

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 March 31, 2008

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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 **March 31, 2008**.

**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>March 31, 2008</b>	<b>December 31, 2007</b>
Cash and cash equivalents:		
Cash and due from banks	\$93,879	\$87,313
Federal funds sold	120,009	10,933
<b>Total Cash and Cash Equivalents</b>	<b>213,888</b>	<b>98,246</b>
Securities, available-for-sale, at fair value	897,316	955,094
Mortgage loans held for sale	11,202	14,607
Loans, net of allowance for loan losses of \$18,500 and \$19,500 for 2008 and 2007	1,121,851	1,138,179
Premises and equipment, net	45,810	46,543
Other assets	49,078	55,995
<b>Total Assets</b>	<b>\$2,339,145</b>	<b>\$2,308,664</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest bearing	\$533,577	\$565,945
Interest bearing	780,711	775,775
<b>Total Deposits</b>	<b>1,314,288</b>	<b>1,341,720</b>
Securities sold under agreements to repurchase	530,222	488,633
Notes payable and capital lease obligations	9,491	11,445
Other liabilities	14,601	8,392
<b>Total Liabilities</b>	<b>1,868,602</b>	<b>1,850,190</b>
<b>Shareholders' Equity:</b>		
Common stock, \$100 par value (Authorized: 2008 and 2007 - 400,000 shares Issued: 2008 and 2007 - 344,759 shares)	34,476	34,476
Surplus	40,000	40,000
Retained earnings	377,381	373,510
Accumulated other comprehensive income	18,686	10,488
<b>Total Shareholders' Equity</b>	<b>470,543</b>	<b>458,474</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,339,145</b>	<b>\$2,308,664</b>

See accompanying notes to condensed financial statements.

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

**PART I - ITEM 1.**

(dollars in thousands)

	<b>FOR THREE MONTHS ENDED March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Interest Income and Loan Fees</b>		
Interest and fees on loans	\$22,893	\$26,773
Interest and dividends on investment securities	10,449	9,426
Interest on Federal funds sold	586	822
<b>Total Interest and Loan Fee Income</b>	<b>33,928</b>	<b>37,021</b>
<b>Interest Expense</b>		
Interest on deposits	3,175	4,122
Interest on federal funds purchased and securities sold under agreements to repurchase	2,634	5,283
Interest on notes payable, capital lease obligations and other	51	57
<b>Total Interest Expense</b>	<b>5,860</b>	<b>9,462</b>
<b>Net Interest and Loan Fee Income</b>	<b>28,068</b>	<b>27,559</b>
Provision for loan losses	(1,046)	295
<b>Net Interest And Loan Fee Income After Provision For Loan Losses</b>	<b>29,114</b>	<b>27,264</b>
<b>Noninterest Income</b>		
Bankcard fees	3,842	4,054
Service charges on deposit accounts	1,455	1,502
Gain on sale of mortgage loans	445	307
Mortgage loan servicing income	565	419
Net gains on investment securities	75	-
Other noninterest income	5,066	1,779
<b>Total Noninterest Income</b>	<b>11,448</b>	<b>8,061</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	10,613	10,512
Occupancy, net	1,897	1,896
Furniture and equipment	827	927
Bankcard	3,182	3,253
Other noninterest expense	4,366	3,415
<b>Total Noninterest Expense</b>	<b>20,885</b>	<b>20,003</b>
<b>Income Before Taxes</b>	<b>19,677</b>	<b>15,322</b>
Provision for income taxes	7,187	5,643
<b>NET INCOME</b>	<b>\$12,490</b>	<b>\$9,679</b>
<b>Earnings Per Common Share</b> (not in thousands)	<b>\$36.23</b>	<b>\$28.07</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 COMPREHENSIVE INCOME (UNAUDITED)**

**PART I - ITEM 1.**

(dollars in thousands)

<b>Comprehensive Income</b>	<b>For Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Net Income</b>	<b>\$12,490</b>	<b>\$9,679</b>
<b>Other Comprehensive Income, net of taxes:</b>		
Increase in unrealized net holding gains during period, net of tax effect of \$5,754 and \$1,172, 2008 and 2007	8,242	1,680
Reclassification of gains included in net income, net of tax effect of \$31 and \$0, 2008 and 2007	(44)	0
<b>Net Gains Recognized in Other Comprehensive Income</b>	<b>8,198</b>	<b>1,680</b>
<b>Comprehensive Income</b>	<b>\$20,688</b>	<b>\$11,359</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 Three Months Ended March 31,</b>	
<b>Operating Activities</b>	<b>2008</b>	<b>2007</b>
Net income	\$12,490	\$9,679
Adjustments to reconcile net income to net cash provided by operating activities	(522)	839
Net other operating activity	11,247	18,979
<b>Net Cash Provided By Operating Activities</b>	<b>23,215</b>	<b>29,497</b>
<b>Investing Activities</b>		
Proceeds from sales/maturities of securities, available-for-sale	163,293	141,177
Purchase of securities, available-for-sale	(91,583)	(93,764)
Net decrease in loans, net of undisbursed portion	17,305	43,947
Net other investing activity	(121)	(150)
<b>Net Cash Provided By Investing Activities</b>	<b>88,894</b>	<b>91,210</b>
<b>Financing Activities</b>		
Net decrease in total deposits	(27,432)	(57,994)
Net increase in securities sold under agreements to repurchase	41,589	18,577
Payments on notes and capital leases	(2,005)	(670)
Dividends paid	(8,619)	(8,619)
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>3,533</b>	<b>(48,706)</b>
Increase in cash and cash equivalents	115,642	72,001
Cash and cash equivalents, January 1,	98,246	110,229
<b>Cash and Cash Equivalents, March 31,</b>	<b>\$213,888</b>	<b>\$182,230</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	\$6,023	\$9,363
Cash paid during the period for income taxes	\$3	188
Increase in unrealized holding gains on available-for-sale securities, net of deferred tax of \$5,723 and \$1,172, 2008 and 2007	\$8,242	\$1,680

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**

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<b>Balance, January 1, 2008</b>	<b>\$458,474</b>
Net income for the three months ended March 31, 2008	12,490
Cash dividends declared on common stock	(8,619)
Change in accumulated other comprehensive income	8,198
<b>Balance, March 31, 2008</b>	<b>\$470,543</b>

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See accompanying notes to condensed financial statements.

**FIRST NATIONAL BANK ALASKA  
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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 March 31, 2008, are not necessarily indicative of the results anticipated for the year ending December 31, 2008. These condensed financial statements should be read in conjunction with the Bank's Annual Report to Shareholders for the year ended December 31, 2007, 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 three month period ended March 31, 2008, 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 March 31, 2008 and 2007.

Certain reclassifications have been made to conform 2007 financial data to the 2008 presentation.

Effective January 1, 2008 the bank implemented Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a consistent framework for measuring fair value and expands the disclosure requirements for fair value measurements.

**Assets Measured at Fair Value on a Recurring Basis**

<u>Dollars in thousands</u>				
Description	March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities, available-for-sale	\$897,316		\$897,316	
<b>Total</b>	<b>\$897,316</b>		<b>\$897,316</b>	

**FIRST NATIONAL BANK ALASKA  
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PART I**

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

For investment securities, where quoted prices are available in an active market for identical securities they are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models and quoted prices of securities with similar characteristics. Where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy.

**Assets Measured at Fair Value on a Nonrecurring Basis**

Dollars in thousands					
Description	March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses) for Quarter ended March 31, 2008
Impaired Loans	\$28,696		\$28,696		\$3,036
Mortgage Servicing Rights	3,420			3,420	(25)
Total	\$32,116		\$28,696	\$3,420	\$3,011

Certain impaired loans are evaluated based on the fair value of collateral, which is derived from appraisals that take into consideration prices in observed transactions involving similar assets in similar locations, in accordance with provisions of SFAS 114.

Fair value of mortgage servicing rights are estimated using discounted cash flow models that calculate the present value of estimated future net servicing income. The bank reassesses and periodically adjusts the remaining unamortized value to reflect actual prepayments.

Also effective January 1, 2008 the bank implemented Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This statement provides an option to selectively report financial assets and financial liabilities at fair value and establishes presentation and disclosure requirements. The bank did not elect the fair value option for any additional financial assets or liabilities as of January 1, 2008. The bank may adopt this guidance for financial assets and liabilities in the future as permitted under the statement.

During the first quarter 2008, the Financial Accounting Standards Board issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. The bank believes the adoption of this Statement will have no impact 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**

***Condensed Comparative Statements of Condition***

The following table provides condensed balance sheet change analysis for the current quarter ended March 31, 2008 and comparative balances for March 31, 2007:

<u>Dollars in thousands</u>				
	March 31, 2008	% Change	December 31, 2007	March 31, 2007
Cash and cash equivalents	\$213,888	117.7%	\$98,246	\$182,230
Securities, available-for-sale	897,316	-6.0%	955,094	828,094
Total loans, net	1,133,053	-1.7%	1,152,786	1,147,169
Premises and equipment	45,810	-1.6%	46,543	44,509
All other assets	49,078	-12.4%	55,995	39,200
<b>Total Assets</b>	<b>\$2,339,145</b>	<b>1.3%</b>	<b>\$2,308,664</b>	<b>\$2,241,202</b>
Noninterest bearing deposits	\$533,577	-5.7%	\$565,945	\$527,855
Interest bearing deposits	780,711	0.6%	775,775	768,146
Securities sold under agreements to repurchase	530,222	8.5%	488,633	480,986
All other liabilities	24,092	21.4%	19,837	18,396
Shareholders' equity	470,543	2.6%	458,474	445,819
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,339,145</b>	<b>1.3%</b>	<b>\$2,308,664</b>	<b>\$2,241,202</b>

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**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

The following table provides condensed, comparative balance sheets and composition percentages as of March 31, 2008, December 31, 2007 and March 31, 2007:

<u>Dollars in thousands</u>						
	March 31, 2008	% Total	December 31, 2007	% Total	March 31, 2007	% Total
Cash and cash equivalents	\$213,888	9%	\$98,246	4%	\$182,230	8%
Securities, available-for-sale	897,316	38%	955,094	41%	828,094	37%
Total loans, net	1,133,053	48%	1,152,786	50%	1,147,169	51%
Premises and equipment	45,810	2%	46,543	2%	44,509	2%
All other assets	49,078	2%	55,995	2%	39,200	2%
<b>Total Assets</b>	<b>\$2,339,145</b>	<b>100%</b>	<b>2,308,664</b>	<b>100%</b>	<b>2,241,202</b>	<b>100%</b>
Noninterest bearing deposits	\$533,577	23%	\$565,945	25%	\$527,855	24%
Interest bearing deposits	780,711	33%	775,775	34%	768,146	34%
Securities sold under agreements to repurchase	530,222	23%	488,633	21%	480,986	21%
All other liabilities	24,092	1%	19,837	1%	18,396	1%
Shareholders' equity	470,543	20%	458,474	20%	445,819	20%
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,339,145</b>	<b>100%</b>	<b>\$2,308,664</b>	<b>100%</b>	<b>\$2,241,202</b>	<b>100%</b>

***Management Overview of Material Changes in Financial Position***

**Total assets** increased \$30.5 million for the quarter led by an increase in **cash and cash equivalents** of \$115.6 million resulting from positive cash flow from operations, investing and financing activities. From the statement of cash flows, sales and maturities of **securities, available-for-sale** outpaced securities reinvested by \$71.7 million and **loans** decreased \$17.3 million on soft commercial and real estate demand.

Asset composition has continued to show a slight decrement in lending assets with a shift into securities or cash equivalents as indicated by market investment opportunity and liquidity management considerations. Consistent with recent trends, growth in assets was funded by increases in **securities sold under agreements to repurchase** of \$41.6 million for the quarter, more than offsetting decreases in **noninterest bearing deposits** of \$32.4 million that seasonally outflow during the first quarter of the year.

**Other assets** decreased \$6.9 million during the quarter, primarily due to a \$5.2 million decrease in net deferred tax assets. The balances of deferred tax assets and deferred tax liabilities, which represent future taxable expenses and income, respectively, reached an approximately offsetting level on March 31,

2008 due to a \$5.7 million increase in deferred tax liabilities resulting from increasing unrealized gains on the securities, available-for-sale portfolio.

**FIRST NATIONAL BANK ALASKA  
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PART I**

**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

**Notes payable** decreased \$1.9 million as a result of scheduled debt payments. **Other liabilities** increased \$6.2 million as the liability for current taxes payable increased \$7.7 million, pending first quarter estimated tax payments due on or around April 15, 2008.

**Shareholders' equity** increased during the first quarter by \$12.1 million (2.6%), as **accumulated other comprehensive income** increased \$8.2 million, net of tax, as the securities, available-for-sale portfolio gained market value when measured against current investment yields. Additionally, **retained earnings** increased \$3.9 million over December 31, 2007 as net income for the first quarter of \$12.5 million exceeded quarterly dividend declarations of \$8.6 million.

***Loan Portfolio and Allowance for Loan Losses Analysis***

The following table provides comparative loan portfolio detail as of March 31, 2008, December 31, 2007 and March 31, 2007:

Dollars in thousands			
	March 31, 2008	December 31, 2007	March 31, 2007
Commercial and industrial	\$235,845	\$245,594	\$227,207
Real Estate	864,172	869,553	880,783
Consumer and other	20,663	22,232	23,341
Nontaxable states and political subdivision obligations	19,671	20,300	17,314
Total Loans, gross	1,140,351	1,157,679	1,148,645
Allowance for Loan Losses	(18,500)	(19,500)	(13,500)
Total Loans, net	\$1,121,851	\$1,138,179	\$1,135,145

Loan volumes decreased \$17.3 million (1.5%) during the first quarter, continuing the relatively flat period of overall loan growth experienced since early 2007. Within this overall picture, however, loan growth has occurred in most regions of the state outside of the Anchorage area. Average loans for the first quarter increased state-wide outside of the Anchorage bowl by \$37.6 million with the most significant increases recorded in the Fairbanks region (\$16.6 million), the Kenai Peninsula and other south central regions of Kodiak and Valdez (\$9.7 million) and the Mat-Su region (\$8.8 million).

The bank has experienced contraction in commercial and real estate demand in Anchorage offsetting the regional growth as commercial and real estate lending activity pause for major directions and decisions regarding statewide oil, gas and mineral resource development to become clearer, federally funded projects and spending announcements and the current soft real estate market in Anchorage to improve as commercial and residential inventories are reduced and put back in balance with demand.

**FIRST NATIONAL BANK ALASKA  
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PART I**

**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

The allowance for loan losses decreased \$1.0 million in March 2008 to \$18.5 million, compared with an increase of \$0.5 million for the quarter ended March 31, 2007. The current downward allowance adjustment reflected improvement in a few large loans related to payment activity, including a payoff.

The allowance for loan losses as a percentage of loans was 1.62% at March 31, 2008, 1.68% at December 31, 2007 and 1.18% at March 31, 2007. Non-accrual loans totaled \$62.7 million, \$53.2 million, \$31.9 million as of March 31, 2008, December 31, 2007 and March 31, 2007, respectively. Non-accrual loans have continued on an increasing trend over prior year levels. Consistent with a predominant position in the loan portfolio at 76% of loans overall, real estate loans comprise the significant population of nonaccrual loans. The predominant category of nonaccrual real estate loans are construction and land development loans in the major population centers of Anchorage and the adjacent MatSu Valley. Given the longer-term nature of development projects and the soft real estate market in these geographic areas, it could be some time before the ultimate resolution of these loans is known. The Bank considers associated collateral, risk of loss as well as other qualitative factors 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.

**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 \$27.1 million from the Federal Reserve Bank held a rate of 2.5% as of March 31, 2008. This line of credit was increased approximately \$10.0 million over 2007 levels by pledging additional securities to enhance available borrowing/liquidity options to the bank. In addition, the Bank has pledged certain first lien single-family residence and multi-family mortgages to the Federal Home Loan Bank of Seattle under a blanket pledge collateral agreement. The associated line of credit with this facility was \$75.1 million as of March 31, 2008, with various short to long-term advances available under both fixed and variable terms at prevailing market rates.

The bank also has federal fund arrangements from unaffiliated banks of \$90.0 million at a rate of 2.25% as of March 31, 2008. There were no outstanding balances against any of these borrowing sources as of March 31, 2008.

**FIRST NATIONAL BANK ALASKA  
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PART I**

**LIQUIDITY AND CAPITAL RESOURCES, continued**

***Cash Flows Overview Analysis***

For the three months ended March 31, 2008, cash and cash equivalents increased \$115.6 million, compared to \$72.0 million increase during first quarter 2007. Net cash provided by **operating activities** was \$23.2 million, a decrease of \$6.3 million when compared to first quarter 2007. Cash generated through net sales of real estate loans to be sold during the first quarter of 2008 of \$3.4 million was \$8.4 million lower than the first quarter of 2007.

Cash of \$88.9 million was provided by **investing activities** for the three months ended March 31, 2008, slightly lower than the \$91.2 million provided during the comparable quarter in 2007. During 2008, the source of cash provided from investing activities shifted more toward securities maturities over decreases in loan levels.

Cash was provided by **financing activities** of \$3.5 million during first quarter 2008 while cash was used in financing activities of \$48.7 million first quarter 2007. First quarter decreases in total deposits of \$27.4 million were approximately half of the 2007 first quarter outflow and first quarter 2008 increases in securities sold under agreements to repurchase of \$41.6 million were twice the level of first quarter 2007 growth.

***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:

	March 31, 2008	December 31, 2007	To Be Well Capitalized Under Prompt Corrective Action Provisions
Total Capital Ratio	30.56%	30.40%	10.0%
Tier 1 Capital Ratio	29.36%	29.15%	6.0%
Tier 1 Leverage Ratio	19.92%	19.13%	5.0%

**FIRST NATIONAL BANK ALASKA  
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PART I**

**MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION**

The following table provides quarterly summary of operations data for five consecutive quarters ended March 31, 2008:

*Dollars in thousands, except per share data and ratios*

Quarterly Summary of Operations	2008		2007		
	First	Fourth	Third	Second	First
Interest and Loan Fee Income	\$33,928	\$38,019	\$39,028	\$38,626	\$37,021
Interest Expense	5,860	8,214	9,464	10,159	9,462
Net Interest and Fee Income	28,068	29,805	29,564	28,467	27,559
Provision for Loan Losses	(1,046)	997	2,868	3,903	295
Net Interest and Fee Income After Provision for Loan Losses	29,114	28,808	26,696	24,564	27,264
Noninterest Income	11,448	9,261	9,838	8,939	8,061
Salaries and employee benefits	10,613	10,161	10,041	10,827	10,512
Noninterest Expense	10,272	12,171	10,178	9,929	9,491
Income Before Taxes	19,677	15,737	16,315	12,747	15,322
Provision for Income Taxes	7,187	5,544	6,389	4,513	5,643
Net Income	\$12,490	\$10,193	\$9,926	\$8,234	\$9,679
Earnings Per Common Share	\$36.23	\$29.57	\$28.79	\$23.88	\$28.07
Dividends Declared Per Common Share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average Assets	\$2,266,419	\$2,340,224	\$2,342,295	\$2,286,689	\$2,222,577
Average Total Equity	\$447,684	\$446,532	\$445,012	\$444,550	\$443,669
Ratio to Net Income to					
Average Assets	2.22%	1.74%	1.69%	1.45%	1.76%
Return on Average Equity	11.22%	9.06%	8.85%	7.43%	8.85%

***Management Overview of Material Changes in Quarterly Results of Operation***

**Net income before taxes** for the quarter ended March 31, 2008 increased \$4.4 million (28.4%) to \$19.7 million from \$15.3 million for the quarter ended March 31, 2007. First quarter **net interest and fee income** of \$28.1 million increased \$0.5 million over the quarter ended March 31, 2007 as **interest expenses** were reduced on interest bearing liabilities more significantly than yield and volumes decreased on interest earning assets. A reduction of \$1.0 million in the allowance for loan losses improved the **provision for loan losses** over first quarter 2007 by \$1.3 million. Additionally, significant transactions were recorded in 2008 first quarter results in **noninterest income** gains of \$3.3 million and **noninterest expense** of \$1.0 million related to transactions with Visa, Inc. as discussed more fully in subsequent sections of management's discussion and analysis of material changes in quarterly results of operation.

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

As a result of these changes, **net income** increased \$2.8 million (29.0%) to \$12.5 million for the quarter ended March 31, 2008 from \$9.7 million for the first quarter 2007.

***Analysis of Interest Earning Assets and Interest Bearing Liabilities***

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 March 31, 2008 and 2007:

Dollars in thousands								
	Average First Quarter Balances		Average First Quarter Yields		Change Due to			
	2008	2007	2008	2007	Rate	Volume	Time	
<b>Earning Assets</b>								
Loans-Taxable	\$1,078,399	\$1,131,897	7.90%	8.96%				
Loans-NonTaxable	19,503	16,947	9.34%	8.16%				
Investment Securities-Taxable	827,072	807,749	4.81%	4.54%				
Investment Securities- NonTaxable	57,509	40,262	6.10%	5.79%				
Federal Funds Sold	83,670	62,710	2.82%	5.32%				
<b>Total Earning Assets</b>	<b>\$2,066,153</b>	<b>\$2,059,565</b>	<b>6.42%</b>	<b>7.04%</b>	-0.73%	0.02%	0.09%	

Interest and loan fee income for the quarters ended March 31, 2008 and 2007 was \$33.9 million and \$37.0 million, respectively, for a decrease of \$3.1 million or 8.4%. The tax equivalent yield on the average earning assets decreased 62 basis points, from 7.04% in 2007 to 6.42% in 2008. Total average earning assets increased \$6.6 million, from \$2.06 billion at March 31, 2007 to \$2.066 billion as of March 31, 2008. Average loan levels decreased \$50.9 million year over year, while average investment securities increased \$36.6 million for the same period. The improving yields on investment securities and volume provided quarterly improvements to interest and loan fee income that were offset by decreasing yield and volumes in lending assets. Interest income was also negatively impacted by falling rates on overnight federal fund sales that were held at higher volumes in 2008 over 2007 for liquidity.

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

***Analysis of Interest Earning Assets and Interest Bearing Liabilities, continued***

The following table provides comparative average balances of interest bearing liabilities, respective yields, and change analysis for the quarters ended March 31, 2008 and 2007:

Dollars in thousands							
	Average First Quarter Balances		Average First Quarter Yields		Change Due to		
	2008	2007	2008	2007	Rate	Volume	Time
<b>Interest Bearing Liabilities</b>							
Savings	\$315,633	\$326,104	1.21%	1.51%			
First Rate	132,470	128,462	0.91%	1.67%			
First Investment Time	175,451	175,046	1.50%	2.71%			
Federal Funds Purchased	1,148	431	4.55%	5.65%			
Repurchase Agreements	515,921	470,884	2.04%	4.54%			
Other Debt	9,499	3,449	2.16%	6.70%			
<b>Total Interest Bearing Liabilities</b>	<b>\$1,288,464</b>	<b>\$1,235,032</b>	<b>1.83%</b>	<b>3.11%</b>	-1.46%	0.15%	0.03%

Interest expense for the quarters ended March 31, 2008 and 2007 was \$5.9 million and \$9.5 million, respectively. Interest expense decreased significantly as interest rates paid for the total average aggregate interest bearing liabilities decreased 128 basis points, from 3.11% in 2007 to 1.83% in 2008. Total average aggregate outstanding interest bearing liabilities increased \$53.4 million from \$1.235 billion at March 31, 2007 to \$1.288 billion in 2008.

***Provision for Loan Losses***

The allowance for loan losses decreased \$1.0 million in March 2008 to \$18.5 million, compared with an increase of \$0.5 million for the quarter ended March 31, 2007. The current downward allowance adjustment reflected improvement in a few large loans related to payment activity, including a payoff. Loan composition, nonaccrual loan levels and allowance adequacy is discussed in the *Loan Portfolio Analysis* section of *Material Changes in Financial Position* section of Part 1 on previous pages.

Loan recoveries exceeded loan charge offs by \$46,000 and \$205,000 as of the three months ended March 31, 2008 and 2007, respectively.

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

***Noninterest Income and Expenses***

Total noninterest income for the quarters ended March 31, 2008 and 2007 was \$11.4 million and \$8.1 million, respectively. Ordinary noninterest income was consistent with the comparable period; bankcard fees decreased with reduced transaction volume in customer corporate card activity and mortgage loan servicing income was stronger without the offsets for impairment recorded in the comparable period. The increase in other noninterest income is discussed in the paragraph below and relates to accounting for transactions associated with Visa, Inc. (Visa).

Noninterest expense for the quarters ended March 31, 2008 and 2007 was \$20.9 million and \$20.0 million, respectively. Through continued proactive cost and expense management, noninterest expenses are consistent over first quarter last year with minor fluctuations. The increase in other noninterest expenses is discussed in the next paragraph and relates to accounting for transactions associated with Visa.

The significant variances in noninterest income and expense quarter over quarter relate to March 2008 transactions recorded with Visa pursuant to their recent initial public stock offering and related activity. The bank recorded a \$2.2 million gain on sale related to the redemption of Visa class B stock by Visa, the proceeds for which were received by the bank in March. The bank also recorded a receivable from others and an additional gain of \$1.1 million for its proportionate share of funds placed in escrow by Visa for the purpose of settling certain specific litigation for which the bank is a guarantor pursuant to the Visa bylaws. Combined these transactions increased other noninterest income for the first quarter of 2008 by \$3.3 million.

Also related to Visa, noninterest expense increased \$1.1 million related to an additional charge to litigation expense. With this charge, in addition to the provision of \$.9 million recorded in the fourth quarter of 2007, the overall estimate of the fair market value of the bank's guarantee to Visa is recorded in other liabilities at \$2.0 million. The specific litigation to which this guarantee applies involves unresolved claims against Visa that are complex and subject to substantial uncertainty and unspecified damages. As such, the ultimate outcome of the cases and corresponding indemnification may be significantly different than the fair value estimated of \$2.0 million recorded at March 31, 2008.

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

***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:

<u>Dollars in thousands</u>			
	Quarter Ended March 31, 2008	Year Ended December 31, 2007	Quarter Ended March 31, 2007
Income before taxes	\$19,677	\$60,121	\$15,322
Provision for income taxes	7,187	22,089	5,643
Net Income	<u>\$12,490</u>	<u>\$38,032</u>	<u>\$9,679</u>
Effective combined tax rate	36.5%	36.7%	36.8%

The effective tax rate reflected in the provision for income taxes for the three months ended March 31, 2008 is consistent with the full year effective rate for 2007 and the three months ended March 31, 2007.

**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, 2007.

**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.

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**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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Annual Shareholders' Meeting was held March 25, 2008, for the purpose of considering and voting upon the following matter:

- (1) Election of Directors. Individuals elected to the Board of Directors were as follows:

NOMINEES	<u>VOTES CAST</u>		
	FOR	AGAINST	ABSTAINED
D.H. Cuddy	314,529	837	0
Betsy Lawer	314,529	796	0
John T. Kelsey	314,529	733	0
Loren H. Lounsbury	314,529	340	0
Maurice J. Coyle, M.D.	314,529	1,070	0
Margy K. Johnson	314,529	340	0
George E. Gordon	314,529	340	0
Jane Klopfer	314,529	1,814	0
Morton Plumb	314,529	1,449	0

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PART II**

**ITEM 6. EXHIBITS**

<u>Exhibit Number</u>	<u>Exhibit</u>
(19)	Annual Report to Shareholders for the year ended December 31, 2007
(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

5/8/2008

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

\_\_\_\_\_  
Date

/s/ Jason L. Roth

5/8/2008

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

\_\_\_\_\_  
Date

/s/ Michele M. Schuh

5/8/2008

\_\_\_\_\_  
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)

5/8/2008

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Date

## EXHIBIT 31.2

### 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)

5/8/2008

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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 March 31, 2008, 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)

5/8/2008

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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 March 31, 2008, 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)

5/8/2008

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Date