associated collateral and risk of loss in determining allowance for loan loss reserves and believes it maintains an allowance for loan losses adequate to cover the current estimate of probable losses.

Loan charge-offs, net of loan recoveries, were \$868,000 and \$566,000 for the three and nine months ended September 30, 2007, respectively.

**Noninterest Income and Expenses**

Noninterest income for the quarters ended September 30, 2007 and 2006 was \$9.84 million and \$9.77 million, respectively. Bankcard fee income and mortgage loan servicing income showed improvement while service charges on deposit accounts and other noninterest income were down.

Noninterest expense for the quarters ended September 30, 2007 and 2006 was \$20.2 million and \$20.3 million, respectively. Salaries and employee benefits increased \$0.2 million, or 1.9%. Other noninterest expense categories were again held to consistent quarterly levels through prudent expense management.

**Provision for Income Taxes**

The following table provides a summary of the provision for income taxes and the effective combined tax rate for relevant comparative periods:

<i>Dollars in thousands</i>	Nine month periods ended September and full year ended December		
	September 30, 2007	December 31, 2006	September 30, 2006
Income before taxes	\$44,384	\$65,516	\$48,763
Provision for income taxes	<u>16,545</u>	<u>23,344</u>	<u>17,486</u>
Net Income	\$27,839	\$42,172	\$31,277
Effective combined tax rate	37.3%	35.6%	35.9%

The effective tax rate reflected in the provision for income taxes for the nine months ended September 30, 2007 is higher than the 2006 annual rate and the comparative nine months in 2006. The 2006 rate was positively impacted by one-time adjustments in deferred taxes and true-up adjustments recorded in connection with filing 2005 tax returns. In September 2007, the Bank filed the federal 2006 tax return and recorded adjustments to reflect the reconciliation of tax accounts to that return. As of September 30,

2007, amended returns for all previous years have been now completed which bring to final closure the state tax exempt interest and change in method issues which have been at issue since December 31, 2005.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
PART I**

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Bank believes that there have not been any material changes in quantitative and qualitative information about market risk since the year ended December 31, 2006.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of disclosure controls and procedures.** The Bank's Principal Executive Officer and Principal Financial Officer have reviewed and evaluated the effectiveness of the Bank's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-14 (c) and 15d-14 (c) as of a date within ninety days before the filing date of this quarterly report (the "Evaluation Date"). Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that the Bank's current disclosure controls and procedures are effective, providing them with material information relating to the Bank as required to be disclosed in the reports the Bank files or submits under the Exchange Act on a timely basis.

**Changes in internal controls.** There were no significant changes in the Bank's internal controls or in other factors that could significantly affect those controls subsequent to the Evaluation Date.

**FIRST NATIONAL BANK ALASKA  
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PART II**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time in the normal course of business, various claims are asserted against the Bank. Management is of the opinion that ultimate resolution of matters presently known to exist will have no material effect on the Bank's financial statements.

**ITEM 6. EXHIBITS**

<u>Exhibit Number</u>	<u>Exhibit</u>
(19)	Annual Report to Shareholders for the year ended December 31, 2006
(31.1)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(32.2)	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Page number references are to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

<u>Exhibit Number</u>	<u>Exhibit</u>	<u>Page(s)</u>
(3) (i)	Articles of Association, as amended.....	17-18
(3) (ii)	Amended and Restated Bylaws.....	19-24
(3) (iii)	Special Shareholders Meeting.....	25

**SIGNATURES**

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FIRST NATIONAL BANK ALASKA**

/s/ D.H. Cuddy

November 1, 2007

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D.H. Cuddy  
Chairman and President  
(Principal Executive Officer)

Date

/s/ Jason L. Roth

November 1, 2007

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Jason L. Roth  
Senior Vice President  
(Principal Financial Officer)

Date

/s/ Michele M. Schuh

November 1, 2007

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Michele M. Schuh  
Comptroller  
(Principal Accounting Officer)

Date

## EXHIBIT 31.1

### CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, D.H. Cuddy, Chairman and President, certify that:

1. I have reviewed this report on Form 10-Q of First National Bank Alaska;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

**EXHIBIT 31.1 - CERTIFICATION** *(continued)*

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ D.H. Cuddy

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D.H. Cuddy  
Chairman and President  
(Principal Executive Officer)

November 1, 2007

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Date

## EXHIBIT 31.1

### CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jason L. Roth, Senior Vice President, certify that:

1. I have reviewed this report on Form 10-Q of First National Bank Alaska;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

**EXHIBIT 31.2 - CERTIFICATION** *(continued)*

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jason L. Roth

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Jason L. Roth  
Senior Vice President  
(Principal Financial Officer)

November 1, 2007

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Date

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the First National Bank Alaska's ("Bank") Quarterly Report on Form 10-Q ("Report") for the period ending September 30, 2007, I, D.H. Cuddy, Chairman and President, certify, that:

- (1) To the best of my knowledge, the Report fully complies with the requirements of section 13(a) of the Exchange Act of 1934; and
- (2) To the best of my knowledge, the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operation of the Bank.

/s/ D.H. Cuddy

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D.H. Cuddy  
Chairman and President  
(Principal Executive Officer)

November 1, 2007

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Date

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the First National Bank Alaska's ("Bank") Quarterly Report on Form 10-Q ("Report") for the period ending September 30,2007, I, Jason L. Roth, Senior Vice President, certify, that:

- (1) To the best of my knowledge, the Report fully complies with the requirements of section 13(a) of the Exchange Act of 1934; and
- (2) To the best of my knowledge, the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operation of the Bank.

/s/ Jason L. Roth

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Jason L. Roth  
Senior Vice President  
(Principal Financial Officer)

November 1, 2007

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Date