

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

FIRST NATIONAL BANK ALASKA

ALASKA

92-0006595

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

(907) 777-4362

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, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>

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

Yes No

There were **332,054** shares of \$100 par value common stock outstanding as of **November 8, 2010**

**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)

ASSETS	September 30, 2010	December 31, 2009
Cash and due from banks	\$191,460	\$169,572
Securities, available-for-sale	1,283,398	1,182,118
Securities, held-to-maturity (Fair Value: 2010 - \$23,574; 2009 - 24,222)	23,000	23,000
Real estate loans to be sold	14,394	10,798
Loans, net of allowance for loan losses of \$16,000 and \$18,000 for 2010 and 2009	1,178,169	1,165,673
Premises and equipment, net	41,911	42,986
Other real estate owned, net	18,973	9,332
Other assets	43,615	47,833
Total Assets	\$2,794,920	\$2,651,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing	\$769,797	\$707,005
Interest bearing	979,832	942,725
Total Deposits	1,749,629	1,649,730
Securities sold under agreements to repurchase	546,068	537,748
Federal funds purchased	25,000	-
Notes payable and capital lease obligations	2,085	2,025
Dividends declared and unpaid	41,507	-
Other liabilities	10,777	8,711
Total Liabilities	2,375,066	2,198,214
Shareholders' Equity:		
Common stock, \$100 par value (Authorized: 2010 and 2009 - 400,000 shares Issued: 2010 and 2009 - 332,054 shares)		
	33,205	33,205
Surplus	40,000	40,000
Retained earnings	329,933	366,602
Accumulated other comprehensive income	16,716	13,291
Total Shareholders' Equity	419,854	453,098
Total Liabilities and Shareholders' Equity	\$2,794,920	\$2,651,312

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,

Interest Income and Loan Fees	2010	2009
Interest and fees on loans	\$20,882	\$20,442
Interest and dividends on investment securities	8,020	10,008
Interest on cash and cash equivalents	113	75
Total Interest and Loan Fee Income	29,015	30,525
Interest Expense		
Interest on deposits	756	1,141
Interest on federal funds purchased and securities sold under agreements to repurchase	181	250
Interest on notes payable, capital lease obligations and other	35	41
Total Interest Expense	972	1,432
Net Interest and Loan Fee Income	28,043	29,093
Provision (credit) for loan losses	(45)	1,797
Net Interest And Loan Fee Income After Provision (Credit) For Loan Losses	28,088	27,296
Noninterest Income		
Bankcard fees	5,752	5,165
Service charges on deposit accounts	1,237	1,450
Gain on sale of mortgage loans	457	421
Mortgage loan servicing income	722	611
Net gains on investment securities	-	-
Other noninterest income	1,693	2,185
Total Noninterest Income	9,861	9,832
Noninterest Expense		
Salaries and employee benefits	11,070	10,846
Occupancy, net	1,604	1,721
Furniture and equipment	881	712
Bankcard	4,000	4,173
Other noninterest expense	4,180	3,887
Total Noninterest Expense	21,735	21,339
Income Before Taxes	16,214	15,789
Provision for income taxes	5,640	5,214
NET INCOME	\$10,574	\$10,575
Earnings Per Common Share (not in thousands)	\$31.84	\$31.82
Cash Dividends Paid Per Common Share (not in thousands)	\$25.00	\$25.00

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,

Interest Income and Loan Fees	2010	2009
Interest and fees on loans	\$60,590	\$61,415
Interest and dividends on investment securities	25,251	29,100
Interest on cash and cash equivalents	311	219
Total Interest and Loan Fee Income	86,152	90,734
Interest Expense		
Interest on deposits	2,424	3,611
Interest on federal funds purchased and securities sold under agreements to repurchase	531	664
Interest on notes payable, capital lease obligations and other	103	126
Total Interest Expense	3,058	4,401
Net Interest and Loan Fee Income	83,094	86,333
Provision for loan losses	480	5,075
Net Interest And Loan Fee Income After Provision For Loan Losses	82,614	81,258
Noninterest Income		
Bankcard fees	14,133	12,820
Service charges on deposit accounts	3,725	4,219
Gain on sale of mortgage loans	1,096	1,822
Mortgage loan servicing income	1,885	2,089
Net gains on investment securities	138	26
Other noninterest income	5,633	5,623
Total Noninterest Income	26,610	26,599
Noninterest Expense		
Salaries and employee benefits	33,505	33,022
Occupancy, net	4,963	5,326
Furniture and equipment	2,483	2,181
Bankcard	10,583	10,576
Other noninterest expense	12,778	11,779
Total Noninterest Expense	64,312	62,884
Income Before Taxes	44,912	44,973
Provision for income taxes	15,170	14,792
NET INCOME	\$29,742	\$30,181
Earnings Per Common Share (not in thousands)	\$89.57	\$90.40
Cash Dividends Paid Per Common Share (not in thousands)	\$75.00	\$75.00

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

Comprehensive Income	For Three Months Ended September 30,	
	2010	2009
Net Income	\$10,574	\$10,575
Other Comprehensive Income, net of taxes:		
Increase in unrealized net holding gains during period, net of tax effect of \$1,401 and \$340, 2010 and 2009	2,007	487
Net Gains Recognized in Other Comprehensive Income	2,007	487
Comprehensive Income	\$12,581	\$11,062

Comprehensive Income	For Nine Months Ended September 30,	
	2010	2009
Net Income	\$29,742	\$30,181
Other Comprehensive Income, net of taxes:		
Increase (decrease) in unrealized net holding gains during period, net of tax effect of \$2,448 and \$3,789, 2010 and 2009	3,506	(5,428)
Reclassification of net gains included in net income, net of tax effect of \$57 and \$11, 2010 and 2009	(81)	(15)
Net Gains (Losses) Recognized in Other Comprehensive Income	3,425	(5,443)
Comprehensive Income	\$33,167	\$24,738

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

	For Nine Months Ended September 30,	
Operating Activities	2010	2009
Net income	\$29,742	\$30,181
Adjustments to reconcile net income to net cash provided by operating activities	10,212	15,472
Real estate loans to be sold - originated	(136,486)	(237,190)
Real estate loans to be sold - shipped	132,890	235,327
Net other operating activity	1,934	(5,781)
Net Cash Provided By Operating Activities	38,292	38,009
Investing Activities		
Proceeds from calls and maturities of securities, available-for-sale	282,935	273,084
Proceeds from sales of securities, available-for-sale	36,156	18,095
Purchase of securities, available-for-sale	(419,947)	(541,111)
Net decrease (increase) in loans, net of undisbursed portion	(22,964)	16,883
Net other investing activity	(858)	3
Net Cash Used In Investing Activities	(124,678)	(233,046)
Financing Activities		
Net increase (decrease) in total deposits	99,899	149,324
Net increase in securities sold under agreements to repurchase	8,320	51,343
Net increase in federal funds purchased	25,000	-
Payments on notes and capital leases	(41)	(112)
Dividends paid	(24,904)	(24,969)
Retirement of common stock	-	(10,526)
Net Cash Provided By Financing Activities	108,274	165,060
Increase (decrease) in cash and cash equivalents	21,888	(29,977)
Cash and cash equivalents, January 1,	169,572	138,088
Cash and Cash Equivalents, September 30,	\$191,460	\$108,111
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$3,290	\$4,963
Cash paid during the period for income taxes	\$13,243	\$13,305
Supplemental schedule of noncash investing activities:		
Net transfers of loans to other real estate owned	\$10,098	\$6,655
Dividends declared and unpaid at end of period	\$41,507	-

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

Balance, January 1, 2010	\$453,098
Net income for the nine months ended September 30, 2010	29,742
Cash dividends declared on common stock	(66,411)
Change in accumulated other comprehensive income	3,425
Balance, September 30, 2010	\$419,854

See accompanying notes to condensed financial statements.

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

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

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, 2010** are not necessarily indicative of the results anticipated for the year ending December 31, 2010. These condensed financial statements should be read in conjunction with the bank's annual report filed on Form 10-K for the year ended December 31, 2009.

Management affirms all of its accounting policies as described in the bank's annual report filed on Form 10-K. During the nine month period ended **September 30, 2010**, the bank has not changed any of its policies or altered the way it formulates critical accounting estimates.

Use of accounting estimates in the preparation of financial statements, in order to conform with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, fair values of financial instruments and deferred income taxes.

Earnings per share are computed on the basis of the weighted average number of shares outstanding of 332,054 and 332,818 for the quarters ended **September 30, 2010** and 2009, respectively.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Update No. 2010-21, *Accounting for Technical Amendments to Various SEC Rules and Schedules—Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies*, and ASC Update No. 2010-22, *Accounting for Various Topics—Technical Corrections to SEC Paragraphs*. Management believes adoption of this ASC update will not materially impact the financial statements of the bank. Additionally, the FASB issued ASC Update No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The disclosures required at period-ends will be effective for the bank for interim and annual reporting periods ending on or after December 15, 2010 while disclosures for activity that occurs during a period will be effective for the bank for interim and annual periods ending on or after December 15, 2011.

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

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 2 - SECURITIES

Amortized cost and fair values of securities, available-for-sale by maturity date, as of **September 30, 2010**:

Dollars in thousands				
SECURITIES, AVAILABLE-FOR-SALE	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury Securities:				
Maturity:				
within one year	\$ 31,010	\$ 473	\$ -	\$ 31,483
after 1 but within 5 years	159,112	1,398	-	160,510
after 5 but within 10 years	42,216	1,285	-	43,501
Total U.S. Treasury Securities	232,338	3,156	-	235,494
Other U.S. Government Agencies and Corporations:				
Maturity:				
within one year	304,336	4,734	-	309,070
after 1 but within 5 years	538,667	16,293	-	554,960
Total Other U.S. Government Agencies and Corporations	843,003	21,027	-	864,030
States And Political Subdivisions:				
Maturity:				
within one year	16,150	140	-	16,290
after 1 but within 5 years	45,414	2,140	34	47,520
after 5 but within 10 years	3,200	277	-	3,477
Total States and Political Subdivisions	64,764	2,557	34	67,287
Corporate Bonds				
Maturity:				
within one year	35,180	184	-	35,364
after 1 but within 5 years	57,551	1,229	-	58,780
after 5 but within 10 years	22,177	266	-	22,443
Totals Corporate Bonds	114,908	1,679	-	116,587
Total Securities, Available-For-Sale	\$1,255,013	\$ 28,419	\$ 34	\$1,283,398

Within the state and political subdivisions category, the largest concentrations of available-for-sale securities are held in Washington with 35%, Alaska with 19%, Pennsylvania with 15% and Oregon with 13% of the category.

**FIRST NATIONAL BANK ALASKA
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PART I**

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 2 - SECURITIES, continued

Amortized cost and fair values of securities, held-to-maturity by maturity date, as of **September 30, 2010**:

Dollars in thousands				
SECURITIES, HELD-TO-MATURITY	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate Bonds				
Maturity:				
after 1 but within 5 years	\$ 23,000	\$ 574	\$ -	\$ 23,574
Total Corporate Bonds	23,000	574	-	23,574
Total Securities, Held to Maturity	\$ 23,000	\$ 574	\$ -	\$ 23,574

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

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 2 - SECURITIES, continued

Amortized cost and fair values of securities, available-for-sale by maturity date, as of **December 31, 2009**:

Dollars in thousands				
SECURITIES, AVAILABLE-FOR-SALE	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury Securities:				
Maturity:				
within one year	\$ 19,999	\$ 170	\$ -	\$ 20,169
after 1 but within 5 years	41,545	930	-	42,475
Total U.S. Treasury Securities	61,544	1,100	-	62,644
Other U.S. Government Agencies and Corporations:				
Maturity:				
within one year	369,743	5,564	12	375,295
after 1 but within 5 years	623,967	13,600	548	637,019
Total Other U.S. Government Agencies and Corporations	993,710	19,164	560	1,012,314
States And Political Subdivisions:				
Maturity:				
within one year	18,969	263	-	19,232
after 1 but within 5 years	36,836	1,767	36	38,567
after 5 but within 10 years	8,325	525	-	8,850
Total States and Political Subdivisions	64,130	2,555	36	66,649
Corporate Bonds				
Maturity:				
within one year	40,166	345	-	40,511
Totals Corporate Bonds	40,166	345	-	40,511
Total Securities, Available-For-Sale	\$ 1,159,550	\$ 23,164	\$ 596	\$ 1,182,118

Within the state and political subdivisions category, the largest concentrations of available-for-sale securities are held in Washington with 33%, Oregon with 16%, Pennsylvania with 15%, and Alaska with 13% of the category.

**FIRST NATIONAL BANK ALASKA
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PART I**

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 2 - SECURITIES, continued

Amortized cost and fair values of securities, held-to-maturity by maturity date, as of **December 31, 2009**:

Dollars in thousands				
SECURITIES, HELD-TO-MATURITY	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate Bonds				
Maturity:				
after 1 but within 5 years	\$ 23,000	\$ 1,222	\$ -	\$ 24,222
Total Corporate Bonds	23,000	1,222	-	24,222
Total Securities, Held to Maturity	\$ 23,000	\$ 1,222	\$ -	\$ 24,222

NOTE 3 – ESTIMATED FAIR VALUE OF FINANCIAL AND NONFINANCIAL INSTRUMENTS

Amounts and estimated fair value of financial instruments as of:

Dollars in thousands				
FINANCIAL ASSETS	September 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and due from banks	\$ 191,460	\$ 191,460	\$ 169,572	\$ 169,572
Securities:				
Available-for-sale	\$ 1,283,398	\$ 1,283,398	\$ 1,182,118	\$ 1,182,118
Held-to-maturity	23,000	23,574	23,000	24,222
Real estate loans to be sold	14,394	14,394	10,798	10,798
Loans:				
Commercial and industrial	\$ 246,328	\$ 245,846	\$ 230,340	\$ 231,539
Real estate	895,602	905,108	898,412	913,994
Consumer and other	18,163	18,002	18,749	18,601
Nontaxable states and political subdivisions obligations	18,076	19,933	18,172	19,971
Total Loans	\$ 1,178,169	\$ 1,188,889	\$ 1,165,673	\$ 1,184,105
Federal Reserve Bank stock	\$ 2,196	N/A	\$ 2,196	N/A
Federal Home Loan Bank stock	\$ 2,139	N/A	\$ 2,139	N/A
Interest receivable	\$ 14,208	\$ 14,208	\$ 15,907	\$ 15,907

**FIRST NATIONAL BANK ALASKA
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PART I**

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 3 – ESTIMATED FAIR VALUE OF FINANCIAL AND NONFINANCIAL INSTRUMENTS

Amounts and estimated fair value of financial instruments as of:

Dollars in thousands				
FINANCIAL LIABILITIES	September 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<i>Deposits:</i>				
Noninterest bearing	\$ 769,797	\$ 769,797	\$ 707,005	\$ 707,005
Interest bearing:				
Savings	454,089	454,089	423,748	423,748
NOW	178,133	178,133	169,990	169,990
Money market	191,516	191,516	180,682	180,682
Time Deposits	\$ 156,094	\$ 158,470	\$ 168,305	\$ 171,142
Total Interest Bearing	\$ 979,832	\$ 982,208	\$ 942,725	\$ 945,562
Total Deposits	\$ 1,749,629	\$ 1,752,005	\$ 1,649,730	\$ 1,652,567
Securities sold under agreements to repurchase	\$ 546,068	\$ 546,068	\$ 537,748	\$ 537,748
Notes payable and capital lease obligations	\$ 2,085	\$ 2,085	\$ 2,025	\$ 2,025
Interest payable	\$ 338	\$ 338	\$ 571	\$ 571
OFF BALANCE SHEET INSTRUMENTS				
	Contractual Amount	Estimated Fair Value	Contractual Amount	Estimated Fair Value
<i>Assets:</i>				
Loan commitments	\$ 322,547	\$ 1,682	\$ 322,187	\$ 1,460
Bankcard commitments	\$ 76,111	\$ -	\$ 70,627	\$ -
Commitments to fund mortgage loans to be sold	\$ 29,368	\$ -	\$ 6,700	\$ -
Standby and commercial letters of credit	\$ 18,524	\$ 176	\$ 25,721	\$ 226
<i>Liabilities:</i>				
Forward contracts to sell mortgage loans	\$ 29,368	\$ -	\$ 6,700	\$ -
Subscriptions to purchase Federal Reserve Bank stock	\$ 2,196	N/A	\$ 2,196	N/A

Fair values of loans exceed the corresponding carrying amounts as a result of the average stated yields on loans as of September 30, 2010, exceeding current market rates. Conversely, where fair values of loans are below carrying amounts, market rates exceed the average stated yields. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data and develop the estimates of fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The following were considered in determining fair values as of **September 30, 2010**:

**FIRST NATIONAL BANK ALASKA
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PART I**

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 3 – ESTIMATED FAIR VALUE OF FINANCIAL AND NONFINANCIAL INSTRUMENTS, continued

Cash and cash equivalents: The carrying amount is a reasonable estimate of the fair value.

Securities, available-for-sale and held-to-maturity: If quoted market prices are not available, then fair values are estimated by using pricing models and quoted prices of securities with similar characteristics.

Real estate loans to be sold: The carrying amount plus unearned loan fees is a reasonable estimate of the fair value as it reflects the short-term nature of the commitment and a commitment to sell at a fixed price.

Loans: The fair value is estimated by discounting the future scheduled cash flows using the current rates at which similar loans with similar maturities would be made to similar borrowers plus unearned income. The fair value of delinquent and non-accrual loans are estimated on an individual basis, taking into account management's estimate of probable losses associated with the loan, and discounting the estimated future cash flows using current rates for similar maturities.

Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) of Seattle stock: The stock is required to be sold back at its par value. It is not practicable to determine the fair value of FRB or FHLB stock due to restrictions placed on transferability.

Interest receivable: The carrying amount is a reasonable estimate of the fair value.

Deposits: The estimated fair value of demand deposits, savings accounts, NOW accounts and money market accounts is the amount payable upon demand as of the reporting date.

Time deposits: The fair value is estimated as the discounted cash flows using rates currently offered for time deposits of similar remaining maturities.

Securities sold under agreements to repurchase: The carrying amount is a reasonable estimate of the fair value.

Notes payable and capital leases: The carrying amounts are reasonable estimates of the fair value of notes payable and capital leases, as imputed interest rates approximate current market rates for similar instruments.

Interest payable: The carrying amount is a reasonable estimate of the fair value.

Loan and bankcard commitments and standby and commercial letters of credit: The fair value is estimated using fees currently charged for similar arrangements, adjusted for changes in rates that occurred subsequent to the commitments being made.

Commitments to fund mortgage loans to be sold: The fair value is the difference between the contract price to the investor and the contract price to the borrower.

Forward contracts to sell mortgage loans: The fair value is the difference between the contract price to the investor and the market contract price for similar loans.

**FIRST NATIONAL BANK ALASKA
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PART I**

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 3 – ESTIMATED FAIR VALUE OF FINANCIAL AND NONFINANCIAL INSTRUMENTS, continued

Subscriptions to purchase Federal Reserve Bank stock: It is not practicable to determine the fair value of subscriptions to purchase FRB stock due to restrictions placed on its transferability.

Assets Measured at Fair Value on a Recurring Basis

Dollars in thousands				
Description	September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities:				
U.S. Treasury	\$235,494	\$235,494	-	-
U.S. Government agencies	\$864,030	-	\$864,030	-
States and political subdivisions	\$67,287	-	\$67,287	-
Corporate bonds	\$116,587	-	\$116,587	-
Securities Total	<u>\$1,283,398</u>	<u>\$235,494</u>	<u>\$1,047,904</u>	<u>-</u>
Description	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities:				
U.S. Treasury	\$62,644	\$62,644	-	-
U.S. Government agencies	\$1,012,314	-	\$1,012,314	-
States and political subdivisions	\$66,649	-	\$66,649	-
Corporate bonds	\$40,511	-	\$40,511	-
Securities Total	<u>\$1,182,118</u>	<u>\$62,644</u>	<u>\$1,119,474</u>	<u>-</u>

For investment securities where quoted prices are available in an active market for identical securities, they are classified within Level 1 of the fair value 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 and the investment securities are classified within Level 2 of the fair value hierarchy. Where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the fair value hierarchy.

The majority of the bank's investments are in high-quality U.S. Treasury and U.S. Government sponsored enterprise bonds where the fair values are determined by the bank's pricing service using quoted prices of similar securities. As of **September 30, 2010**, the bank had no investments in Fannie Mae or Freddie Mac common or preferred stock or mortgage-backed securities.

**FIRST NATIONAL BANK ALASKA
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PART I**

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 3 – ESTIMATED FAIR VALUE OF FINANCIAL AND NONFINANCIAL INSTRUMENTS, continued

Assets Measured At Fair Value on a Nonrecurring Basis

Dollars in thousands						
Description	September 30, 2010	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 the Quarter Ended September 30, 2010	Total Gains (Losses) for the Nine Months Ended September 30, 2010
Impaired loans	\$14,494	-	-	\$14,494	(\$200)	(\$394)
Other real estate owned	\$6,535	-	-	\$6,535	(\$67)	(\$97)
Total	\$21,029	-	-	\$21,029	(\$267)	(\$491)
Description	December 31, 2009	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 the Twelve Months Ended December 31, 2009	
Impaired loans	\$31,131	-	-	\$31,131	\$148	
Other real estate owned	\$9,332	-	-	\$9,332	(\$3,917)	
Total	\$40,463	-	-	\$40,463	(\$3,769)	

Assets measured at fair value on a nonrecurring basis for which gains and losses have been recorded during the reported periods are included in the above tables.

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. The bank may apply management-determined discount factors to appraisal valuations to take into consideration changing market conditions and liquidation costs. Impaired loans as disclosed in the previous table are presented net of any valuation allowance and include only those impaired loans with a specific valuation allowance whereas impaired loans on page 18 include all loans specifically identified as impaired with or without a specific valuation allowance.

Other real estate owned is carried at the lower of fair value at acquisition or current estimated value net of disposal costs. At the time the property is acquired, it is recorded at estimated fair value less costs to sell, with any difference between this value and the outstanding balance on the loan charged against the allowance for loan losses. Subsequent changes in the valuation allowance are included in noninterest expense.

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PART I**

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 4 – OTHER REAL ESTATE OWNED

Net other real estate owned as of **September 30, 2010** and December 31, 2009 was **\$19.0 million** and \$9.3 million, respectively. Included in noninterest expense were write downs of \$66.7 thousand and \$96.8 thousand for the three and nine months ended September 30, 2010 as compared to \$66.7 thousand and \$169.8 thousand for the comparable periods ended September 30, 2009, respectively. Additionally, included in noninterest expense is a reduction to the valuation allowance of \$0 thousand and \$385.0 thousand for the three and nine months ended September 30, 2010, respectively, compared to \$0 thousand for both comparable periods of 2009.

NOTE 5 – LOANS AND ALLOWANCE FOR LOAN LOSSES

The loan portfolio consisted of the following as of:

Dollars in thousands	September 30, December 31,	
	2010	2009
Commercial and industrial	251,533	234,695
Real estate construction	235,128	237,780
Real estate mortgage	190,631	182,270
Real estate commercial	479,713	491,104
Consumer and other	19,078	19,652
Nontaxable states and political subdivisions obligations	18,086	18,172
Loans, Gross	\$ 1,194,169	\$ 1,183,673

The following is an analysis of the change in the allowance for loan losses for the quarters ended **September 30, 2010** and 2009:

Dollars in thousands	2010		2009	
	\$	18,000	\$	21,750
Balance, June 30,				
<i>Loan Charge Offs:</i>				
Commercial and industrial		617		173
Real estate		1,594		471
Consumer and other		42		94
Total Charge Offs		2,253		738
<i>Loan Recoveries:</i>				
Commercial and industrial		170		100
Real estate		58		22
Consumer and other		70		69
Total Loan Recoveries		298		191
Net Loan Charge Offs (Recoveries)		1,955		547
Provision (Credit) for Loan Losses		(45)		1,797
Balance, September 30,		\$ 16,000		\$ 23,000

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ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS, continued

NOTE 5 – LOANS AND ALLOWANCE FOR LOAN LOSSES, continued

The following is an analysis of the change in the allowance for loan losses for the nine months ended **September 30, 2010** and 2009:

Dollars in thousands		
	2010	2009
Balance, January 1,	\$ 18,000	\$ 19,000
<i>Loan Charge Offs:</i>		
Commercial and industrial	628	175
Real estate	2,763	1,125
Consumer and other	164	253
Total Charge Offs	3,555	1,553
<i>Loan Recoveries:</i>		
Commercial and industrial	466	207
Real estate	240	59
Consumer and other	369	212
Total Loan Recoveries	1,075	478
Net Loan Charge Offs (Recoveries)	2,480	1,075
Provision for Loan Losses	480	5,075
Balance, September 30,	\$ 16,000	\$ 23,000

Nonaccrual loans totaled **\$37,235** and \$55,128 as of September 30, 2010 and December 31, 2009, respectively, net of deferred fees and interest collected of **\$4,870** and \$4,525, respectively.

At September 30, 2010 and December 31, 2009, the net recorded investment in loans that are considered to be impaired was **\$37,363** and \$56,907, respectively, (of which \$37,235 and \$55,128, respectively, were on a nonaccrual basis). A specific allowance of **\$4,500** and \$9,000 was established for the \$37,363 and \$56,907 of impaired loans as of September 30, 2010 and December 31, 2009, respectively. The average recorded investment in impaired loans was **\$47,356** and \$73,083 during **2010** and 2009, respectively.

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PART I**

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

MATERIAL CHANGES IN FINANCIAL POSITION

Condensed Comparative Statements of Condition

The following table provides condensed balance sheet change analysis for the current quarter ended **September 30, 2010** and comparative balances for June 30, 2010 and December 31, 2009:

Dollars in thousands

	September 30, 2010	% Change	June 30, 2010	December 31, 2009
Cash and cash equivalents	\$191,460	-5.0%	\$201,508	\$169,572
Total securities	1,306,398	13.5%	1,150,717	1,205,118
Total loans, net (1)	1,192,563	-0.2%	1,195,466	1,176,471
Premises and equipment	41,911	0.1%	41,887	42,986
Other real estate owned, net	18,973	14.5%	16,570	9,332
Other assets	43,615	-3.4%	45,166	47,833
Total Assets	\$2,794,920	5.4%	\$2,651,314	\$2,651,312
Noninterest bearing deposits	\$769,797	9.8%	\$700,892	\$707,005
Interest bearing deposits	979,832	3.7%	945,054	942,725
Securities sold under agreements to repurchase	546,068	1.4%	538,498	537,748
Federal funds purchased	25,000	0.0%	-	-
Dividends declared and unpaid	41,507	0.0%	-	-
Other Liabilities	12,862	31.4%	9,788	10,736
Total Shareholders' equity	419,854	-8.1%	457,082	453,098
Total Liabilities and Shareholders' Equity	\$2,794,920	5.4%	\$2,651,314	\$2,651,312

(1) Total loans, net include real estate loans to be sold

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MATERIAL CHANGES IN FINANCIAL POSITION, continued

The following table provides condensed, comparative balance sheets and composition percentages as of **September 30, 2010**, June 30, 2010 and December 31, 2009:

Dollars in thousands						
	September 30,	%	June 30,	%	December 31,	%
	2010	Total	2010	Total	2009	Total
Cash and cash equivalents	\$191,460	6.9%	\$201,508	7.6%	\$169,572	6.4%
Total securities	1,306,398	46.7%	1,150,717	43.4%	1,205,118	45.5%
Total loans, net (1)	1,192,563	42.7%	1,195,466	45.1%	1,176,471	44.4%
Premises and equipment	41,911	1.5%	41,887	1.6%	42,986	1.6%
Other real estate owned, net	18,973	0.7%	16,570	0.6%	9,332	0.4%
Other assets	43,615	1.5%	45,166	1.7%	47,833	1.7%
Total Assets	\$2,794,920	100%	\$2,651,314	100%	\$2,651,312	100%
Noninterest bearing deposits	\$769,797	27.5%	\$700,892	26.4%	\$707,005	26.7%
Interest bearing deposits	979,832	35.1%	945,054	35.6%	942,725	35.6%
Securities sold under agreements to repurchase	546,068	19.5%	538,498	20.3%	537,748	20.3%
Federal funds purchased	25,000	0.9%	-	0.0%	-	0.0%
Dividends delared and unpaid	41,507	1.5%	-	0.0%	-	0.0%
Other Liabilities	12,862	0.5%	9,788	0.4%	10,736	0.4%
Total Shareholders' equity	419,854	15.0%	457,082	17.3%	453,098	17.0%
Total Liabilities and Shareholders' Equity	\$2,794,920	100%	\$2,651,314	100%	\$2,651,312	100%

(1) Total loans, net include real estate loans to be sold

Management Overview of Material Changes in Financial Position

Total assets increased \$143.6 million (5.4%) as of September 30, 2010 over the December 31, 2009 level of \$2.651 billion. **Cash and cash equivalents** increased by \$21.9 million (12.9%) for the nine months ended September 30, 2010 as **total deposits**, **securities sold under agreements to repurchase** and **federal funds purchased** increased \$99.9 million (6.1%), \$8.3 million (1.5%) and \$25 million (100%), respectively, offset by an increase in **available-for-sale securities** of \$101.3 million (8.6%). **Total loans** increased \$16.1 million (1.4%) with increases of \$16.8 million (7.2%) and \$3.6 million (33.3%) experienced in commercial lending and real estate loans to be sold, respectively, only partially offset by decreases of \$5.7 million (0.6%) and \$0.6 million (2.9%) in real estate and consumer loans, respectively.

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MATERIAL CHANGES IN FINANCIAL POSITION, continued

Total assets increased \$143.6 million (5.4%) for the quarter ended September 30, 2010. **Cash and cash equivalents** decreased \$10.0 million (5.0%) for the third quarter 2010 primarily as a result of **securities available-for-sale** purchases of \$155.7 million (13.5%) exceeding increases in **total deposits, securities sold under agreements to repurchase** and **federal funds purchased** of \$103.7 million (6.3%), \$7.6 million (1.4%) and \$25.0 million (100%), respectively. **Total loans** decreased \$2.9 million (0.2%). The decrease in the net **loan** portfolio consisted of decreases in real estate loans to be sold of \$0.6 million (3.7%), commercial loans of \$6.1 million (2.4%) and consumer loans of \$0.8 million (4.0%) offset by an increase in real estate loans of \$2.2 million (0.2%). The \$2.0 million (11.1%) decrease in the allowance for loan losses is attributable to foreclosure activity, resulting in charge offs to the allowance and property transfers to other real estate owned.

Total liabilities increased \$176.9 million (8.0%) during the year. **Total deposits** increased \$99.9 million (6.1%) overall during the year. **Non-interest bearing** deposits comprised the majority of the increase in total deposits by \$62.8 million (8.9%). Within interest bearing deposits, **savings, NOW** and **money market** deposits increased by \$30.3 million (7.2%), \$8.1 million (4.8%) and \$10.8 million (6.0%), respectively, offset partially by a decrease in time deposits of \$12.2 million (7.3%).

Total liabilities increased \$180.8 million (8.2%) during the third quarter. **Total deposits** increased \$103.7 million (6.3%) overall during the quarter. **Non-interest bearing** deposits comprised the majority of the increase in total deposits by \$68.9 million (9.8%). Within interest bearing deposits, **savings, NOW** and **money market** deposits increased by \$11.1 million (2.5%), \$14.7 million (9.0%) and \$13.0 million (7.3%), respectively, offset only in part by a decrease in time deposits of \$4.0 million (2.5%).

Total shareholders' equity decreased \$33.2 million (7.3%) as compared to December 31, 2009. **Retained earnings** decreased \$36.7 million (10.0%) during the year. Year-to-date net income of \$29.7 million was exceeded by dividend declarations of \$66.4 million. **Accumulated other comprehensive income** increased by \$3.4 million (25.8%) during the year, as unrealized gains, net of tax effect, on securities, available-for-sale increased to \$16.7 million at September 30, 2010, from the December 31, 2009 level of \$13.3 million.

Total shareholders' equity decreased \$37.2 million (8.1%) as compared to second quarter. **Retained earnings** decreased \$39.2 million (10.6%) over June 30, 2010. Net income for the third quarter of \$10.6 million was exceeded by dividend declarations of \$49.8 million. **Accumulated other comprehensive income** increased by \$2.0 million (13.6%) for the quarter, as unrealized gains, net of tax effect, on securities, available-for-sale increased to \$16.7 million at September 30, 2010, from the June 30, 2010 level of \$14.7 million.

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MATERIAL CHANGES IN FINANCIAL POSITION, continued

Securities Portfolio

The following table provides comparative securities portfolio detail and composition percentages as of **September 30, 2010**, June 30, 2010 and December 31, 2009:

Dollars in thousands

	September 30, 2010	% Total	June 30, 2010	% Total	December 31, 2009	% Total
U.S. Treasury notes	\$232,338	17.8%	\$128,826	11.2%	\$61,544	5.1%
U.S. government agencies	843,003	64.5%	840,194	73.0%	993,710	82.5%
Municipal bank-qualified	54,001	4.1%	55,879	4.9%	57,858	4.8%
Municipal non-bank-qualified	9,974	0.8%	9,990	0.9%	6,272	0.5%
Municipal taxable	788	0.1%	788	0.1%	-	0.0%
Corporate bonds	137,909	10.5%	90,063	7.7%	63,166	5.2%
Total Securities, gross	1,278,013	97.8%	1,125,740	97.8%	1,182,550	98.1%
Unrealized gains, net	28,385	2.2%	24,977	2.2%	22,568	1.9%
Total Securities, net	<u>\$1,306,398</u>	<u>100.0%</u>	<u>\$1,150,717</u>	<u>100.0%</u>	<u>\$1,205,118</u>	<u>100.0%</u>

Total net securities increased \$155.7 million (13.5%) and \$101.3 million (8.4%) for the quarter and nine month periods ended September 30, 2010. Total securities increased from both June 30, 2010 and December 31, 2009 levels as the bank reinvested matured securities and excess funds held for liquidity purposes during the third quarter. As U.S. government agency securities matured during the year, the proceeds were reinvested primarily in U.S. Treasury notes and corporate bonds. Net unrealized gains increased by \$3.4 million (13.6%) and \$5.8 million (25.8%) from June 30, 2010 and December 31, 2009 levels, respectively, which is the result of lower market yields during the third quarter. The bank increased corporate bond levels from year end and second quarter levels in order to increase interest margins overall on the securities portfolio from these higher yielding securities.

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MATERIAL CHANGES IN FINANCIAL POSITION, continued

Securities portfolio, continued

The following table provides comparative information regarding the average term, duration and yield to maturity for each of the primary securities categories as of **September 30, 2010** and December 31, 2009:

<i>Term and duration in months</i>	September 30, 2010			December 31, 2009		
	Average Term	Average Duration	Yield to Maturity	Average Term	Average Duration	Yield to Maturity
U.S. Treasury notes	30.8	28.9	1.33%	17.2	13.8	2.34%
U.S. government agencies	23.0	20.4	2.71%	22.4	19.5	3.26%
Municipal bank-qualified	31.0	23.6	3.16%	33.5	26.3	3.31%
Municipal non-bank-qualified	42.2	31.4	3.63%	33.9	22.5	3.61%
Municipal taxable	27.4	22.8	1.33%	-	-	-
Corporate bonds	30.6	27.7	2.94%	17.4	16.4	3.41%

Investment securities representing approximately \$111 million (8.6%) and \$384 million (30.0%) of the total portfolio are anticipated to mature during the fourth quarter and next 12 months, respectively. Maturities are comprised primarily of federal government agency securities followed by U.S. Treasury securities. The decrease in average yield to maturity across all categories except municipal non-bank-qualified securities is a reflection of higher yielding securities being reinvested at current lower market rates. The increase in average term and duration of all securities categories except municipal bank-qualified securities is the result of the average term and duration of new and existing securities exceeding the average term and duration of matured securities.

FHLB Stock

As of **September 30, 2010** the bank held \$2,139 of Federal Home Loan Bank Seattle (FHLB Seattle) Class B stock that is included in other assets. On October 25, 2010, the FHLB Seattle entered into a Stipulation and Consent Order (Order) with its primary regulator, the Federal Housing Finance Agency (Finance Agency). The Finance Agency continues to deem FHLB Seattle undercapitalized under the Finance Agency's Prompt Corrective Action rule and the Order requires FHLB Seattle to take certain specified actions related to its business and operations. Among other things, the Order does not allow FHLB Seattle to purchase stock or pay dividends until it:

- Achieves and maintains certain financial and operational metrics,
- Remediates certain concerns regarding its oversight and management, asset improvement program, capital adequacy and retained earnings, risk management, compensation practices, examination findings, and information technology, and
- Returns to a "safe and sound" condition as determined by the Finance Agency.

Further, any stock repurchases, redemptions and dividend payments will be subject to Finance Agency approval. The Bank has concluded the holdings in FHLB Seattle are other than temporarily impaired and will continue to monitor the activities of FHLB Seattle for ultimate recoverability.

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PART I**

MATERIAL CHANGES IN FINANCIAL POSITION, continued

Loan Portfolio and Allowance for Loan Losses Analysis

The following table provides comparative loan portfolio detail and composition percentages as of **September 30, 2010**, June 30, 2010 and December 31, 2009:

Dollars in thousands						
	September 30, 2010		June 30, 2010		December 31, 2009	
Commercial and industrial	\$251,533	21.1%	\$257,638	21.5%	\$234,695	19.8%
Real estate	905,472	75.8%	903,233	75.4%	911,154	77.0%
Consumer and other	19,078	1.6%	19,864	1.7%	19,652	1.7%
Nontaxable states and political subdivision obligations	18,086	1.5%	17,778	1.4%	18,172	1.5%
Total Loans, gross	1,194,169		1,198,513		1,183,673	
Allowance for loan losses	(16,000)		(18,000)		(18,000)	
Total Loans, net	\$1,178,169		\$1,180,513		\$1,165,673	
	<u>100.0%</u>		<u>100.0%</u>		<u>100.0%</u>	
Allowance as a % of loans	1.34%		1.50%		1.52%	
Delinquent in excess of 30 days	\$7,314		\$9,913		\$15,084	
Non-accrual loans	\$37,235		\$44,167		\$55,128	

Net loans decreased \$2.3 million during the third quarter as commercial and consumer loans decreased \$6.1 million and \$0.8 million, respectively, while real estate and nontaxable loans increased \$2.2 million and \$0.3 million, respectively. Average loans decreased statewide during the quarter by \$3.4 million with the majority of the decrease occurring in the Southeast and Matanuska Susitna regions by \$3.0 million and \$1.4 million, respectively, offset in part by an increase of \$1.8 million in the Anchorage region with modest changes occurring in all other areas of the state. Average loan balances increased by \$10.1 million year over year with increases experienced in the Fairbanks, Kenai Peninsula and rural Alaska regions of \$22.7 million, \$3.0 million and \$2.2 million, respectively, offset by decreases in the Anchorage and Matanuska Susitna areas of \$8.7 million and \$9.2 million, respectively.

Non-accrual loans declined from December 31, 2009 levels by \$17.9 million (32.5%) and from the second quarter by \$6.9 million (15.7%) primarily as other real estate owned increased \$9.6 million (103.3%) and \$2.4 million (14.5%) over the same periods as a result of increased foreclosure activity. Consistent with a predominant position in the loan portfolio at 76% of loans overall, real estate loans comprise the significant portion of non-accrual loans. Although non-accrual loan levels continue to see improvement, construction and land development loans in the major population centers of Anchorage and the adjacent Mat-Su Valley continue to comprise a significant portion of nonaccrual real estate loans.

Management considers associated collateral, risk of loss and qualitative factors such as environmental (geographic, economic, political) and internal (changes in policies, underwriting standards, collateral values, quality control system) factors in determining the allowance for loan losses and believes it maintains an allowance for loan losses adequate to cover the current estimate of probable losses. Management continues to closely monitor market conditions for potential future adjustments.

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PART I**

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, timely debt repayment, paying shareholder dividends and paying operational expenses.

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.

The maintenance of an adequate level of capital to support business growth is an important element in the bank's ability to add to future earnings. **Equity** decreased \$33.2 million (7.3%) to \$419.9 million at **September 30, 2010** compared to \$453.1 million at December 31, 2009. The equity-to-asset ratio decreased to 15.0% at the end of the third quarter 2010 compared to a ratio of 17.1% as of December 31, 2009. The decrease during the third quarter was primarily the result of the declaration of the fourth quarter 2010 and special dividends totaling \$41.5 million. The Bank requested and received approval from its primary regulator in the third quarter for both of these dividends.

With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act on July 21, 2010, the Federal Deposit Insurance Corporation (FDIC) now permanently insures deposit accounts up to \$250,000 per depositor. The FDIC extended the Transaction Account Guarantee Program (TAGP), wherein certain transaction deposit accounts are insured to unlimited amounts, until December 31, 2010 with an optional election to extend the program an additional year to December 31, 2011, unless financial institutions elected to opt out of the program. The bank elected not to participate in the TAGP after December 31, 2009.

On February 25, 2010, the Board of Directors of the bank approved a stock repurchase program in which the bank would repurchase shares of its outstanding common stock from time to time on the open market as well as through privately negotiated transactions. The repurchase program will expire when the bank has repurchased stock representing an aggregate purchase price of \$100 million, upon termination of the program by the Board of Directors, or upon regulatory expiration on April 7, 2011, whichever occurs first. All repurchased shares will be retired and available to reissue in the future for general corporate purposes.

The program was approved at the annual shareholders' meeting on April 27, 2010. As of **September 30, 2010**, no shares have been repurchased under the program.

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PART I**

LIQUIDITY AND CAPITAL RESOURCES, continued

Credit Facilities

The bank's committed line of credit of \$105.3 million from the Federal Reserve Bank held a rate of 0.75% as of **September 30, 2010**. The bank also had a committed line of credit of \$85.1 million from the Federal Home Loan Bank Seattle (FHLB of Seattle) at a rate of 0.80% as of **September 30, 2010**. Due to the FHLB of Seattle's credit losses and continued inability to address its capital deficiency, the bank does not anticipate using this line if additional liquidity is needed. Additionally, the bank has a federal fund arrangement of \$25.0 million with an unaffiliated bank carrying an estimated rate of 0.00% to 0.25%. There were no outstanding balances against any of these available credit resources as of **September 30, 2010**.

Cash Flows Overview Analysis

For the three months ended September 30, 2010, cash and cash equivalents decreased \$10.0 million, compared to a \$119.3 million decrease during third quarter 2009. Cash was provided by **operating activities** of \$17.3 million during third quarter 2010 as compared to \$21.3 million provided during third quarter 2009. The primary driver affecting the decrease in cash provided by operating activities was a \$1.8 million decrease in the provision for loan losses from the third quarter of 2009 as discussed in the provision for loan losses section that follows. Cash of \$155.3 million and \$209.2 million used in **investing activities** for the three months ended September 30, 2010 and 2009, respectively, primarily resulted from purchases of securities outpacing sales and maturities. Cash of \$127.9 million was provided by **financing activities** during third quarter 2010 due to inflows of deposits, securities sold under agreements to repurchase and federal funds purchased of \$103.7 million, \$7.6 million and \$25.0 million, respectively. This compared with cash provided of \$68.6 million during the comparable quarter of 2009 when total deposits and repurchase agreements increased by \$59.5 million and \$18.7 million, respectively.

For the nine months ended September 30, 2010, cash and cash equivalents increased \$21.9 million as compared to a decrease of \$30.0 million for the comparative period in 2009. Net cash provided by **operating activities** increased \$0.3 million to \$38.3 million as of September 30, 2010, up from \$38.0 million for the comparable period of 2009. Net cash used in **investing activities** for the nine months ended September 30, 2010 was \$124.7 million compared to \$233.0 million used in investing activities for the comparable period of 2009 as purchases of securities during both periods outpaced sales and maturities of securities. Net increases in total deposits and securities sold under agreements to repurchase provided additional cash available to be invested in securities in 2009. Furthermore, net loans increased by \$23.0 million for the nine months ended September 30, 2010 where as net loans decreased by \$16.9 million for the comparable period of 2009. Cash provided by **financing activities** of \$108.3 million during 2010 compared with cash provided of \$165.1 million for the comparable period in 2009, led primarily by deposit, repurchase agreement and federal funds purchased growth in both periods.

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PART I**

LIQUIDITY AND CAPITAL RESOURCES, continued

Commitments and Contingencies

The bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments include standby letters of credit, loan commitments, subscriptions for the purchase of stock in the Federal Reserve Bank, and commitments to purchase and sell securities. The credit and market risks involved in issuing letters of credit and loan commitments are essentially the same as those involved in extending loans to customers. Such transactions are made under the same terms, including interest rates and collateral, as those prevailing at the same time for comparable on-balance-sheet transactions. To reduce credit risk related to the use of credit-related financial instruments, the bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the bank's credit evaluation of the customer and may include cash, securities, accounts receivable, inventory, premises and equipment, and real estate.

The bank was party to the following off-balance-sheet commitments as of:

	September 30, 2010	December 31, 2009
Loan Commitments	\$322,547	\$322,187
Bankcard commitments	76,111	70,627
Commitments to fund mortgage loans to be sold	29,368	6,700
Forward contracts to sell mortgage loans	29,368	6,700
Total Loan Commitments	\$457,394	\$406,214
Standby and commercial letters of credit	\$18,524	\$25,721
Subscription to purchase Federal Reserve Bank stock	\$2,196	\$2,196

Payments under known contractual obligations as of **September 30, 2010** are as follows:

	PAYMENTS DUE BY PERIOD				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Time deposits	\$156,094	\$137,573	\$12,630	\$5,546	\$345
Securities sold under agreements to repurchase	\$546,068	546,068	-	-	-
Notes payable	\$2,257	570	1,094	593	-
Capital lease obligations	\$78	55	23	-	-
Operating leases	\$1,912	455	781	676	-
Contractual obligations by period	\$706,409	\$684,721	\$14,528	\$6,815	\$345

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

LIQUIDITY AND CAPITAL RESOURCES, continued

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:

Dollars in thousands				To Be Well Capitalized Under Prompt Corrective Action Provisions	
	September 30, 2010		December 31, 2009		
Total Capital Ratio (to <i>Risk Weighted Assets</i>)	\$ 418,819	23.93%	\$ 457,454	27.08%	\$ 175,020 10.00%
Tier 1 Capital Ratio (to <i>Risk Weighted Assets</i>)	\$ 402,819	23.02%	\$ 439,454	26.01%	\$ 105,012 6.00%
Tier 1 Leverage Ratio (to <i>Average Assets</i>)	\$ 402,819	14.80%	\$ 439,454	16.73%	\$ 136,126 5.00%

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION

The following table provides quarterly summary of operations data for the five consecutive quarters ended **September 30, 2010**:

Dollars in thousands, except per share data and ratios

Quarterly Summary of Operations	2010			2009	
	Third	Second	First	Fourth	Third
Interest and Loan Fee Income	\$29,015	\$28,543	\$28,594	\$30,301	\$30,525
Interest Expense	972	1,049	1,037	1,165	1,432
Net Interest and Fee Income	28,043	27,494	27,557	29,136	29,093
Provision for Loan Losses	(45)	(226)	751	1,550	1,797
Net Interest and Fee Income After Provision for Loan Losses	28,088	27,720	26,806	27,586	27,296
Noninterest Income	9,861	8,761	7,988	8,575	9,832
Salaries and employee benefits	11,070	11,223	11,212	10,968	10,846
Noninterest Expense	10,665	10,615	9,527	15,248	10,493
Income Before Taxes	16,214	14,643	14,055	9,945	15,789
Provision for Income Taxes	5,640	4,879	4,651	2,968	5,214
Net Income	\$10,574	\$9,764	\$9,404	\$6,977	\$10,575
Earnings Per Common Share	\$31.84	\$29.41	\$28.32	\$21.01	\$31.82
Dividends Paid Per Common Share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average Assets	\$2,722,847	\$2,668,043	\$2,609,637	\$2,627,197	\$2,574,829
Average Total Equity	\$435,103	\$440,143	\$439,001	\$438,831	\$439,597
Ratio of Net Income to					
Average Assets	1.55%	1.46%	1.47%	1.05%	1.63%
Return on Average Equity	9.64%	8.90%	8.69%	6.31%	9.54%

Management Overview of Material Changes in Quarterly Results of Operation

Net income before taxes for the quarter ended September 30, 2010 of \$10.6 million remained level as compared to the same quarter of 2009. Third quarter net interest and fee income of \$28.0 million decreased \$1.1 million from the comparative quarter of 2009. The **provision for loan losses** for the quarter ended September 30, 2010 decreased by \$1.8 million from the comparative quarter in 2009. Third quarter **noninterest income** of \$9.9 million increased modestly from \$9.8 million over the third quarter of 2009. **Salaries and employee benefits** increased \$0.2 million to \$11.1 million from \$10.8 for the comparative quarter of 2009. **Noninterest expense** increased \$0.2 million to \$10.7 million from the third quarter of 2009 primarily as a result of increases in legal fees of \$0.3 million and maintenance expenses on other real estate owned of \$0.2 million offset only in part by a decrease in investment and community development project expenses of \$0.2 million.

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

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 **September 30, 2010** and 2009:

Dollars in thousands							
	Average Third Quarter				Change Due to		
	Balances		Average Yield				
	2010	2009	2010	2009	Rate	Volume	Time
Earning Assets							
Loans-Taxable	\$1,146,402	\$1,098,372	6.62%	6.70%			
Loans-NonTaxable	17,498	19,128	10.20%	11.39%			
Investment Securities-Taxable	1,127,081	1,075,586	2.64%	3.48%			
Investment Securities- NonTaxable	65,213	69,887	5.72%	5.81%			
Federal Funds Sold and certificates of deposit	17	68	0.00%	0.00%			
Interest Bearing Cash Balances	177,276	119,094	0.25%	0.25%			
Total Earning Assets	\$2,533,487	\$2,382,135	4.40%	4.93%	-1.61%	1.08%	0.00%

Interest and loan fee income for the quarters ended September 30, 2010 and 2009 was \$29.0 million and \$30.5 million, respectively, for a decrease of \$1.5 million or 5.0%. The tax equivalent yield on average earning assets decreased 53 basis points, from 4.93% in 2009 to 4.40% in 2010. Total average earning assets increased \$151.4 million, from \$2.382 billion at September 30, 2009 to \$2.533 billion as of September 30, 2010. Average taxable loans, taxable investment securities, and interest bearing cash balances increased \$48.0 million, \$51.5 million and \$58.2 million, respectively, while nontaxable loans, nontaxable investment securities and average federal funds sold balances decreased \$1.6 million, \$4.7 million and \$0.1, respectively.

The net interest margin for the third quarter 2010 of 4.25% was 45 basis points lower than the net interest margin for third quarter 2009 of 4.70%. Lower interest rates continue to have an overall downward impact on interest and loan fee income offset in part by the upward impact of higher loan and security volumes. Nonaccrual loans continue to have an overall negative impact on yields although the decline in nonaccrual loans quarter over quarter had less of a negative impact for the third quarter.

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

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 **September 30, 2010** and 2009:

Dollars in thousands							
	Average Third Quarter		Average Yield		Change Due to		
	2010	2009	2010	2009	Rate	Volume	Time
Interest Bearing Liabilities							
Savings	\$449,670	\$392,101	0.28%	0.34%			
First Rate	174,421	158,500	0.06%	0.07%			
First Investment	183,533	186,092	0.10%	0.16%			
Time	155,179	176,148	0.93%	1.57%			
Federal Funds Purchased	15,672	56	0.10%	0.00%			
Repurchase Agreements	533,769	531,519	0.13%	0.19%			
Other Debt	2,077	2,581	6.69%	6.30%			
Total Interest Bearing Liabilities	<u>\$1,514,321</u>	<u>\$1,446,997</u>	<u>0.25%</u>	<u>0.39%</u>	-0.19%	0.05%	0.00%

Interest expense for the quarters ended September 30, 2010 and 2009 was \$1.0 million and \$1.4 million, respectively, for a decrease of \$0.4 million or 32.2%. Interest expense decreased as interest rates paid for the total average aggregate interest bearing liabilities decreased 14 basis points, from .39% in 2009 to 0.25% in 2010. Average yields decreased primarily due to declining interest rates, resulting in lower interest expense for the current quarter as compared to the same period in 2009.

Total average aggregate outstanding interest bearing liabilities increased \$67.3 million from \$1.447 billion at September 30, 2009 to \$1.514 billion at September 30, 2010 as average deposits, securities sold under agreements to repurchase and federal funds purchased increased \$50.0 million, \$2.3 million and \$15.6 million, respectively, while other debt decreased by \$0.5 million. The federal funds purchased resulted from an arrangement with another national financial institution seeking to spread their cash position across other credit worthy institutions, which are offset by a deposit at the Federal Reserve Bank and currently yields .25%.

**FIRST NATIONAL BANK ALASKA
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PART I**

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 earning assets, respective yields on a tax equivalent basis, and change analysis for the nine months ended **September 30, 2010** and 2009:

Dollars in thousands							
	Average Nine Month		Average Yield		Change Due to		
	2010	2009	2010	2009	Rate	Volume	Time
Earning Assets							
Loans-Taxable	\$1,134,419	\$1,107,278	6.56%	6.70%			
Loans-NonTaxable	17,677	22,822	10.35%	10.19%			
Investment Securities-Taxable	1,103,261	946,467	2.87%	3.85%			
Investment Securities- NonTaxable	64,169	72,213	5.83%	5.91%			
Federal Funds Sold and certificates of deposit	29	73	0.00%	0.00%			
Interest Bearing Cash Balances	165,906	116,756	0.25%	0.25%			
Total Earning Assets	<u>\$2,485,461</u>	<u>\$2,265,609</u>	<u>4.51%</u>	<u>5.19%</u>	-2.10%	1.42%	0.00%

Interest and loan fee income for the nine months ended September 30, 2010 and 2009 was \$86.2 million and \$90.7 million, respectively, for a decrease of \$4.6 million or 5.1%. The tax equivalent yield on average earning assets decreased 68 basis points, from 5.19% in 2009 to 4.51% in 2010. Total average earning assets increased \$219.9 million, from \$2.266 billion at September 30, 2009 to \$2.485 billion as of September 30, 2010. Average taxable loans, taxable investment securities, and interest bearing cash balances increased \$27.1 million, \$156.8 million and \$49.2, respectively, year over year while nontaxable loans and investment securities decreased \$5.1 million and \$8.0 million.

The net interest margin for the nine months ended September 30, 2010 of 4.34% was 59 basis points lower than the net interest margin for the comparable period of 2009 of 4.93%. Declining yields in taxable loans and investment securities drove the overall decline in interest and loan fee income offset only in part by increases in the average volume and yield of nontaxable loans.

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FORM 10-Q
PART I**

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 nine months ended **September 30, 2010** and 2009:

Dollars in thousands							
	Average Nine Month		Average Yield		Change Due to		
	Balances		2010	2009	Rate	Volume	Time
	2010	2009					
Interest Bearing Liabilities							
Savings	\$435,080	\$381,466	0.31%	0.32%			
First Rate	167,752	154,213	0.05%	0.07%			
First Investment	195,928	179,400	0.09%	0.17%			
Time	158,050	178,853	1.02%	1.79%			
Federal Funds Purchased	20,011	19	0.12%	0.00%			
Repurchase Agreements	530,072	490,080	0.13%	0.18%			
Other Debt	2,057	2,571	6.63%	6.55%			
Total Interest Bearing Liabilities	\$1,508,950	\$1,386,602	0.27%	0.42%	-0.19%	0.04%	0.00%

Interest expense for the nine months ended September 30, 2010 and 2009 was \$3.1 million and \$4.4 million, respectively. Interest expense decreased significantly as interest rates paid for the total average aggregate interest bearing liabilities decreased 15 basis points, from 0.42% in 2009 to 0.27% in 2010. Total average aggregate outstanding interest bearing liabilities increased \$122.3 million from \$1.387 billion at September 30, 2009 to \$1.509 billion in 2010 slightly offsetting the decline in yields due to falling interest rates.

The federal funds purchased resulted from an arrangement with another national financial institution seeking to spread their cash position across other credit worthy institutions, which are offset by a deposit at the Federal Reserve Bank and currently yields .25%.

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

Provision for Loan Losses

The following is an analysis of the changes in the allowance for loan losses for the quarters ended **September 30, 2010** and 2009:

	2010	2009
Beginning Balance, June 30,	\$18,000	\$21,750
Total Charge Offs	2,253	739
Total Recoveries	(298)	(192)
Net Charge Offs	1,955	547
Provision (Credit) for Loan Losses	(45)	1,797
Balance, September 30	\$16,000	\$23,000

The following is an analysis of the changes in the allowance for loan losses for the nine months ended **September 30, 2010** and 2009:

	2010	2009
Beginning Balance, January 1,	\$18,000	\$19,000
Total Charge Offs	3,555	1,553
Total Recoveries	(1,075)	(478)
Net Charge Offs	2,480	1,075
Provision for Loan Losses	480	5,075
Balance, September 30	\$16,000	\$23,000

The 2010 quarter and year to date provision for loan losses are markedly lower than 2009 levels. The deterioration or identification of additional impaired loans that occurred in 2009 drove the prior provisioning expense. With these loans identified, the bank has not experienced continued portfolio credit quality deterioration in 2010 and provisions reflect that.

The allowance for loan losses decreased \$2.0 million from \$18.0 million to \$16.0 million during the third quarter of 2010. Charge off activity during the quarter related to previously impaired loans which were resolved through foreclosure and transferred to other real estate owned. The change in allowance level for the quarter contrasts with the increasing allowance level seen during the third quarter 2009 where loan quality was deteriorating and provisioning for impaired loans was higher.

The allowance for loan losses on specifically identified impaired loans was \$4.5 million as of September 30, 2010, down \$3.0 million from June 30, 2010 and \$4.5 million from December 31, 2009, respectively, while the allowance on impaired loans increased \$1.4 million and \$5.3 million over the comparative periods of 2009

Nonaccrual loans have continued to improve and are down \$6.9 million from June 30, 2010 to \$37.2 million as of September 30, 2010. They have decreased \$17.9 million since December 31, 2009 and \$26.2 million since September 30, 2009.

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

Noninterest Income

Total noninterest income for the quarter and nine months ended September 30, 2010 was \$9.9 million and \$26.6 million, respectively, as compared to \$9.8 million and \$26.6 million for comparative periods of 2009, respectively. Overall rate increases in merchant and interchange fees was the primary driver for the increase in bankcard fees of \$0.6 million for the third quarter of 2010 and \$1.3 million for the nine months ended September 30, 2010. Additionally, mortgage loan servicing income increased \$0.1 million quarter over quarter whereas the balance decreased by \$0.2 million year over year. Service charges on deposit accounts decreased \$0.2 million and \$0.5 million for the quarter and nine months ended September 30, 2010, respectively. The gain on sale of mortgage loans remained level quarter over quarter, but declined \$0.7 million year over year as origination volumes decreased significantly from prior year levels in part due to higher interest rates during early 2010 as well as the significant refinancing activity occurred during 2009.

Net gains on investment securities remained unchanged quarter over quarter, but increased \$0.1 million year over year as a result of selling securities prior to maturity as a risk management and diversification strategy by moving bonds out of economically challenged municipalities. Other noninterest income decreased \$0.5 million quarter over quarter, but remained level year over year. The quarterly noninterest income decrease was driven primarily from lower ATM fees in the current year and one-time MasterCard incentive bonuses received in the prior year, both resulting from a network conversion in 2010.

Noninterest Expenses

Noninterest expense for the quarter and nine months ended September 30, 2010 was \$21.7 million and \$64.3 million, respectively, as compared to \$21.3 million and \$62.9 million for the comparative periods of 2009, respectively. Salary and employee benefit expense increased \$0.2 million and \$0.5 million for the quarter and nine months ended September 30, 2010 to \$11.1 million and \$33.5 million, respectively, from \$10.8 million and \$33.0 million, for the comparative periods of 2009 primarily due to annual cost of living and inflation adjustments in base wages and medical insurance benefits. Third quarter and year-to-date 2010 occupancy expenses decreased \$0.1 million and \$0.4 million from the comparative periods of 2009 as repairs and maintenance requirements and utilities declined across the state. Furniture and equipment expenses increased \$0.1 million and \$0.3 million for the quarter and nine months ended September 30, 2010 primarily due to the allowance for normal wear and tear. Bankcard expenses remained level year over year, but decreased \$0.2 million quarter over quarter primarily driven by lower interchange expenses.

Other noninterest expense increased \$0.3 million for the quarter ended September 30, 2010 to \$4.2 million from \$3.9 million for the same period of 2009. Other noninterest expense increased \$1.0 million for the nine months ended September 30, 2010 to \$12.8 million from \$11.8 million for the same period of 2009. The increase quarter over quarter is primarily attributable to increases in legal fees of \$0.3 million and maintenance and other carrying costs on other real estate owned of \$0.2 million. The increase year over year is primarily attributable to increases in FDIC assessment premiums of \$0.8 million, greater estimated net equity losses from a limited partnership interest of \$0.2 million and higher maintenance and expenses of other real estate owned of \$0.4 million. These increases in expenses were partially offset by a decrease the valuation allowance for other real estate owned of \$0.5 million year over year.

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

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:

Dollars in thousands			
	Nine Months Ended September 30, 2010	Year Ended December 31, 2009	Nine Months Ended September 30, 2009
Income before taxes	\$44,912	\$54,918	\$44,973
Provision for income taxes	15,170	17,760	14,792
Net Income	\$29,742	\$37,158	\$30,181
Effective combined tax rate	33.8%	32.3%	32.9%

The effective tax rate reflected in the provision for income taxes for the nine months ended September 30, 2009 is consistent with the effective rate for the 12 months ended December 31, 2009. The increase in the effective rate for the nine months ended September 30, 2010 is a result of reduced benefits from tax exempt securities at the state and federal levels only partially offset by increased benefits from low income housing tax credits received in the current year.

**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 as disclosed at December 31, 2009. It should be noted the bank conducts nearly all its activities within the state of Alaska. The Alaskan economy is directly impacted by federal and state appropriations as well as commodity prices in conjunction with natural resource extraction and development. The bank is subject to market risk if either federal and/or state spending within the state declines or commodity prices decline resulting in decreasing resource activities.

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-15 (e) and 15d-15(e) under the Securities Exchange Act of 1934) as of **September 30, 2010**. 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.

Internal controls over financial reporting. There were no material changes in the bank's internal controls over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

**FIRST NATIONAL BANK ALASKA
FORM 10-Q
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 1A. RISK FACTORS

The bank believes that there have not been any material changes in risk factors since the year ended **December 31, 2009**.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

**First National Bank Alaska
Repurchase Activity required in 10K (item 5)
Regulation S-K (229.703)
As of September 30, 2010**

The following table provides information about repurchases of common stock by the bank during the quarter ended **September 30, 2010**:

Month Ending	(a) Total number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Maximum Number of Shares or Approximate Dollar Value of Shares that May yet be Purchased under the Program
July 2010	-	\$ -	-	\$ 100,000,000
August 2010	-	\$ -	-	\$ 100,000,000
September 2010	-	\$ -	-	\$ 100,000,000
Total	-	\$ -	-	\$ 100,000,000

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

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
(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 8, 2010

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

Date

/s/ Jason L. Roth

November 8, 2010

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

Date

/s/ Michele M. Schuh

November 8, 2010

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

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

November 8, 2010

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

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

November 8, 2010

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, 2010, 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

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

November 8, 2010

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, 2010, 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

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

November 8, 2010

Date