

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 June 30, 2010

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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, 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 **August 9, 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)

<b>ASSETS</b>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Cash and due from banks	201,508	169,572
Securities, available-for-sale	1,127,717	1,182,118
Securities, held-to-maturity	23,000	23,000
Real estate loans to be sold	14,953	10,798
Loans, net of allowance for loan losses of \$18,000 and \$18,000 for 2010 and 2009	1,180,513	1,165,673
Premises and equipment, net	41,887	42,986
Other real estate owned, net	16,570	9,332
Other assets	45,166	47,833
<b>Total Assets</b>	<b>\$2,651,314</b>	<b>\$2,651,312</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest bearing	\$700,892	\$707,005
Interest bearing	945,054	942,725
<b>Total Deposits</b>	<b>1,645,946</b>	<b>1,649,730</b>
Securities sold under agreements to repurchase	538,498	537,748
Notes payable and capital lease obligations	2,065	2,025
Other liabilities	7,723	8,711
<b>Total Liabilities</b>	<b>2,194,232</b>	<b>2,198,214</b>
<b>Shareholders' Equity:</b>		
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	369,168	366,602
Accumulated other comprehensive income	14,709	13,291
<b>Total Shareholders' Equity</b>	<b>457,082</b>	<b>453,098</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,651,314</b>	<b>\$2,651,312</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 June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Interest Income and Loan Fees</b>		
Interest and fees on loans	\$20,102	\$21,138
Interest and dividends on investment securities	8,327	9,302
Interest on cash and cash equivalents	114	84
<b>Total Interest and Loan Fee Income</b>	<b>28,543</b>	<b>30,524</b>
<b>Interest Expense</b>		
Interest on deposits	837	1,213
Interest on federal funds purchased and securities sold under agreements to repurchase	178	210
Interest on notes payable, capital lease obligations and other	34	42
<b>Total Interest Expense</b>	<b>1,049</b>	<b>1,465</b>
<b>Net Interest and Loan Fee Income</b>	<b>27,494</b>	<b>29,059</b>
Provision (credit) for loan losses	(226)	1,379
<b>Net Interest And Loan Fee Income After Provision (Credit) For Loan Losses</b>	<b>27,720</b>	<b>27,680</b>
<b>Noninterest Income</b>		
Bankcard fees	4,410	4,100
Service charges on deposit accounts	1,256	1,388
Gain on sale of mortgage loans	299	673
Mortgage loan servicing income	567	714
Net gains on investment securities	-	26
Other noninterest income	2,229	1,776
<b>Total Noninterest Income</b>	<b>8,761</b>	<b>8,677</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	11,223	10,992
Occupancy, net	1,676	1,688
Furniture and equipment	822	715
Bankcard	3,544	3,570
Other noninterest expense	4,573	4,307
<b>Total Noninterest Expense</b>	<b>21,838</b>	<b>21,272</b>
<b>Income Before Taxes</b>	<b>14,643</b>	<b>15,085</b>
Provision for income taxes	4,879	5,004
<b>NET INCOME</b>	<b>\$9,764</b>	<b>\$10,081</b>
<b>Earnings Per Common Share</b> (not in thousands)	<b>\$29.41</b>	<b>\$30.28</b>
<b>Cash Dividends Paid Per Common Share</b> (not in thousands)	<b>\$25.00</b>	<b>\$25.00</b>

See accompanying notes to condensed financial statements.

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

**PART I - ITEM 1.**

(dollars in thousands)

	FOR SIX MONTHS ENDED June 30,	
	2010	2009
<b>Interest Income and Loan Fees</b>		
Interest and fees on loans	\$39,708	\$40,973
Interest and dividends on investment securities	17,231	19,092
Interest on cash and cash equivalents	198	144
<b>Total Interest and Loan Fee Income</b>	<b>57,137</b>	<b>60,209</b>
<b>Interest Expense</b>		
Interest on deposits	1,668	2,470
Interest on federal funds purchased and securities sold under agreements to repurchase	350	414
Interest on notes payable, capital lease obligations and other	68	85
<b>Total Interest Expense</b>	<b>2,086</b>	<b>2,969</b>
<b>Net Interest and Loan Fee Income</b>	<b>55,051</b>	<b>57,240</b>
Provision for loan losses	525	3,278
<b>Net Interest And Loan Fee Income After Provision For Loan Losses</b>	<b>54,526</b>	<b>53,962</b>
<b>Noninterest Income</b>		
Bankcard fees	8,381	7,655
Service charges on deposit accounts	2,488	2,769
Gain on sale of mortgage loans	639	1,401
Mortgage loan servicing income	1,163	1,478
Net gains on investment securities	138	26
Other noninterest income	3,940	3,438
<b>Total Noninterest Income</b>	<b>16,749</b>	<b>16,767</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	22,435	22,176
Occupancy, net	3,359	3,605
Furniture and equipment	1,602	1,469
Bankcard	6,583	6,403
Other noninterest expense	8,598	7,892
<b>Total Noninterest Expense</b>	<b>42,577</b>	<b>41,545</b>
<b>Income Before Taxes</b>	<b>28,698</b>	<b>29,184</b>
Provision for income taxes	9,530	9,578
<b>NET INCOME</b>	<b>\$19,168</b>	<b>\$19,606</b>
<b>Earnings Per Common Share</b> (not in thousands)	<b>\$57.73</b>	<b>\$58.58</b>
<b>Cash Dividends Paid Per Common Share</b> (not in thousands)	<b>\$50.00</b>	<b>\$50.00</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 June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Net Income</b>	<b>\$9,764</b>	<b>\$10,081</b>
<b>Other Comprehensive Income, net of taxes:</b>		
Increase (decrease) in unrealized net holding gains during period, net of tax effect of (\$1,378) and \$961, 2010 and 2009	1,973	(1,377)
Reclassification of net gains included in net income, net of tax effect of \$- and \$11, 2010 and 2009	-	(15)
<b>Net Gains (Losses) Recognized in Other Comprehensive Income</b>	<b>1,973</b>	<b>(1,392)</b>
<b>Comprehensive Income</b>	<b>\$11,737</b>	<b>\$8,689</b>

<b>Comprehensive Income</b>	<b>For Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Net Income</b>	<b>\$19,168</b>	<b>\$19,606</b>
<b>Other Comprehensive Income, net of taxes:</b>		
Increase (decrease) in unrealized net holding gains (losses) during period, net of tax effect of (\$1,048) and \$4,129, 2010 and 2009	1,499	(5,915)
Reclassification of net gains included in net income, net of tax effect of \$57 and \$11, 2010 and 2009	(81)	(15)
<b>Net Gains (Losses) Recognized in Other Comprehensive Income</b>	<b>1,418</b>	<b>(5,930)</b>
<b>Comprehensive Income</b>	<b>\$20,586</b>	<b>\$13,676</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 Six Months Ended June 30,</b>	
<b>Operating Activities</b>	<b>2010</b>	<b>2009</b>
Net income	\$19,168	\$19,606
Adjustments to reconcile net income to net cash provided by operating activities	6,277	7,117
Real estate loans to be sold - originated	(81,080)	(194,193)
Real estate loans to be sold - shipped	76,925	189,502
Net other operating activity	(274)	(5,317)
<b>Net Cash Provided By Operating Activities</b>	<b>21,016</b>	<b>16,715</b>
<b>Investing Activities</b>		
Proceeds from calls and maturities of securities, available-for-sale	157,045	3,095
Proceeds from sales of securities, available-for-sale	35,156	170,329
Purchase of securities, available-for-sale	(138,771)	(198,456)
Net decrease (increase) in loans, net of undisbursed portion	(22,443)	640
Net other investing activity	(403)	581
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>30,584</b>	<b>(23,811)</b>
<b>Financing Activities</b>		
Net increase (decrease) in total deposits	(3,784)	89,839
Net increase in securities sold under agreements to repurchase	750	32,649
Payments on notes and capital leases	(28)	(89)
Dividends paid	(16,602)	(16,668)
Retirement of common stock	-	(9,264)
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>(19,664)</b>	<b>96,467</b>
Increase in cash and cash equivalents	31,936	89,371
Cash and cash equivalents, January 1,	169,572	138,088
<b>Cash and Cash Equivalents, June 30,</b>	<b>\$201,508</b>	<b>\$227,459</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	\$2,227	\$3,259
Cash paid during the period for income taxes	\$10,738	\$11,680
<b>Supplemental schedule of noncash investing activities:</b>		
Net transfers of loans to (from) other real estate owned	\$7,150	\$6,224

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, 2010</b>	<b>\$453,098</b>
Net income for the six months ended June 30, 2010	19,168
Cash dividends declared on common stock	(16,602)
Change in accumulated other comprehensive income	1,418
<b>Balance, June 30, 2010</b>	<b>\$457,082</b>

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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 June 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 six month period ended June 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 334,665 for the quarters ended June 30, 2010 and 2009, respectively.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (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. The FASB issued 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*, which is effective upon issuance. Management believes adoption of this ASC update will not materially impact the financial statements of the bank.

**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 June 30, 2010:

Dollars in thousands				
<b>SECURITIES, AVAILABLE-FOR-SALE</b>	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>U.S. Treasury Securities:</b>				
Maturity:				
within one year	\$ 31,013	\$ 112	\$ -	\$ 31,125
after 1 but within 5 years	97,812	1,466	-	99,278
<b>Total U.S. Treasury Securities</b>	<b>128,825</b>	<b>1,578</b>	<b>-</b>	<b>130,403</b>
<b>Other U.S. Government Agencies and Corporations:</b>				
Maturity:				
within one year	328,007	4,569	-	332,576
after 1 but within 5 years	512,188	15,821	-	528,009
<b>Total Other U.S. Government Agencies and Corporations</b>	<b>840,195</b>	<b>20,390</b>	<b>-</b>	<b>860,585</b>
<b>States And Political Subdivisions:</b>				
Maturity:				
within one year	18,249	185	-	18,434
after 1 but within 5 years	42,405	1,781	35	44,151
after 5 but within 10 years	6,003	451	-	6,454
<b>Total States and Political Subdivisions</b>	<b>66,657</b>	<b>2,417</b>	<b>35</b>	<b>69,039</b>
<b>Corporate Bonds</b>				
Maturity:				
within one year	25,198	122	19	25,301
after 1 but within 5 years	41,865	527	3	42,389
<b>Totals Corporate Bonds</b>	<b>67,063</b>	<b>649</b>	<b>22</b>	<b>67,690</b>
<b>Total Securities, Available-For-Sale</b>	<b>\$1,102,740</b>	<b>\$ 25,034</b>	<b>\$ 57</b>	<b>\$ 1,127,717</b>

Within the state and political subdivisions category, the largest concentrations of available-for-sale securities are held in Washington with 32%, Pennsylvania with 18%, Alaska with 18% and Oregon with 13% of the category.

**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, held-to-maturity by maturity date, as of June 30, 2010:

Dollars in thousands				
<b>SECURITIES, HELD-TO-MATURITY</b>	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Corporate Bonds</b>				
Maturity:				
after 1 but within 5 years	\$ 23,000	\$ 811	\$ -	\$ 23,811
Total Corporate Bonds	23,000	811	-	23,811
<b>Total Securities, Held to Maturity</b>	<b>\$ 23,000</b>	<b>\$ 811</b>	<b>\$ -</b>	<b>\$ 23,811</b>

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

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  
FORM 10-Q  
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				
<b>SECURITIES, HELD-TO-MATURITY</b>	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Corporate Bonds</b>				
Maturity:				
after 1 but within 5 years	\$ 23,000	\$ 1,222	\$ -	\$ 24,222
Total Corporate Bonds	23,000	1,222	-	24,222
<b>Total Securities, Held to Maturity</b>	<b>\$ 23,000</b>	<b>\$ 1,222</b>	<b>\$ -</b>	<b>\$ 24,222</b>

**NOTE 3 – ESTIMATED FAIR VALUE OF FINANCIAL AND NONFINANCIAL INSTRUMENTS**

Amounts and estimated fair value of financial instruments as of:

Dollars in thousands				
<b>FINANCIAL ASSETS</b>				
	June 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and due from banks	\$ 201,508	\$ 201,508	\$ 169,572	\$ 169,572
Securities:				
Available-for-sale	\$ 1,127,717	\$ 1,127,717	\$ 1,182,118	\$ 1,182,118
Held-to-maturity	23,000	23,811	23,000	24,222
Real estate loans to be sold	14,953	14,953	10,798	10,798
Loans:				
Commercial and industrial	\$ 252,512	\$ 252,791	\$ 230,340	\$ 231,539
Real estate	891,360	903,132	898,412	913,994
Consumer and other	18,873	18,726	18,749	18,601
Nontaxable states and political subdivisions obligations	17,768	19,641	18,172	19,971
<b>Total Loans</b>	<b>\$ 1,180,513</b>	<b>\$ 1,194,290</b>	<b>\$ 1,165,673</b>	<b>\$ 1,184,105</b>
Federal Reserve Bank stock	\$ 2,196	\$ 2,196	\$ 2,196	\$ 2,196
Federal Home Loan Bank stock	\$ 2,139	\$ 2,139	\$ 2,139	\$ 2,139
Interest receivable	\$ 14,759	\$ 14,759	\$ 15,907	\$ 15,907

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
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				
<b>FINANCIAL LIABILITIES</b>				
	June 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<i>Deposits:</i>				
Noninterest bearing	\$ 700,892	\$ 700,892	\$ 707,005	\$ 707,005
Interest bearing:				
Savings	443,037	443,037	423,748	423,748
NOW	163,394	163,394	169,990	169,990
Money market	178,515	178,515	180,682	180,682
Time Deposits	\$ 160,108	\$ 162,641	\$ 168,305	\$ 171,142
<b>Total Interest Bearing</b>	<b>\$ 945,054</b>	<b>\$ 947,587</b>	<b>\$ 942,725</b>	<b>\$ 945,562</b>
<b>Total Deposits</b>	<b>\$ 1,645,946</b>	<b>\$ 1,648,479</b>	<b>\$ 1,649,730</b>	<b>\$ 1,649,730</b>
Securities sold under agreements to repurchase	\$ 538,498	\$ 538,498	\$ 537,748	\$ 537,748
Notes payable and capital lease obligations	\$ 2,065	\$ 2,065	\$ 2,025	\$ 2,025
Interest payable	\$ 429	\$ 429	\$ 571	\$ 571
<b>OFF BALANCE SHEET INSTRUMENTS</b>				
	Contractual Amount	Estimated Fair Value	Contractual Amount	Estimated Fair Value
<i>Assets:</i>				
Loan commitments	\$ 323,922	\$ 1,707	\$ 322,187	\$ 1,460
Bankcard commitments	\$ 72,291	\$ -	\$ 70,627	\$ -
Commitments to fund mortgage loans to be sold	\$ 14,687	\$ -	\$ 6,700	\$ -
Standby and commercial letters of credit	\$ 21,443	\$ 206	\$ 25,721	\$ 226
<i>Liabilities:</i>				
Subscriptions to purchase Federal Reserve Bank stock	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ 2,196	\$ -	\$ 2,196	\$ -

Fair values of loans are greater than the corresponding carrying amounts as a result of the average stated yields on loans as of June 30, 2010, exceeding current market rates. 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. Carrying amounts approximate estimated fair value for financial assets and liabilities not shown above. The following were considered in determining fair values as of June 30, 2010:

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

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

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

***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 stock:*** The carrying amount is a reasonable estimate of the fair value. Federal Reserve Bank stock is required to be sold back at its par value.

***Federal Home Loan Bank of Seattle stock:*** The carrying amount is a reasonable estimate of the fair value. Federal Home Loan Bank of Seattle (Seattle Bank) stock is required to be sold back at its par value.

***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 by 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.

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**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:** The fair value is the difference between the contract price and the current offered price, which is generally the par value.

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

Dollars in thousands				
Description	June 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	\$130,403	\$130,403	-	-
U.S. Government agencies	\$860,585	-	\$860,585	-
States and political subdivisions	\$69,039	-	\$69,039	-
Corporate bonds	\$67,690	-	\$67,690	-
Securities Total	<u>\$1,127,717</u>	<u>\$130,403</u>	<u>\$997,314</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.

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

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

The majority of the bank's investments are in high-quality short term 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 June 30, 2010, the bank had no investments in Fannie Mae or Freddie Mac common or preferred stock or mortgage backed securities.

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

Dollars in thousands						
Description	June 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 June 30, 2010	Total Gains (Losses) for the Year Ended June 30, 2010
Impaired loans	\$22,303	-	-	\$22,303	(\$409)	(\$84)
Other real estate owned	\$9,015	-	-	\$9,015	\$355	\$355
<b>Total</b>	<b>\$31,318</b>	<b>-</b>	<b>-</b>	<b>\$31,318</b>	<b>(\$54)</b>	<b>\$271</b>
	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 Year Ended December 31, 2009	
Impaired loans	\$31,131	-	-	\$31,131	\$148	
Other real estate owned	\$9,332	-	-	\$9,332	(\$3,917)	
<b>Total</b>	<b>\$40,463</b>	<b>-</b>	<b>-</b>	<b>\$40,463</b>	<b>(\$3,769)</b>	

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

**NOTE 4 – OTHER REAL ESTATE OWNED**

Net other real estate owned as of June 30, 2010 and December 31, 2009 was \$16.6 million and \$9.3 million, respectively. Included in noninterest expense were write downs of \$30.1 thousand and \$30.1 thousand for the three and six months ended June 30, 2010 as compared to \$41.3 thousand and \$103.1 thousand for the comparable periods ended June 30, 2009, respectively. Additionally, included in noninterest expense is a reduction to the valuation allowance of \$385.0 thousand and \$0 thousand for the three and six month periods ended June 30, 2010 and 2009, respectively.

**NOTE 5 – LOANS AND ALLOWANCE FOR LOAN LOSSES**

The loan portfolio consisted of the following as of:

Dollars in thousands		
	June 30, 2010	December 31, 2009
Commercial and industrial	257,638	234,695
Real estate construction	230,082	237,780
Real estate mortgage	187,857	182,270
Real estate commercial	485,294	491,104
Consumer and other	19,864	19,652
Nontaxable states and political subdivisions obligations	17,778	18,172
<b>Loans, Gross</b>	<b>\$ 1,198,513</b>	<b>\$ 1,183,673</b>

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

Dollars in thousands		
	2010	2009
<b>Balance, March 31,</b>	<b>\$ 18,000</b>	<b>\$ 21,000</b>
<i>Loan Charge Offs:</i>		
Commercial and industrial	1	-
Real estate	148	654
Consumer and other	55	96
<b>Total Charge Offs</b>	<b>204</b>	<b>750</b>
<i>Loan Recoveries:</i>		
Commercial and industrial	154	62
Real estate	58	-
Consumer and other	218	59
<b>Total Loan Recoveries</b>	<b>430</b>	<b>121</b>
<b>Net Loan Charge Offs (Recoveries)</b>	<b>(226)</b>	<b>629</b>
Provision (Credit) for Loan Losses	(226)	1,379
<b>Balance, June 30,</b>	<b>\$ 18,000</b>	<b>\$ 21,750</b>

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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 six months ended June 30, 2010 and 2009:

Dollars in thousands		
	2010	2009
<b>Balance, January 1,</b>	<b>\$ 18,000</b>	<b>\$ 19,000</b>
<i>Loan Charge Offs:</i>		
Commercial and industrial	10	2
Real estate	1,169	654
Consumer and other	123	158
<b>Total Charge Offs</b>	<b>1,302</b>	<b>814</b>
<i>Loan Recoveries:</i>		
Commercial and industrial	297	107
Real estate	182	36
Consumer and other	298	143
<b>Total Loan Recoveries</b>	<b>777</b>	<b>286</b>
<b>Net Loan Charge Offs (Recoveries)</b>	<b>525</b>	<b>528</b>
Provision for Loan Losses	525	3,278
<b>Balance, June 30,</b>	<b>\$ 18,000</b>	<b>\$ 21,750</b>

Nonaccrual loans totaled \$44.2 million and \$55.1 million as of June 30, 2010 and December 31, 2009, respectively, net of deferred fees and interest collected of \$5,398 and \$4,525, respectively.

**NOTE 6 – SUBSEQUENT EVENTS**

At the regularly scheduled meeting of the Board of Directors of First National Bank Alaska held on July 22, 2010, the Directors declared a cash dividend of \$25.00 per share, payable on September 15, 2010, to shareholders of record as of September 1, 2010. Furthermore, the Directors declared, subject to approval of the Comptroller of the Currency, a cash dividend of \$100.00 per share payable on October 15, 2010, to shareholders of record as of October 1, 2010; a cash dividend of \$25.00 per share, payable on December 15, 2010, to shareholders of record as of December 1, 2010; and a cash dividend of \$12.50 per share, payable on March 15, 2011, to shareholders of record as of March 1, 2011. Application has been made to the Comptroller of the Currency for approval of the dividends payable in October and December of this year and in March of next year.

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**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 June 30, 2010 and comparative balances for March 31, 2010 and December 31, 2009:

Dollars in thousands				
	June 30, 2010	% Change	March 31, 2010	December 31, 2009
Cash and cash equivalents	\$201,508	-24.9%	\$268,352	\$169,572
Total securities	1,150,717	-3.3%	1,190,459	1,205,118
Total loans, net (1)	1,195,466	1.2%	1,180,851	1,176,471
Premises and equipment	41,887	-1.2%	42,390	42,986
Other real estate owned, net	16,570	18.7%	13,957	9,332
Other assets	45,166	2.0%	44,289	47,833
<b>Total Assets</b>	<b>\$2,651,314</b>	<b>-3.2%</b>	<b>\$2,740,298</b>	<b>\$2,651,312</b>
Noninterest bearing deposits	\$700,892	2.6%	\$683,212	\$707,005
Interest bearing deposits	945,054	-8.2%	1,029,211	942,725
Securities sold under agreements to repurchase	538,498	0.2%	537,433	537,748
Federal funds purchased	-	-100.0%	25,000	-
Other Liabilities	9,788	-17.0%	11,796	10,736
Total Shareholders' equity	457,082	0.8%	453,646	453,098
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,651,314</b>	<b>-3.2%</b>	<b>\$2,740,298</b>	<b>\$2,651,312</b>

(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 June 30, 2010, March 31, 2010 and December 31, 2009:

Dollars in thousands						
	June 30, 2010	% Total	March 31, 2010	% Total	December 31, 2009	% Total
Cash and cash equivalents	\$201,508	7.6%	\$268,352	9.8%	\$169,572	6.4%
Total securities	1,150,717	43.4%	1,190,459	43.4%	1,205,118	45.5%
Total loans, net (1)	1,195,466	45.1%	1,180,851	43.1%	1,176,471	44.4%
Premises and equipment	41,887	1.6%	42,390	1.5%	42,986	1.6%
Other real estate owned, net	16,570	0.6%	13,957	0.5%	9,332	0.4%
Other assets	45,166	1.7%	44,289	1.7%	47,833	1.7%
<b>Total Assets</b>	<b>\$2,651,314</b>	<b>100%</b>	<b>\$2,740,298</b>	<b>100%</b>	<b>\$2,651,312</b>	<b>100%</b>
Noninterest bearing deposits	\$700,892	26.4%	\$683,212	24.9%	\$707,005	26.7%
Interest bearing deposits	945,054	35.6%	1,029,211	37.6%	942,725	35.6%
Securities sold under agreements to repurchase	538,498	20.3%	537,433	19.6%	537,748	20.3%
Federal funds purchased	-	0.0%	25,000	0.9%	-	0.0%
Other Liabilities	9,788	0.4%	11,796	0.4%	10,736	0.4%
Total Shareholders' equity	457,082	17.3%	453,646	16.6%	453,098	17.0%
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,651,314</b>	<b>100%</b>	<b>\$2,740,298</b>	<b>100%</b>	<b>\$2,651,312</b>	<b>100%</b>

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

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

**Total assets** remained level for the year-to-date period ending June 30, 2010. **Cash and cash equivalents** increased by \$31.9 million (18.8%) for the six months ended June 30, 2010 as **available-for-sale securities** decreased \$54.4 million (4.6%), **real estate loans to be sold** increased \$4.2 million (38.5%) and **total net loans** increased \$14.8 million (1.3%). The increase in loans occurred primarily in commercial lending by \$22.9 million (9.8%) partially offset by a decrease of \$7.9 million (0.9%) in real estate loans.

**Total assets** decreased \$89.0 million (3.2%) for the quarter ended June 30, 2010. **Cash and cash equivalents** decreased \$66.8 million (24.9%) for the second quarter 2010 as **total deposits** and **federal funds purchased** decreased \$66.5 million (3.9%) and \$25.0 million (100%), respectively. Furthermore, **available-for-sale securities** decreased \$39.7 million (3.4%) while **total loans** increased \$14.6 million (1.2%). The decrease in deposits was driven primarily by the outflow of funds received from significant

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**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

short-term deposits in the previous quarter. **Securities sold under agreements to repurchase** of \$538.5 million as of June 30, 2010 remained steady with first quarter levels. The increase in the net **loan** portfolio consisted of increases in real estate loans to be sold of \$7.4 million (97.6%) and commercial loans of \$20.5 million (8.7%) offset by a net decrease in real estate loans of \$14.0 million (1.5%).

**Total liabilities** decreased \$92.4 million (4.0%) during the second quarter. **Total deposits** decreased \$66.5 million (3.9%) overall during the quarter. Money market deposits comprised the majority of the decrease at \$99.5 million (35.8%) offset only in part by increases in non-interest bearing deposits of \$17.7 million (2.6%) and savings deposits of \$15.7 million (3.7%).

**Total shareholders' equity** increased \$3.4 million (0.8%) as compared to first quarter. **Retained earnings** increased \$1.5 million (0.4%) over March 31, 2010. Net income for the second quarter of \$9.8 million exceeded quarterly dividend declarations of \$8.3 million. **Accumulated other comprehensive income** increased by \$2.0 million (15.5%) for the quarter, as unrealized gains, net of tax effect, on securities, available-for-sale increased to \$14.7 million at June 30, 2010, from the March 31, 2010 level of \$12.7 million.

**Securities Portfolio**

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

*Dollars in thousands*

	June 30, 2010	% Total	March 31, 2010	% Total	December 31, 2009	% Total
U.S. Treasury notes	\$128,826	11.2%	\$129,181	10.9%	\$61,544	5.1%
U.S. government agencies	840,194	73.0%	913,775	76.8%	993,710	82.5%
Municipal bank-qualified	55,879	4.9%	55,681	4.7%	57,858	4.8%
Municipal non-bank-qualified	9,990	0.9%	6,271	0.5%	6,272	0.5%
Municipal taxable	788	0.1%	789	0.1%	-	0.0%
Corporate bonds	90,063	7.7%	63,137	5.2%	63,166	5.2%
Total Securities, gross	1,125,740	97.8%	1,168,834	98.2%	1,182,550	98.1%
Unrealized gains, net	24,977	2.2%	21,625	1.8%	22,568	1.9%
Total Securities, net	<u>\$1,150,717</u>	<u>100.0%</u>	<u>\$1,190,459</u>	<u>100.0%</u>	<u>\$1,205,118</u>	<u>100.0%</u>

Total net securities decreased \$39.7 million (3.4%) and \$54.4 million (4.6%) for the quarter and six month period ended June 30, 2010. Total securities decreased from December 31, 2009 levels as securities matured and were awaiting reinvestment as of June 30, 2010. 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 (15.5%) and \$2.4 million (10.7%) from March 31, 2010 and December 31, 2009 levels, respectively, which is the result of lower market yields during the second quarter. The bank increased corporate bond levels from first quarter 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 June 30, 2010 and December 31, 2009:

<i>Term and duration in months</i>	June 30, 2010			December 31, 2009		
	Average Term	Average Duration	Yield to Maturity	Average Term	Average Duration	Yield to Maturity
U.S. Treasury notes	16.9	15.5	1.64%	17.2	13.8	2.34%
U.S. government agencies	20.1	17.3	2.98%	22.4	19.5	3.26%
Municipal bank-qualified	31.6	24.2	3.23%	33.5	26.3	3.31%
Municipal non-bank-qualified	45.2	34.4	3.63%	33.9	22.5	3.61%
Municipal taxable	30.4	24.7	1.33%	-	-	-
Corporate bonds	17.7	16.6	3.01%	17.4	16.4	3.41%

Investment securities representing approximately \$237 million (21.0%) of the total portfolio are anticipated to mature during the remainder of 2010. 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 decrease in average term and duration of U.S. Treasury, government agency and municipal bank qualified securities is the result of current holdings progressing toward maturity exceeding the duration of new investments.

***FHLB Stock***

As of June 30, 2010 the bank held \$2,139 of Federal Home Loan Bank Seattle (FHLB of Seattle) Class B stock that is included in other assets. The Seattle Bank reported a risk-based capital deficiency as of December 31, 2009. This means they are not be able to redeem or repurchase any stock outstanding, or pay a dividend, while a risk-based capital deficiency exists without permission of their regulator. They have not repurchased Class B stock since 2004 and did not pay a dividend in 2009 or thus far in 2010. Due to the FHLB of Seattle's repeated inability to provide a meaningful plan to address its capital deficiency, continued exposure to private-label mortgage-backed securities, and the fact that net assets available are less than the par value of the stock, the bank determined its stock holdings are impaired. The bank continues to monitor the activities of the FHLB of Seattle for determination of ultimate recoverability.

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**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 June 30, 2010, March 31, 2010 and December 31, 2009:

Dollars in thousands						
	June 30, 2010		March 31, 2010		December 31, 2009	
Commercial and industrial	\$257,638	21.5%	\$237,115	19.9%	\$234,695	19.8%
Real estate	903,233	75.4%	917,268	77.0%	911,154	77.0%
Consumer and other	19,864	1.7%	19,045	1.6%	19,652	1.7%
Nontaxable states and political subdivision obligations	17,778	1.4%	17,855	1.5%	18,172	1.5%
Total Loans, gross	1,198,513		1,191,283		1,183,673	
Allowance for loan losses	(18,000)		(18,000)		(18,000)	
Total Loans, net	<u>\$1,180,513</u>		<u>\$1,173,283</u>		<u>\$1,165,673</u>	
		<u>100.0%</u>		<u>100.0%</u>		<u>100.0%</u>
Allowance as a % of loans	1.50%		1.51%		1.52%	
Delinquent in excess of 30 days	\$9,913		\$9,563		\$15,084	
Non-accrual loans	\$44,167		\$47,518		\$55,128	

Net loans increased \$7.2 million during the second quarter primarily due to an increase in commercial loans of \$20.5 million partially offset by a decrease in real estate and consumer loans of \$14.0 million and \$0.8 million, respectively. Nontaxable loans remained steady since March 31, 2010. Average loans increased statewide during the quarter by \$13.5 million with the majority of the increase occurring in the Fairbanks, Southeast, and Kenai Peninsula regions by \$11.7 million, \$3.2 million and \$3.5 million, respectively, offset in part by a decrease of \$5.8 million in the Anchorage region with modest change occurring in all other areas of the state. Average loan balances increased by \$13.5 million year over year with an increase of \$23.0 million in the Fairbanks region offset by decreases in the Anchorage and Matanuska Susitna areas of \$10.5 million and \$7.7 million, respectively.

Non-accrual loans declined from December 31, 2009 levels by \$11.0 million (19.9%) and from the first quarter by \$3.4 million (7.1%) primarily as other real estate owned increased \$7.2 million and \$2.3 million over the same period as a result of increased foreclosure activity. Consistent with a predominant position in the loan portfolio at 75% 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 still 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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**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 increased to \$457.1 million at June 30, 2010 compared to \$453.1 million at December 31, 2009. The equity-to-asset ratio was 17.2% at the end of the second quarter of 2010. This is comparable to a ratio of 17.1% at December 31, 2009.

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 for general corporate purposes.

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

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**LIQUIDITY AND CAPITAL RESOURCES, continued**

***Credit Facilities***

The bank's committed line of credit of \$105.6 million from the Federal Reserve Bank held a rate of 0.75% as of June 30, 2010. The bank also had a committed line of credit of \$83.2 million from the Federal Home Loan Bank Seattle (FHLB of Seattle) at a rate of 0.64% as of June 30, 2010. Due to the FHLB of Seattle's credit losses and continued inability to address its capital deficiency, the bank does not anticipate this line would be available if necessary. 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 June 30, 2010.

***Cash Flows Overview Analysis***

For the three months ended June 30, 2010, cash and cash equivalents decreased \$66.8 million, compared to a \$77.7 million increase during second quarter 2009. Cash was provided by **operating activities** of \$0.3 million during second quarter 2010 as compared to \$1.7 million during second quarter 2009. The primary driver affecting the decrease in cash provided by operating activities was a \$1.6 million decrease in the provision for loan losses from the second quarter of 2009 discussed in the provision for loan losses section that follows. Cash of \$31.6 million provided by **investing activities** for the three months ended June 30, 2010 was primarily a result of sales and maturities of securities outpacing purchases whereas \$65.3 million was used during the comparable quarter in 2009 as purchases of securities outpaced sales and maturities securities. Cash of \$98.7 million was used in **financing activities** during second quarter 2010 due to declines in total deposits and federal funds purchased as compared to cash provided of \$141.3 million during second quarter 2009 when total deposits and repurchase agreements increased.

For the six months ended June 30, 2010, cash and cash equivalents increased \$31.9 million as compared to an \$89.4 million increase for the comparative period in 2009. Net cash provided by **operating activities** increased to \$21.0 million from \$16.7 million in 2009 due primarily to a net decrease in interest, income tax and insurance receivables and prepaid expenses in 2010 whereas those balances rose over the comparative period in 2009. Net cash provided by **investing activities** for the six months ended June 30, 2010 was \$30.6 million as compared to \$23.8 million used in investing activities as of June 30, 2009. Net increases in total deposits and securities sold under agreements to repurchase provided additional cash available to be invested in securities in 2009. Cash used in **financing activities** of \$19.7 million in the second quarter 2010 as compared with cash provided by **financing activities** of \$96.5 million for the comparable period in 2009 was led primarily by deposit and repurchase agreement decreases in the current period compared to the growth experienced in the prior period.

***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.

**FIRST NATIONAL BANK ALASKA  
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PART I**

**LIQUIDITY AND CAPITAL RESOURCES, continued**

***Commitments and Contingencies, continued***

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

	June 30, 2010	December 31, 2009
Loan Commitments	\$323,922	\$322,187
Bankcard commitments	72,291	70,627
Commitments to fund mortgage loans to be sold	14,687	6,700
<b>Total Loan Commitments</b>	<b>\$410,900</b>	<b>\$399,514</b>
Standby and commercial letters of credit	\$21,443	\$25,721
Subscription to purchase Federal Reserve Bank stock	\$2,196	\$2,196

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

	<b>PAYMENTS DUE BY PERIOD</b>				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Time deposits	\$160,108	\$141,821	\$12,200	\$5,746	\$341
Securities sold under agreements to repurchase	\$538,498	538,498	-	-	-
Notes payable	\$2,257	570	1,094	593	-
Capital lease obligations	\$91	55	36	-	-
Operating leases	\$150	66	84	-	-
<b>Contractual obligations by period</b>	<b>\$701,104</b>	<b>\$681,010</b>	<b>\$13,414</b>	<b>\$6,339</b>	<b>\$341</b>

**FIRST NATIONAL BANK ALASKA  
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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						
	June 30, 2010		December 31, 2009		To Be Well Capitalized Under Prompt Corrective Action Provisions	
Total Capital Ratio	\$ 460,051	26.88%	\$ 457,454	27.08%	\$ 167,732	10.00%
Tier 1 Capital Ratio	\$ 442,051	25.83%	\$ 439,454	26.01%	\$ 100,639	6.00%
Tier 1 Leverage Ratio	\$ 442,051	16.57%	\$ 439,454	16.73%	\$ 130,465	5.00%

**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 the five consecutive quarters ended June 30, 2010:

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

Quarterly Summary of Operations	2010			2009	
	Second	First	Fourth	Third	Second
Interest and Loan Fee Income	\$28,543	\$28,594	\$30,301	\$30,525	\$30,524
Interest Expense	1,049	1,037	1,165	1,432	1,465
Net Interest and Fee Income	27,494	27,557	29,136	29,093	29,059
Provision for Loan Losses	(226)	751	1,550	1,797	1,379
Net Interest and Fee Income After Provision for Loan Losses	27,720	26,806	27,586	27,296	27,680
Noninterest Income	8,761	7,988	8,575	9,832	8,677
Salaries and employee benefits	11,223	11,212	10,968	10,846	10,992
Noninterest Expense	10,615	9,527	15,248	10,493	10,280
Income Before Taxes	14,643	14,055	9,945	15,789	15,085
Provision for Income Taxes	4,879	4,651	2,968	5,214	5,004
Net Income	\$9,764	\$9,404	\$6,977	\$10,575	\$10,081
Earnings Per Common Share	\$29.41	\$28.32	\$21.01	\$31.82	\$30.28
Dividends Declared Per Common Share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average Assets	\$2,668,043	\$2,609,637	\$2,627,197	\$2,574,829	\$2,422,951
Average Total Equity	\$440,143	\$439,001	\$438,831	\$439,597	\$438,269
Ratio of Net Income to					
Average Assets	1.46%	1.47%	1.05%	1.63%	1.68%
Return on Average Equity	8.90%	8.69%	6.31%	9.54%	9.23%

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

**Net income before taxes** for the quarter ended June 30, 2010 decreased \$0.5 million to \$14.6 million from \$15.1 million for the comparative quarter ended 2009. Second quarter net interest and fee income of \$27.5 million decreased \$1.6 million from the comparative quarter in 2009. The **provision for loan losses** for the quarter ended June 30, 2010 decreased by \$1.6 million over the comparative quarter in 2009. Second quarter **noninterest income** of \$8.8 million increased modestly over the second quarter of 2009. **Salaries and employee benefits** increased \$0.2 million to \$11.2 million from \$11.0 for the comparative quarter of 2009. **Noninterest expense** increased \$0.3 million from the second quarter of 2009 and increased \$1.1 million quarter over quarter primarily as a result of increases in bankcard interchange expenses and amortization and net losses recorded under the cost and equity methods of accounting for two limited partnership investments.

**FIRST NATIONAL BANK ALASKA  
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**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 June 30, 2010 and 2009:

Dollars in thousands							
	Average Second Quarter Balances		Average Yield		Change Due to		
	2010	2009	2010	2009	Rate	Volume	Time
<b>Earning Assets</b>							
Loans-Taxable	\$1,137,865	\$1,119,097	6.50%	6.81%			
Loans-NonTaxable	17,727	24,200	10.79%	9.43%			
Investment Securities-Taxable	1,085,509	883,765	2.88%	3.95%			
Investment Securities- NonTaxable	64,480	72,205	5.83%	5.89%			
Federal Funds Sold and certificates of deposit	16	68	0.00%	0.00%			
Interest Bearing Cash Balances	181,594	133,563	0.25%	0.25%			
<b>Total Earning Assets</b>	<b>\$2,487,191</b>	<b>\$2,232,898</b>	<b>4.48%</b>	<b>5.28%</b>	-2.43%	1.63%	0.00%

Interest and loan fee income for the quarters ended June 30, 2010 and 2009 was \$28.5 million and \$30.5 million, respectively, for a decrease of \$2.0 million or 6.5%. The tax equivalent yield on average earning assets decreased 80 basis points, from 5.28% in 2009 to 4.48% in 2010. Total average earning assets increased \$254.3 million, from \$2.233 billion at June 30, 2009 to \$2.487 billion as of June 30, 2010. Average loans, investment securities, and interest bearing cash balances increased \$12.3 million, \$194.0 million and \$48.0 million, respectively, while average federal funds sold balances decreased modestly year over year.

The net interest margin for the second quarter 2010 of 4.31% was 71 basis points lower than the net interest margin for the comparable period of 2009 of 5.02%. Lower interest rates continue to have an overall downward impact on interest and loan fee income while higher loan and security volumes had a significant upward impact on interest and loan fee income. 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 second quarter.

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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 June 30, 2010 and 2009:

Dollars in thousands							
	Average Second Quarter		Average Yield		Change Due to		
	2010	2009	2010	2009	Rate	Volume	Time
<b>Interest Bearing Liabilities</b>							
Savings	\$428,555	\$379,979	0.33%	0.31%			
First Rate	164,680	152,518	0.07%	0.08%			
First Investment	221,713	173,043	0.10%	0.18%			
Time	157,239	187,138	1.02%	1.74%			
Federal Funds Purchased	24,174	-	0.13%	0.00%			
Repurchase Agreements	522,547	473,316	0.13%	0.18%			
Other Debt	2,057	2,564	6.43%	6.57%			
<b>Total Interest Bearing</b>							
<b>Liabilities</b>	<u>\$1,520,965</u>	<u>\$1,368,558</u>	<u>0.28%</u>	<u>0.43%</u>	-0.21%	0.06%	0.00%

Interest expense for the quarters ended June 30, 2010 and 2009 was \$1.0 million and \$1.5 million, respectively, for a decrease of \$0.5 million or 28.4%. Interest expense decreased as interest rates paid for the total average aggregate interest bearing liabilities decreased 15 basis points, from .43% in 2009 to 0.28% 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 \$152.4 million from \$1.369 billion at June 30, 2009 to \$1.521 billion at June 30, 2010 as average deposits, securities sold under agreements to repurchase and federal funds purchased increased \$79.5 million, \$49.2 million and \$24.2 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%.

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**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 six months ended June 30, 2010 and 2009:

Dollars in thousands							
	Average Six Month Balances		Average Yield		Change Due to		
	2010	2009	2010	2009	Rate	Volume	Time
<b>Earning Assets</b>							
Loans-Taxable	\$1,128,426	\$1,111,729	6.53%	6.69%			
Loans-NonTaxable	17,766	24,668	10.42%	9.74%			
Investment Securities-Taxable	1,091,351	881,906	2.99%	4.08%			
Investment Securities- NonTaxable	63,646	73,376	5.89%	5.96%			
Federal Funds Sold and certificates of deposit	34	74	0.00%	0.00%			
Interest Bearing Cash Balances	160,221	115,586	0.25%	0.25%			
<b>Total Earning Assets</b>	<b><u>\$2,461,444</u></b>	<b><u>\$2,207,339</u></b>	<b><u>4.56%</u></b>	<b><u>5.32%</u></b>	-2.73%	1.97%	0.00%

Interest and loan fee income for the six months ended June 30, 2010 and 2009 was \$57.1 million and \$60.2 million, respectively, for a decrease of \$3.1 million or 5.1%. The tax equivalent yield on average earning assets decreased 76 basis points, from 5.32% in 2009 to 4.56% in 2010. Total average earning assets increased \$254.1 million, from \$2.207 billion at June 30, 2009 to \$2.461 billion as of June 30, 2010. Average loan levels, investment securities, and interest bearing cash balances increased \$9.8 million, \$199.7 million and \$44.6 year over year.

The net interest margin for the six months ended June 30, 2010 of 4.39% was 66 basis points lower than the net interest margin for the comparable period of 2009 of 5.05%. Declining yields in taxable loans and investment securities drove the overall decline in interest and loan fee income offset slightly by increases in yield of nontaxable loans and volume increases. Interest income was also negatively impacted by falling rates on overnight federal fund sales held for liquidity purposes that are awaiting reinvestment.

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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 six months ended June 30, 2010 and 2009:

Dollars in thousands							
	Average Six Month Balances		Average Yield		Change Due to		
	2010	2009	2010	2009	Rate	Volume	Time
<b>Interest Bearing Liabilities</b>							
Savings	\$427,785	\$376,149	0.33%	0.31%			
First Rate	164,417	152,070	0.05%	0.07%			
First Investment	202,125	176,053	0.09%	0.18%			
Time	159,482	180,205	1.06%	1.90%			
Federal Funds Purchased	22,181	-	0.13%	0.00%			
Repurchase Agreements	528,223	469,360	0.13%	0.18%			
Other Debt	2,047	2,563	6.60%	6.69%			
<b>Total Interest Bearing Liabilities</b>	<u>\$1,506,260</u>	<u>\$1,356,400</u>	<u>0.28%</u>	<u>0.44%</u>	-0.22%	0.06%	0.00%

Interest expense for the six months ended June 30, 2010 and 2009 was \$2.1 million and \$3.0 million, respectively. Interest expense decreased significantly as interest rates paid for the total average aggregate interest bearing liabilities decreased 16 basis points, from 0.44% in 2009 to 0.28% in 2010. Total average aggregate outstanding interest bearing liabilities increased \$149.9 million from \$1.356 billion at June 30, 2009 to \$1.506 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%.

***Provision for Loan Losses***

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

	2010	2009
Beginning Balance, March 31,	\$18,000	\$21,000
Total Charge Offs	204	750
Total Recoveries	(430)	(121)
Net Charge Offs	(226)	629
Provision for Loan Losses	(226)	1,379
Balance, June 30	<u>\$18,000</u>	<u>\$21,750</u>

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

***Provision for Loan Losses, continued***

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

	2010	2009
Beginning Balance, January 1,	\$18,000	\$19,000
Total Charge Offs	1,302	814
Total Recoveries	(777)	(286)
Net Charge Offs	525	528
Provision for Loan Losses	525	3,278
Balance, June 30	\$18,000	\$21,750

The provision for loan losses decreased \$1.6 million from the second quarter 2009 level of \$1.4 million. Loan recoveries, net of loan charge offs, were \$0.2 million for the three months ended June 30, 2010, as compared to a net charge off of \$0.6 million for the comparative period in 2009. Charge offs for the six months ended June 30, 2010 of \$1.3 million compared with \$0.8 million for the same period of 2009. Recoveries for the first six months of 2010 of \$0.8 million exceeded recoveries of \$0.3 million for the comparable period of 2009. The allowance for loan losses remained unchanged from the December 31, 2009 level. However, the allowance for loan losses of \$18.0 million as of June 30, 2010 is \$3.8 million lower than the June 30, 2009 level of \$21.8 million due to \$3.0 million in additional impairments in the second and third quarters of 2009 more than offset by a \$6.8 million reduction to the allowance due to charge offs in late 2009 and the first half of 2010. Overall the provision for loan losses decreased \$2.8 million year over year as the level of the allowance for loan losses was driven down during the current year primarily due to foreclosure activity and, to a lesser extent, improvement in the loan portfolio.

***Noninterest Income and Expenses***

Total noninterest income for the quarter and six months ended June 30, 2010 was \$8.8 million and \$16.7 million, respectively, as compared to \$8.7 million and \$16.8 million for same periods of 2009, respectively. Overall rate increases in merchant and interchange fees was the primary driver for the increase in bankcard fees of \$0.3 million (7.6%) for second quarter of 2010 and \$0.7 million (9.5%) for the six months ended June 30, 2010. Offsetting the increase in bankcard fees is a decrease in gain on sale of mortgage loans of \$0.4 million (55.6%) and \$0.8 million (54.4%) for the quarter and six months ended June 30, 2010, respectively, over the comparative periods of 2009 when loan origination volumes were at elevated levels due to the low home mortgage rates offered in early 2009. Related to the decrease in gain on sale of mortgage loans, mortgage loan servicing income decreased \$0.1 million (20.6%) and \$0.3 million (21.3%) for the quarter and six months ended June 30, 2010.

Service charges on deposit accounts decreased \$0.1 million (9.5%) for the second quarter 2010 and decreased \$0.3 million (10.1%) year over year driven primarily by declines in customer-controlled fees. Net gains on investment securities remained consistent quarter over quarter, but increased \$0.1 million (430.8%) for the six months ended June 30, 2010 as a result of selling securities prior to maturity as a risk management and diversification strategy by moving bonds out of economically challenged municipalities. The increase in other noninterest income of \$0.5 million (14.6%) quarter over quarter and \$0.5 million (25.5%) year over year is the result of three overriding factors: the bank began leasing some foreclosed properties near the end of 2009, escrow fee rate increases went into effect in late 2009, and the bank received MasterCard incentive program payments pursuant to a network conversion in the first half of 2010.

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

***Noninterest Income and Expenses, continued***

Noninterest expense for the quarter and six months ended June 30, 2010 was \$21.8 million and \$42.6 million, respectively, as compared to \$21.3 million and \$41.5 million for the comparative periods of 2009, respectively. Salary and employee benefit expense increased \$0.2 million for both the quarter and six months ended June 30, 2010 to \$11.2 million and \$22.4 million, respectively, from \$11.0 million and 22.2 million, for the comparative periods of 2009 due to annual cost of living and inflation adjustments in base wages and medical insurance benefits. Furniture and equipment expenses increased \$0.1 million both quarter over quarter and year over year primarily due to the allowance for normal wear and tear. Bankcard expenses remained level quarter over quarter, but increased \$0.2 million year over year as a result of costs to comply with the Credit Card Reform Act of 2009 disclosure requirements, increased anticipated annual credit card rebates and debit card expenses. Second quarter 2010 occupancy expense remained consistent with the comparative period of 2009, but decreased \$0.2 million as ordinary maintenance, repairs and utilities costs decreased statewide.

Other noninterest expense increased \$0.3 million for the quarter ended June 30, 2010 to \$4.6 million from \$4.3 million for the same period of 2009. Other noninterest expense increased \$0.7 million for the six months ended June 30, 2010 to \$8.6 million from \$7.9 million for the same period of 2009. The increase quarter over quarter and year over year is primarily attributable to increases in FDIC assessment premiums, greater estimated net equity losses from a limited partnership interest and higher maintenance and expenses of other real estate owned. These increases in expenses were partially offset by a decrease in legal expenses, bankcard fraud losses and a net decrease to the valuation allowance for other real estate owned in the second quarter of 2010 over second quarter 2009.

***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			
	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Six Months Ended June 30, 2009
Income before taxes	\$28,698	\$54,918	\$29,184
Provision for income taxes	9,530	17,760	9,578
Net Income	\$19,168	\$37,158	\$19,606
Effective combined tax rate	33.2%	32.3%	32.8%

The effective tax rate reflected in the provision for income taxes for the six months ended June 30, 2010 is consistent with the effective rate for the six months ended June 30, 2009, but increased over the full year 2009 effective rate primarily as a result of reduced benefits from tax exempt securities 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 June 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 control over financial reporting.** There were no significant changes in the bank's internal controls over financial reporting or in other factors that could significantly affect those controls subsequent to June 30, 2010.

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 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*

*August 9, 2010*

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

Date

*/s/ Jason L. Roth*

*August 9, 2010*

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

Date

*/s/ Michele M. Schuh*

*August 9, 2010*

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\_\_\_\_\_

Michele M. Schuh  
Comptroller  
(Principal Accounting Officer)

Date

## EXHIBIT 31.1

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

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

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

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

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

*/s/ D.H. Cuddy*

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

*August 9, 2010*

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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)

*August 9, 2010*

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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 June 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*

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

*August 9, 2010*

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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 June 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*

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

*August 9, 2010*

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Date