

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

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**FORM 10-Q**

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

For the quarterly period ended March 31, 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   
Non-accelerated filer

Accelerated filer   
Smaller Reporting Company

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 **March 31, 2010**

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

**INDEX**

Part I – Financial Information

Item 1.	Financial Statements and Notes to the Financial Statements	2
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	29
Item 4.	Controls and Procedures	29

Part II – Other Information

Item 1.	Legal Proceedings	30
Item 1A.	Risk Factors	30
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	n/a
Item 3.	Defaults Upon Senior Securities	n/a
Item 4.	[Removed and reserved]	n/a
Item 5.	Other Information	n/a
Item 6.	Exhibits	30
	Signatures	31
	Exhibits	32

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

**PART I - ITEM 1.**

(dollars in thousands)

<b>ASSETS</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>
Cash and due from banks	268,352	169,572
Securities, available-for-sale	1,167,459	1,182,118
Securities, held-to-maturity	23,000	23,000
Real estate loans to be sold	7,568	10,798
Loans, net of allowance for loan losses of \$18,000 and \$18,000 for 2010 and 2009	1,173,283	1,165,673
Premises and equipment, net	42,390	42,986
Other real estate owned, net	13,957	9,332
Other assets	44,289	47,833
<b>Total Assets</b>	<b>\$2,740,298</b>	<b>\$2,651,312</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest bearing	\$683,212	\$707,005
Interest bearing	1,029,211	942,725
<b>Total Deposits</b>	<b>1,712,423</b>	<b>1,649,730</b>
Securities sold under agreements to repurchase	537,433	537,748
Federal funds purchased	25,000	-
Notes payable and capital lease obligations	2,044	2,025
Other liabilities	9,752	8,711
<b>Total Liabilities</b>	<b>2,286,652</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	367,705	366,602
Accumulated other comprehensive income	12,736	13,291
<b>Total Shareholders' Equity</b>	<b>453,646</b>	<b>453,098</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,740,298</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 March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Interest Income and Loan Fees</b>		
Interest and fees on loans	\$19,606	\$19,835
Interest and dividends on investment securities	8,904	9,790
Interest on cash and cash equivalents	84	60
<b>Total Interest and Loan Fee Income</b>	<b>28,594</b>	<b>29,685</b>
<b>Interest Expense</b>		
Interest on deposits	831	1,257
Interest on federal funds purchased and securities sold under agreements to repurchase	172	204
Interest on notes payable, capital lease obligations and other	34	43
<b>Total Interest Expense</b>	<b>1,037</b>	<b>1,504</b>
<b>Net Interest and Loan Fee Income</b>	<b>27,557</b>	<b>28,181</b>
Provision for loan losses	751	1,899
<b>Net Interest And Loan Fee Income After Provision For Loan Losses</b>	<b>26,806</b>	<b>26,282</b>
<b>Noninterest Income</b>		
Bankcard fees	3,971	3,555
Service charges on deposit accounts	1,232	1,381
Gain on sale of mortgage loans	340	728
Mortgage loan servicing income	596	764
Net gains on investment securities	138	-
Other noninterest income	1,711	1,662
<b>Total Noninterest Income</b>	<b>7,988</b>	<b>8,090</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	11,212	11,184
Occupancy, net	1,683	1,917
Furniture and equipment	780	754
Bankcard	3,039	2,833
Other noninterest expense	4,025	3,585
<b>Total Noninterest Expense</b>	<b>20,739</b>	<b>20,273</b>
<b>Income Before Taxes</b>	<b>14,055</b>	<b>14,099</b>
Provision for income taxes	4,651	4,574
<b>NET INCOME</b>	<b>\$9,404</b>	<b>\$9,525</b>
<b>Earnings Per Common Share</b> (not in thousands)	<b>\$28.32</b>	<b>\$28.31</b>
<b>Cash Dividends Paid Per Common Share</b> (not in thousands)	<b>\$25.00</b>	<b>\$25.00</b>

See accompanying notes to condensed financial statements.

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

**PART I - ITEM 1.**

(dollars in thousands)

<b>Comprehensive Income</b>	<b>For Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Net Income</b>	<b>\$9,404</b>	<b>\$9,525</b>
<b>Other Comprehensive Income, net of taxes:</b>		
Decrease in unrealized net holding gains during period, net of tax effect of \$330 and \$3,168, 2010 and 2009	(474)	(4,538)
Reclassification of gains included in net income, net of tax effect of \$57 and \$0, 2010 and 2009	(81)	-
<b>Net Losses Recognized in Other Comprehensive Income</b>	<b>(555)</b>	<b>(4,538)</b>
<b>Comprehensive Income</b>	<b>\$8,849</b>	<b>\$4,987</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)

**For Three Months Ended  
March 31,**

<b>Operating Activities</b>	<b>2010</b>	<b>2009</b>
Net income	\$9,404	\$9,525
Adjustments to reconcile net income to net cash provided by operating activities	3,293	2,875
Real estate loans to be sold - originated	(38,959)	(100,390)
Real estate loans to be sold - shipped	42,189	97,708
Net other operating activity	4,791	5,265
<b>Net Cash Provided By Operating Activities</b>	<b>20,718</b>	<b>14,983</b>
<b>Investing Activities</b>		
Proceeds from calls and maturities of securities, available-for-sale	81,890	67,956
Proceeds from sales of securities, available-for-sale	25,156	-
Purchase of securities, available-for-sale	(94,808)	(25,943)
Net decrease in loans, net of undisbursed portion	(13,218)	(1,206)
Net other investing activity	(20)	724
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(1,000)</b>	<b>41,531</b>
<b>Financing Activities</b>		
Net increase in total deposits	62,693	23,933
Net decrease in securities sold under agreements to repurchase	(315)	(51,272)
Net increase in federal funds purchased	25,000	-
Payments on notes and capital leases	(15)	(45)
Dividends paid	(8,301)	(8,345)
Retirement of common stock	-	(9,109)
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>79,062</b>	<b>(44,838)</b>
Increase in cash and cash equivalents	98,780	11,676
Cash and cash equivalents, January 1,	169,572	138,088
<b>Cash and Cash Equivalents, March 31,</b>	<b>\$268,352</b>	<b>\$149,764</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	\$1,134	\$1,756
Cash paid during the period for income taxes	\$4	\$5
<b>Supplemental schedule of noncash investing activities:</b>		
Net transfers of loans to (from) other real estate owned	\$4,887	(\$160)

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 three months ended March 31, 2010	9,404
Cash dividends declared on common stock	(8,301)
Change in accumulated other comprehensive income	(555)
<b>Balance, March 31, 2010</b>	<b>\$453,646</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 March 31, 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 three month period ended March 31, 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 336,470 for the quarters ended March 31, 2010 and 2009, respectively.

The bank adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Update No. 2010-06, *Fair Value Measurements and Disclosures*, which is effective for interim and annual reporting periods beginning after December 15, 2009. Additionally, the bank adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Update No. 2010-09, *Subsequent Events*, which was effective beginning February 24, 2010. The FASB issued ASC Update No. 2010-04, *Technical Correction to SEC Paragraphs*, and ASC Update No. 2010-08, *Technical Corrections to Various Topics*, which the bank believes will not materially impact reported amounts in the financial statements.

**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 March 31, 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	\$ 30,006	\$ 152	\$ -	\$ 30,158
after 1 but within 5 years	99,175	930	90	100,015
<b>Total U.S. Treasury Securities</b>	<b>129,181</b>	<b>1,082</b>	<b>90</b>	<b>130,173</b>
<b>Other U.S. Government Agencies and Corporations:</b>				
Maturity:				
within one year	334,815	5,071	7	339,879
after 1 but within 5 years	579,748	12,930	54	592,624
<b>Total Other U.S. Government Agencies and Corporations</b>	<b>914,563</b>	<b>18,001</b>	<b>61</b>	<b>932,503</b>
<b>States And Political Subdivisions:</b>				
Maturity:				
within one year	20,141	275	-	20,416
after 1 but within 5 years	39,712	1,891	42	41,561
after 5 but within 10 years	2,099	128	-	2,227
<b>Total States and Political Subdivisions</b>	<b>61,952</b>	<b>2,294</b>	<b>42</b>	<b>64,204</b>
<b>Corporate Bonds</b>				
Maturity:				
within one year	20,050	165	-	20,215
after 1 but within 5 years	20,087	277	-	20,364
<b>Totals Corporate Bonds</b>	<b>40,137</b>	<b>442</b>	<b>-</b>	<b>40,579</b>
<b>Total Securities, Available-For-Sale</b>	<b>\$ 1,145,833</b>	<b>\$ 21,819</b>	<b>\$ 193</b>	<b>\$ 1,167,459</b>

Within the state and political subdivisions category, the largest concentrations of available-for-sale securities are held in Washington with 35%, Oregon with 16%, Alaska with 13%, and Pennsylvania with 12% 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 March 31, 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	\$ 1,031	\$ -	\$ 24,031
Total Corporate Bonds	23,000	1,031	-	24,031
<b>Total Securities, Held to Maturity</b>	<b>\$ 23,000</b>	<b>\$ 1,031</b>	<b>\$ -</b>	<b>\$ 24,031</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				
	March 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>FINANCIAL ASSETS</b>				
Securities:				
Available-for-sale	\$ 1,167,459	\$ 1,167,459	\$ 1,182,118	\$ 1,182,118
Held-to-maturity	23,000	24,031	23,000	24,222
Loans:				
Commercial and industrial	\$ 232,265	\$ 233,324	\$ 230,340	\$ 231,539
Real estate	905,005	918,243	898,412	913,994
Consumer and other	18,158	18,071	18,749	18,601
Nontaxable states and political subdivisions obligations	17,855	19,753	18,172	19,971
Total Loans	<u>\$ 1,173,283</u>	<u>\$ 1,189,391</u>	<u>\$ 1,165,673</u>	<u>\$ 1,184,105</u>
<b>FINANCIAL LIABILITIES</b>				
Time Deposits	\$ 162,657	\$ 165,051	\$ 168,305	\$ 171,142

Fair values of loans are greater than the corresponding carrying amounts as a result of the average stated yields on loans as of March 31, 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

**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, continued**

financial assets and liabilities not shown above. The following were considered in determining fair values as of March 31, 2010:

**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.

**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.

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

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

Dollars in thousands				
Description	March 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Securities:</b>				
U.S. Treasury	\$130,173	\$130,173	-	-
U.S. Government agencies	\$932,503	-	\$932,503	-
States and political subdivisions	\$64,204	-	\$64,204	-
Corporate bonds	\$40,579	-	\$40,579	-
<b>Securities Total</b>	<b>\$1,167,459</b>	<b>\$130,173</b>	<b>\$1,037,286</b>	<b>-</b>

**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, continued**

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

Dollars in thousands				
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)
<b>Securities:</b>				
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	-
<b>Securities Total</b>	<b>\$1,182,118</b>	<b>\$62,644</b>	<b>\$1,119,474</b>	<b>-</b>

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 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 March 31, 2010, the bank had no investments in Fannie Mae or Freddie Mac common or preferred stock or mortgage backed securities.

**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, continued**

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

Dollars in thousands						
Description	March 31, 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 March 31, 2010	
Impaired loans	\$17,295	-	-	\$17,295	(\$564)	
Other real estate owned	\$6,390	-	-	\$6,390	-	
<b>Total</b>	<b>\$23,685</b>	<b>-</b>	<b>-</b>	<b>\$23,685</b>	<b>(\$564)</b>	
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 Year Ended December 31, 2009	
Impaired loans	\$31,131	-	-	\$31,131	\$148	
Other real estate owned	\$6,723	-	-	\$6,723	(\$3,917)	
<b>Total</b>	<b>\$37,854</b>	<b>-</b>	<b>-</b>	<b>\$37,854</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 write-downs recognized are included in noninterest expense.

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

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

**NOTE 4 – OTHER REAL ESTATE OWNED**

Net other real estate owned as of March 31, 2010 and December 31, 2009 was \$14.0 million and \$9.3 million, respectively. Included in noninterest expense were write downs of \$0 thousand and \$62 thousand for the three months ended March 31, 2010 and 2009, respectively, while net gains from sales of other real estate owned included in noninterest expense for the comparative periods then ended were \$3 thousand and \$7 thousand, respectively.

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

The loan portfolio consisted of the following as of:

Dollars in thousands		
	March 31, 2010	December 31, 2009
Commercial and industrial	237,115	234,695
Real estate construction	238,914	237,780
Real estate mortgage	182,118	182,270
Real estate commercial	496,236	491,104
Consumer and other	19,045	19,652
Nontaxable states and political subdivisions obligations	17,855	18,172
<b>Loans, Gross</b>	<b>\$ 1,191,283</b>	<b>\$ 1,183,673</b>

The following is an analysis of the change in the allowance for loan losses:

Dollars in thousands		
	2010	2009
Balance, January 1,	\$18,000	\$19,000
<b>Loan Charge Offs:</b>		
Commercial and industrial	10	2
Real estate	1,021	-
Consumer and other	67	62
<b>Total Charge Offs</b>	<b>1,098</b>	<b>64</b>
<b>Loan Recoveries:</b>		
Commercial and industrial	143	45
Real estate	124	36
Consumer and other	80	84
<b>Total Loan Recoveries</b>	<b>347</b>	<b>165</b>
<b>Net Loan Charge Offs (Recoveries)</b>	<b>751</b>	<b>(101)</b>
Provision for Loan Losses	751	1,899
Balance, March 31	\$18,000	\$21,000

Nonaccrual loans were \$47.5 million and \$55.1 million as of March 31, 2010 and December 31, 2009, respectively.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
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 March 31, 2010 and comparative balances for December 31, 2009 and March 31, 2009:

<u>Dollars in thousands</u>				
	March 31, 2010	% Change	December 31, 2009	March 31, 2009
Cash and cash equivalents	\$268,352	58.3%	\$169,572	\$149,764
Total securities	1,190,459	-1.2%	1,205,118	972,771
Total loans, net <sup>(1)</sup>	1,180,851	0.4%	1,176,471	1,188,998
Premises and equipment	42,390	-1.4%	42,986	42,960
Other real estate owned, net	13,957	49.6%	9,332	3,470
Other assets	44,289	-7.4%	47,833	41,577
<b>Total Assets</b>	<b>\$2,740,298</b>	<b>3.4%</b>	<b>\$2,651,312</b>	<b>\$2,399,540</b>
Noninterest bearing deposits	\$683,212	-3.4%	\$707,005	\$574,837
Interest bearing deposits	1,029,211	9.2%	942,725	909,805
Securities sold under agreements to repurchase	537,433	-0.1%	537,748	435,866
Federal funds purchased	25,000	100.0%	-	-
Other Liabilities	11,796	9.9%	10,736	22,138
Total Shareholders' equity	453,646	0.1%	453,098	456,894
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,740,298</b>	<b>3.4%</b>	<b>\$2,651,312</b>	<b>\$2,399,540</b>

<sup>(1)</sup> Total loans, net include real estate loans to be sold

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

**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

The following table provides condensed, comparative balance sheets and composition percentages as of March 31, 2010, December 31, 2009 and March 31, 2009:

Dollars in thousands						
	March 31, 2010	% Total	December 31, 2009	% Total	March 31, 2009	% Total
Cash and cash equivalents	\$268,352	9.8%	\$169,572	6.4%	\$149,764	6.2%
Total securities	1,190,459	43.4%	1,205,118	45.5%	972,771	40.5%
Total loans, net <sup>(1)</sup>	1,180,851	43.1%	1,176,471	44.4%	1,188,998	49.6%
Premises and equipment	42,390	1.5%	42,986	1.6%	42,960	1.8%
Other real estate owned, net	13,957	0.5%	9,332	0.4%	3,470	0.1%
Other assets	44,289	1.7%	47,833	1.7%	41,577	1.8%
<b>Total Assets</b>	<b>\$2,740,298</b>	<b>100%</b>	<b>\$2,651,312</b>	<b>100%</b>	<b>\$2,399,540</b>	<b>100%</b>
Noninterest bearing deposits	\$683,212	24.9%	\$707,005	26.7%	\$574,837	24.0%
Interest bearing deposits	1,029,211	37.6%	942,725	35.6%	909,805	37.9%
Securities sold under agreements to repurchase	537,433	19.6%	537,748	20.3%	435,866	18.2%
Federal funds purchased	25,000	0.9%	-	0.0%	-	0.0%
Other Liabilities	11,796	0.4%	10,736	0.3%	22,138	0.9%
Total Shareholders' equity	453,646	16.6%	453,098	17.1%	456,894	19.0%
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,740,298</b>	<b>100%</b>	<b>\$2,651,312</b>	<b>100%</b>	<b>\$2,399,540</b>	<b>100%</b>

<sup>(1)</sup> Total loans, net include real estate loans to be sold

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

**Total assets** increased \$89.0 million (3.4%) for the quarter ended March 31, 2010. **Cash and cash equivalents** increased \$98.8 million (58.3%) as **available-for-sale securities** decreased \$14.7 million (1.2%) and **total deposits** and **federal funds purchased** increased \$62.7 million (3.8%) and \$25 million (100%), respectively. A singularly large customer deposit is the primary driver for the increase in cash and total deposits. Furthermore, the bank entered into a federal funds agreement with an unaffiliated financial institution during the first quarter as the interest earnings to the bank from holding the funds in interest bearing deposit accounts exceeds the cost of the purchased funds. **Securities sold under agreements to repurchase** of \$537 million were comparable to fourth quarter. The net **loan** portfolio increased \$4.4 million (0.4%) with commercial and real estate categories making up \$2.4 million (1.0%) and \$6.1 million (0.7%) of the increase, respectively, while real estate loans to be sold decreased \$3.2 million (29.9%).

**Total liabilities** increased \$88.4 million (4.0%) during the first quarter. **Total deposits** increased \$62.7 million (3.8%) overall during the quarter. Noninterest bearing deposits increased \$86.5 million (9.2%)

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

**MATERIAL CHANGES IN FINANCIAL POSITION, continued**

with money market deposits making up \$97.3 million (53.9%) of the increase offset by a decrease in non-interest bearing deposits of \$23.8 million (3.4%).

**Total shareholders' equity** remained level as compared to fourth quarter. **Retained earnings** increased \$1.1 million (0.3%) over December 31, 2009. Net income for the first quarter of \$9.4 million exceeded quarterly dividend declarations of \$8.3 million. **Accumulated other comprehensive income** decreased by \$0.6 million (4.2%) for the quarter, as unrealized gains, net of tax effect, on securities, available-for-sale decreased to \$12.7 million at March 31, 2010, from the December 31, 2009 level of \$13.3 million.

**Securities Portfolio**

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

*Dollars in thousands*

	March 31, 2010	% Total	December 31, 2009	% Total	March 31, 2009	% Total
U.S. Treasury notes	\$129,181	10.85%	\$61,544	5.11%	\$50,978	5.24%
U.S. government agencies	913,775	76.76%	993,710	82.46%	783,572	80.55%
Municipal bank-qualified	55,681	4.68%	57,858	4.80%	66,642	6.85%
Municipal non-bank-qualified	6,271	0.53%	6,272	0.52%	7,350	0.76%
Municipal taxable	789	0.06%	-	0.00%	-	0.00%
Corporate bonds	63,137	5.30%	63,166	5.24%	33,022	3.39%
Total Securities, gross	1,168,834	98.18%	1,182,550	98.13%	941,564	96.79%
Unrealized gains, net	21,625	1.82%	22,568	1.87%	31,207	3.21%
Total Securities, net	\$1,190,459	100.00%	\$1,205,118	100.00%	\$972,771	100.00%

Total net securities decreased \$14.7 million for the quarter ended March 31, 2010. Total securities increased \$217.7 million year over year as deposits increases driven by poor economic conditions increased available cash. Net unrealized gains decreased by \$9.6 million from March 31, 2009, which is the result of maturing securities being reinvested at current market rates. The increase in corporate bonds since the March 31, 2009 level is the result of bonds purchased which were issued as part of the government's Temporary Liquidity Guarantee Program wherein they are guaranteed by the Federal Deposit Insurance Corporation.

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

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

<i>Term and duration in months</i>	March 31, 2010			December 31, 2009		
	Average Term	Average Duration	Yield to Maturity	Average Term	Average Duration	Yield to Maturity
U.S. Treasury notes	19.9	18.2	1.64%	17.2	13.8	2.34%
U.S. government agencies	21.1	18.3	3.13%	22.4	19.5	3.26%
Municipal bank-qualified	32.3	24.9	3.28%	33.5	26.3	3.31%
Municipal non-bank-qualified	30.9	19.5	3.61%	33.9	22.5	3.61%
Municipal taxable	33.4	26.5	1.33%	-	-	-
Corporate bonds	14.4	13.4	3.41%	17.4	16.4	3.41%

Investment securities representing approximately \$400 million (36%) of the total portfolio are anticipated to mature during 2010. Maturities are comprised primarily of federal government agency securities followed by U.S. Treasury securities. The decrease in average yield to maturity is a reflection of higher yielding securities being reinvested at current market rates. The increase in average term and duration of U.S. Treasury securities is the result of maturing securities being reinvested whereas the decrease in average term and duration of U.S. government agency and municipal securities is the result of the sale of securities the bank determined no longer fit its overall investment strategy.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
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 March 31, 2010, December 31, 2009 and March 31, 2009:

Dollars in thousands						
	March 31, 2010		December 31, 2009		March 31, 2009	
Commercial and industrial	\$237,115	20%	\$234,695	20%	\$268,820	22%
Real estate	917,268	77%	911,154	77%	885,316	74%
Consumer and other	19,045	2%	19,652	2%	19,660	2%
Nontaxable states and political subdivision obligations	17,855	1%	18,172	1%	25,786	2%
Total Loans, gross	1,191,283		1,183,673		1,199,582	
Allowance for loan losses	(18,000)		(18,000)		(21,000)	
Total Loans, net	<u>\$1,173,283</u>		<u>\$1,165,673</u>		<u>\$1,178,582</u>	
		<u>100%</u>		<u>100%</u>		<u>100%</u>
Allowance as a % of loans	1.51%		1.52%		1.75%	
Delinquent in excess of 30 days	\$9,563		\$15,084		\$22,769	
Non-accrual loans	\$47,518		\$55,128		\$77,098	

Net loans increased \$7.6 million during the first quarter as compared to December 31, 2009, primarily due to increases in commercial and real estate loans of \$2.4 million and \$6.1 million, respectively. Consumer and nontaxable loans declined modestly since December 31, 2009. Average loans decreased statewide year over year by \$20.6 million with the majority of the decrease occurring in the Anchorage, Matanuska Susitna, and Southeast Alaska regions slightly offset by an increase in the Fairbanks region. Average loan balances remained level quarter over quarter; however an increase in average loans in the Fairbanks region was offset by decreases in the Anchorage and Matanuska Susitna areas.

The decline in non-accrual loans over the prior quarter is due to the improvement or resolution of problematic loans. The reduction in nonaccrual loans resulted in part from the foreclosure of some large tracts of undeveloped land in the Anchorage and Mat-Su regions. Consistent with a predominant position in the loan portfolio at 77% of loans overall, real estate loans comprise the significant population of non-accrual loans. While there has been some improvement in nonaccrual loans, construction and land development loans in the major population centers of Anchorage and the adjacent Mat-Su Valley continues 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.

**FIRST NATIONAL BANK ALASKA  
FORM 10-Q  
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 increased to \$453.6 million at March 31, 2010 compared to \$453.1 million at December 31, 2009. The equity-to-asset ratio was 16.6% at the end of the first quarter of 2010. This is comparable to a ratio of 17.1% at December 31, 2009.

The Federal Deposit Insurance Corporation (FDIC) currently insures deposit accounts, with the exception of IRAs and brokered deposits, up to \$250,000 per depositor through December 31, 2013. The FDIC extended the Transaction Account Guarantee Program (TAGP), wherein certain transaction deposit accounts are insured to unlimited amounts, until June 30, 2010 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.

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

**LIQUIDITY AND CAPITAL RESOURCES, continued**

***Credit Facilities***

The bank's committed line of credit of \$104.6 million from the Federal Reserve Bank held a rate of 0.75% as of March 31, 2010. The bank also had a committed line of credit of \$85.3 million from the Federal Home Loan Bank Seattle at a rate of 0.70% as of March 31, 2010. 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 March 31, 2010.

***Cash Flows Overview Analysis***

For the three months ended March 31, 2010, cash and cash equivalents increased \$98.8 million, compared to a \$11.7 million increase during first quarter 2009. Cash was provided by **operating activities** of \$20.7 million during first quarter 2010 as compared to \$15.0 million during first quarter 2009. The primary driver of the increase in operating cash inflow in the current year was due to sales of mortgage loans in the current quarter outpacing originations as compared to the same period in the prior year when originations outpaced sales. Cash of \$1.0 million was used in **investing activities** for the three months ended March 31, 2010 whereas \$41.5 million was provided during the comparable quarter in 2009 as more proceeds from the sales and maturity of securities were reinvested in new securities in the current year. Cash was provided by **financing activities** of \$79.1 million during first quarter 2010 as compared to \$44.8 million used during first quarter 2009. Growth in deposits and federal funds purchased outpacing dividend payments led cash inflows during the current quarter as compared to the same period in 2009 when decreases in repurchase agreements, dividend payments and stock repurchases outpaced deposit growth.

***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:

	March 31, 2010	December 31, 2009
Loan Commitments	\$335,065	\$322,187
Bankcard commitments	71,335	70,627
Commitments fund mortgage loans to be sold	4,319	6,700
<b>Total Loan Commitments</b>	<b>\$410,719</b>	<b>\$399,514</b>
Standby and commercial letters of credit	\$22,646	\$25,721
Subscription to purchase Federal Reserve Bank stock	\$2,196	\$2,196

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

**LIQUIDITY AND CAPITAL RESOURCES, continued**

***Commitments and Contingencies, continued***

Payments under known contractual obligations as of March 31, 2009 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	\$162,657	\$145,413	\$11,673	\$5,234	\$337
Securities sold under agreements to repurchase	\$537,433	537,433	-	-	-
Notes payable	\$2,257	570	1,094	593	-
Capital lease obligations	\$105	55	50	-	-
Operating leases	\$236	186	50	-	-
<b>Contractual obligations by period</b>	<b>\$702,688</b>	<b>\$683,657</b>	<b>\$12,867</b>	<b>\$5,827</b>	<b>\$337</b>

***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:

<u>Dollars in thousands</u>						
	March 31, 2010		December 31, 2009		To Be Well Capitalized Under Prompt Corrective Action Provisions	
Total Capital Ratio	\$ 458,569	27.34%	\$ 457,454	27.08%	\$ 167,732	10.00%
Tier 1 Capital Ratio	\$ 440,569	26.27%	\$ 439,454	26.01%	\$ 100,639	6.00%
Tier 1 Leverage Ratio	\$ 440,569	16.88%	\$ 439,454	16.73%	\$ 130,465	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 March 31, 2010:

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

Quarterly Summary of Operations	2010		2009		
	First	Fourth	Third	Second	First
Interest and Loan Fee Income	\$28,594	\$30,301	\$30,525	\$30,524	\$29,685
Interest Expense	1,037	1,165	1,432	1,465	1,504
Net Interest and Fee Income	27,557	29,136	29,093	29,059	28,181
Provision for Loan Losses	751	1,550	1,797	1,379	1,899
Net Interest and Fee Income After Provision for Loan Losses	26,806	27,586	27,296	27,680	26,282
Noninterest Income	7,988	8,575	9,832	8,677	8,090
Salaries and employee benefits	11,212	10,968	10,846	10,992	11,184
Noninterest Expense	9,527	15,248	10,493	10,280	9,089
Income Before Taxes	14,055	9,945	15,789	15,085	14,099
Provision for Income Taxes	4,651	2,968	5,214	5,004	4,574
Net Income	\$9,404	\$6,977	\$10,575	\$10,081	\$9,525
Earnings Per Common Share	\$28.32	\$21.01	\$31.82	\$30.28	\$28.31
Dividends Declared Per Common Share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average Assets	\$2,609,637	\$2,627,197	\$2,574,829	\$2,422,951	\$2,371,229
Average Total Equity	\$439,001	\$438,831	\$439,597	\$438,269	\$444,007
Ratio of Net Income to					
Average Assets	1.47%	1.05%	1.63%	1.68%	1.84%
Return on Average Equity	8.69%	6.31%	9.54%	9.23%	9.78%

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

**Net income before taxes** for both quarters ended March 31, 2010 and 2009 was \$14.1 million. First quarter net interest and fee income of \$28.6 million decreased \$1.1 million from the comparative quarter in 2009. The **provision for loan losses** of \$0.8 million for the first quarter of 2010 decreased \$1.1 million from the comparative quarter in 2009. First quarter **noninterest income** and **salaries and employee benefits** remained comparable to the first quarter of 2009. **Noninterest expense** increased \$0.4 million from the first quarter of 2009 and decreased \$5.7 million from fourth quarter of 2009 when a significant devaluation was recorded on other real estate owned.

**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 March 31, 2010 and 2009:

Dollars in thousands						
	Average Three Month Balances		Average Yield		Change Due to	
	2010	2009	2010	2009	Rate	Volume
<b>Earning Assets</b>						
Loans-Taxable	\$1,118,986	\$1,104,360	6.56%	6.58%		
Loans-NonTaxable	17,805	25,136	10.32%	10.04%		
Investment Securities-Taxable	1,097,192	880,046	3.10%	4.22%		
Investment Securities- NonTaxable	62,812	74,548	6.02%	6.03%		
Federal Funds Sold and certificates of deposit	52	79	0.00%	0.00%		
Interest Bearing Cash Balances	138,848	97,608	0.25%	0.25%		
<b>Total Earning Assets</b>	<b>\$2,435,695</b>	<b>\$2,181,777</b>	<b>4.65%</b>	<b>5.36%</b>	<b>-3.31%</b>	<b>2.60%</b>

Interest and loan fee income for the quarters ended March 31, 2010 and 2009 was \$28.6 million and \$29.7 million, respectively, for a decrease of \$1.1 million or 3.7%. The tax equivalent yield on average earning assets decreased 71 basis points, from 5.36% in 2009 to 4.65% in 2010. Total average earning assets increased \$253.9 million, from \$2.182 billion at March 31, 2009 to \$2.436 billion as of March 31, 2010. Average loans, investment securities, and interest bearing cash balances increased \$7.3 million, \$205.4 million and \$41.2 million, respectively, while average federal funds sold balances decreased modestly year over year.

Lower interest rates, including the yield impact of non-accrual loans, had an overall downward impact on interest and loan fee income while higher volumes had an upward impact on interest and loan fee income.

**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 March 31, 2010 and 2009:

Dollars in thousands						
	Average Three Month Balances		Average Yield		Change Due to	
	2010	2009	2010	2009	Rate	Volume
<b>Interest Bearing Liabilities</b>						
Savings	\$427,015	\$372,319	0.32%	0.30%		
First Rate	164,153	151,622	0.03%	0.06%		
First Investment	182,536	179,062	0.08%	0.17%		
Time	161,724	173,272	1.11%	2.06%		
Federal Funds Purchased	20,188	0	0.12%	0.00%		
Repurchase Agreements	533,899	465,404	6.77%	6.81%		
Other Debt	2,037	2,561	0.13%	0.18%		
<b>Total Interest Bearing Liabilities</b>	<b>\$1,491,552</b>	<b>\$1,344,240</b>	<b>0.28%</b>	<b>0.45%</b>	-0.23%	0.06%

Interest expense for the quarters ended March 31, 2010 and 2009 was \$1.0 million and \$1.5 million, respectively, for a decrease of \$0.5 million or 31.1%. Interest expense decreased as interest rates paid for the total average aggregate interest bearing liabilities decreased 17 basis points, from .45% 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 \$147.3 million from \$1.344 billion at March 31, 2009 to \$1.491 billion at March 31, 2010 as average deposits, securities sold under agreements to repurchase and federal funds purchased increased \$59.2 million, \$68.5 million and \$20.2 million, respectively, while other debt decreased by \$0.5 million.

**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 March 31, 2010 and 2009:

	2010	2009
Beginning Balance, January 1,	\$18,000	\$19,000
Total Charge Offs	1,098	64
Total Recoveries	(347)	(165)
Net Charge Offs (Recoveries)	751	(101)
Provision for Loan Losses	751	1,899
Balance, March 31	\$18,000	\$21,000

The provision for loan losses of \$0.8 million for the three months ended March 31, 2010 reflects fewer losses anticipated on impaired loans over 2009 levels. The allowance for loan losses remained unchanged from the December 31, 2009 level. The allowance for loan losses of \$18.0 million as of March 31, 2010 is \$3.0 million lower than the March 31, 2009 level of \$21.0 million due to \$3.8 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 first quarter of 2010. Loan charge offs, net of loan recoveries were \$0.8 million for the three months ended March 31, 2010, as compared to a net recovery of \$0.1 million for the comparative period in 2009. Net charge offs in 2010 were greater than 2009 levels as a result of a \$1.0 million charge off in the first quarter of 2010 when a loan was taken into foreclosure. This loan was specifically reserved for in a prior period. Overall the provision for loan losses decreased \$1.1 million year over year as the current period did not incur continued significant identification of newly identified loan losses as was experienced in 2009.

***Noninterest Income and Expenses***

Total noninterest income for the quarters ended March 31, 2010 and 2009 was \$8.0 million and \$8.1 million, respectively. Bankcard fees increased \$0.4 million (11.7%) year over year due to increased transaction volumes. Offsetting the increase in bankcard fees is a decrease in gain on sale of mortgage loans of \$0.4 million year over year as loan origination volumes returned to normal levels driven by higher home mortgage rates in the second half of 2009 and early 2010. Mortgage loan servicing income decreased \$0.2 million year over year, which is also impacted by the declining levels of mortgage loan originations. Net gains on the sales of investment securities increased \$0.1 million over the quarter ended March 31, 2009. The bank yielded greater benefits than the security yields alone by selling some securities close to maturity for gains and reinvesting the proceeds in interest bearing deposit accounts.

Noninterest expense for the quarters ended March 31, 2010 and 2009 was \$20.7 million and \$20.3 million, respectively. Salary and employee benefit expenses for both quarters ended March 31, 2010 and 2009 was \$11.2 million. Occupancy expense decreased \$0.2 million (12.2%) year over year due to lower overall required repairs and maintenance requirements to bank premises in the first quarter 2010. Bankcard expenses increased \$0.2 million year over year consistent with the increase in bankcard fees. Other noninterest expense for the quarters ended March 31, 2010 and 2009 was \$4.0 million and \$3.6 million, respectively. The increase of \$0.4 million is primarily attributable to increased FDIC insurance premiums.

**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			
	Three Months Ended March 31, 2010	Year Ended December 31, 2009	Three Months Ended March 31, 2009
Income before taxes	\$14,055	\$54,918	\$14,099
Provision for income taxes	4,651	17,760	4,574
Net Income	\$9,404	\$37,158	\$9,525
Effective combined tax rate	33.1%	32.3%	32.4%

The effective tax rate was consistent for the periods December 31, 2009 and March 31, 2009, but increased for the quarter ended March 31, 2010 primarily as a result of lower benefits received from tax exempt interest in the current quarter.

**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 March 31, 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 March 31, 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*

*May 4, 2010*

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

Date

*/s/ Jason L. Roth*

*May 4, 2010*

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

Date

*/s/ Michele M. Schuh*

*May 4, 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)

*May 4, 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)

*May 4, 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 March 31, 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)

*May 4, 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 March 31, 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)

*May 4, 2010*

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Date