

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

FORM 10-Q

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

For the quarterly period ended September 30, 2009

FIRST NATIONAL BANK ALASKA

ALASKA

92-0006595

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

(907) 777-4362

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-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 **September 30, 2009**.

**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	13
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	28
Item 4.	Controls and Procedures	28

Part II – Other Information

Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	29
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3.	Defaults Upon Senior Securities	n/a
Item 4.	Submission of Matters to a Vote of Security Holders	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)

ASSETS	September 30, 2009	December 31, 2008
Cash and cash equivalents:		
Cash and due from banks	\$108,111	\$138,088
Federal funds sold and certificates of deposit	-	-
Total Cash and Cash Equivalents	108,111	138,088
Securities, available-for-sale	1,237,434	1,000,629
Securities, held-to-maturity	23,000	23,000
Real estate loans to be sold	9,597	7,734
Loans, net of allowance for loan losses of \$23,000 and \$19,000 for 2009 and 2008	1,150,552	1,179,092
Premises and equipment, net	42,236	43,684
Other assets	51,645	44,762
Total Assets	\$2,622,575	\$2,436,989
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing	\$700,180	\$593,499
Interest bearing	909,853	867,210
Total Deposits	1,610,033	1,460,709
Securities sold under agreements to repurchase	538,481	487,138
Notes payable and capital lease obligations	4,814	4,798
Other liabilities	10,643	14,983
Total Liabilities	2,163,971	1,967,628
Shareholders' Equity:		
Common stock, \$100 par value (Authorized: 2009 and 2008 - 400,000 shares Issued: 2009 - 332,054 shares; 2008 - 338,760 shares)	33,205	33,876
Surplus	40,000	40,000
Retained earnings	367,926	372,569
Accumulated other comprehensive income	17,473	22,916
Total Shareholders' Equity	458,604	469,361
Total Liabilities and Shareholders' Equity	\$2,622,575	\$2,436,989

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

FOR THREE MONTHS ENDED
September 30,

Interest Income and Loan Fees	2009	2008
Interest and fees on loans	\$20,442	\$21,405
Interest and dividends on investment securities	10,008	9,675
Interest on cash and cash equivalents	75	449
Total Interest and Loan Fee Income	30,525	31,529
Interest Expense		
Interest on deposits	1,141	2,445
Interest on federal funds purchased and securities sold under agreements to repurchase	250	1,128
Interest on notes payable, capital lease obligations and other	41	50
Total Interest Expense	1,432	3,623
Net Interest and Loan Fee Income	29,093	27,906
Provision for loan losses	1,797	1,020
Net Interest And Loan Fee Income After Provision For Loan Losses	27,296	26,886
Noninterest Income		
Bankcard fees	5,165	5,453
Service charges on deposit accounts	1,450	1,409
Gain on sale of mortgage loans	421	253
Mortgage loan servicing income	611	590
Net gains on investment securities	-	-
Other noninterest income	2,185	2,185
Total Noninterest Income	9,832	9,890
Noninterest Expense		
Salaries and employee benefits	10,846	10,602
Occupancy, net	1,721	1,569
Furniture and equipment	712	798
Bankcard	4,173	4,402
Other noninterest expense	3,887	3,786
Total Noninterest Expense	21,339	21,157
Income Before Taxes	15,789	15,619
Provision for income taxes	5,214	5,430
NET INCOME	\$10,575	\$10,189
Earnings Per Common Share (not in thousands)	\$31.82	\$29.55
Cash Dividends Paid Per Common Share (not in thousands)	\$25.00	\$25.00

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

FOR NINE MONTHS ENDED
September 30,

Interest Income and Loan Fees	2009	2008
Interest and fees on loans	\$61,415	\$66,004
Interest and dividends on investment securities	29,100	30,086
Interest on cash and cash equivalents	219	1,362
Total Interest and Loan Fee Income	90,734	97,452
Interest Expense		
Interest on deposits	3,611	7,976
Interest on federal funds purchased and securities sold under agreements to repurchase	664	5,086
Interest on notes payable, capital lease obligations and other	126	152
Total Interest Expense	4,401	13,214
Net Interest and Loan Fee Income	86,333	84,238
Provision for loan losses	5,075	163
Net Interest And Loan Fee Income After Provision For Loan Losses	81,258	84,075
Noninterest Income		
Bankcard fees	12,820	13,716
Service charges on deposit accounts	4,219	4,351
Gain on sale of mortgage loans	1,822	1,097
Mortgage loan servicing income	2,089	1,744
Net gains on investment securities	26	118
Other noninterest income	5,623	11,675
Total Noninterest Income	26,599	32,701
Noninterest Expense		
Salaries and employee benefits	33,022	32,030
Occupancy, net	5,326	5,376
Furniture and equipment	2,181	2,459
Bankcard	10,576	11,399
Other noninterest expense	11,779	12,411
Total Noninterest Expense	62,884	63,675
Income Before Taxes	44,973	53,101
Provision for income taxes	14,792	18,885
NET INCOME	\$30,181	\$34,216
Earnings Per Common Share (not in thousands)	\$90.40	\$99.25
Cash Dividends Paid Per Common Share (not in thousands)	\$75.00	\$75.00

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

Comprehensive Income	For Three Months Ended September 30,	
	2009	2008
Net Income	\$10,575	\$10,189
Other Comprehensive Income, net of taxes:		
Increase (Decrease) in unrealized net holding gains during period, net of tax effect of (\$340) and \$1,223, 2009 and 2008	487	(1,751)
Reclassification of gains included in net income, net of tax effect of \$0 and \$0, 2009 and 2008	-	-
Net Gains (Losses) Recognized in Other Comprehensive Income	487	(1,751)
Comprehensive Income	\$11,062	\$8,438

Comprehensive Income	For Nine Months Ended September 30,	
	2009	2008
Net Income	\$30,181	\$34,216
Other Comprehensive Income, net of taxes:		
Decrease in unrealized net holding gains during period, net of tax effect of \$3,789 and \$1,931, 2009 and 2008	(5,428)	(2,767)
Reclassification of gains included in net income, net of tax effect of \$11 and \$49, 2009 and 2008	(15)	(69)
Net Losses Recognized in Other Comprehensive Income	(5,443)	(2,836)
Comprehensive Income	\$24,738	\$31,380

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

	For Nine Months Ended September 30,	
Operating Activities	2009	2008
Net income	\$30,181	\$34,216
Adjustments to reconcile net income to net cash provided by operating activities	15,472	4,311
Net other operating activity	(7,644)	8,218
Net Cash Provided By Operating Activities	38,009	46,745
Investing Activities		
Proceeds from sales/maturities of securities, available-for-sale	296,133	316,411
Purchase of securities, available-for-sale	(546,065)	(318,441)
Net decrease (increase) in loans, net of undisbursed portion	16,883	(37,523)
Net other investing activity	3	1,445
Net Cash Used In Investing Activities	(233,046)	(38,108)
Financing Activities		
Net increase in total deposits	149,324	140,883
Net increase in securities sold under agreements to repurchase	51,343	43,039
Payments on notes and capital leases	(112)	(3,708)
Dividends paid	(24,969)	(25,857)
Retirement of common stock	(10,526)	-
Net Cash Provided By Financing Activities	165,060	154,357
Increase (decrease) in cash and cash equivalents	(29,977)	162,994
Cash and cash equivalents, January 1,	138,088	98,246
Cash and Cash Equivalents, September 30,	\$108,111	\$261,240
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$4,963	\$13,659
Cash paid during the period for income taxes	\$13,305	\$18,568
Supplemental schedule of noncash investing activities:		
Transfer of land held for bank premises to other real estate owned	\$0	\$1,240
Net transfers of loans from (to) other real estate owned	\$6,655	(\$555)
Deferred revenue from installment sale	(\$126)	\$0

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

Shareholders' Equity

Balance, January 1, 2009	\$469,361
Net income for the nine months ended September 30, 2009	30,181
Cash dividends declared on common stock	(24,969)
Retirement of common stock (6,706 shares)	(10,526)
Change in accumulated other comprehensive income	(5,443)
Balance, September 30, 2009	\$458,604

See accompanying notes to condensed financial statements.

FIRST NATIONAL BANK ALASKA
FORM 10-Q
PART I

ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1 - General Information

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

In the opinion of management, adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2009, are not necessarily indicative of the results anticipated for the year ending December 31, 2009. 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, 2008, which is incorporated by reference as an exhibit.

Management affirms all of its accounting policies as described in the bank's annual report filed on Form 10-K. During the nine month period ended September 30, 2009, the bank has not changed any of its policies or altered the way it formulates critical accounting estimates.

Earnings per share are computed on the basis of the weighted average number of shares outstanding of 332,318 and 344,759 for the quarters ended September 30, 2009 and 2008, respectively.

The bank evaluated subsequent events through November 5, 2009, the date the accompanying financial statements were issued.

The Financial Accounting Standards Board (FASB) issued Statement No. 166, *Accounting for Transfers of Financial Assets*, and Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*, which will be effective for the bank for interim and annual periods beginning after November 15, 2009. Management believes adoption of these statements will not materially impact the financial statements of the bank.

The FASB issued Accounting Standards Update (ASU) No. 2009-01 as an amendment to FASB ASC 105, *Statement No. 168 - The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, which is effective for interim and annual periods ending after September 15, 2009. The FASB issued ASU No. 2009-02, *Omnibus Update—Amendments to Various Topics for Technical Corrections*, ASU No. 2009-03, *SEC Update—Amendments to Various Topics Containing SEC Staff Accounting Bulletins*, and ASU No. 2009-07, *Accounting for Various Topics—Technical Corrections to SEC paragraphs*, which were effective upon issuance. Additionally, the FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value*, which is effective for interim and annual periods beginning after August 27, 2009. Management believes these updates 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 September 30, 2009:

Dollars in thousands				
SECURITIES, AVAILABLE-FOR-SALE	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury Securities:				
Maturity:				
within one year	\$ 9,941	\$ 202	\$ -	\$ 10,143
after 1 but within 5 years	51,658	1,183	-	52,841
Total U.S. Treasury Securities	61,599	1,385	-	62,984
Other U.S. Government Agencies and Corporations:				
Maturity:				
within one year	377,058	6,280	7	383,331
after 1 but within 5 years	659,544	18,735	50	678,229
Total Other U.S. Government Agencies and Corporations	1,036,602	25,015	57	1,061,560
States And Political Subdivisions:				
Maturity:				
within one year	16,106	165	-	16,271
after 1 but within 5 years	43,822	2,033	34	45,821
after 5 but within 10 years	9,440	793	-	10,233
Total States and Political Subdivisions	69,368	2,991	34	72,325
Corporate Bonds				
Maturity:				
after 1 but within 5 years	40,195	370	-	40,565
Totals Corporate Bonds	40,195	370	-	40,565
Total Securities, Available-For-Sale	\$ 1,207,764	\$ 29,761	\$ 91	\$ 1,237,434

Within the state and political subdivisions category, the largest concentrations of available-for-sale securities are held in Washington with 38%, Oregon with 15%, Pennsylvania with 14%, 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 September 30, 2009:

Dollars in thousands				
SECURITIES, HELD-TO-MATURITY	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate Bonds				
Maturity:				
after 1 but within 5 years	\$ 23,000	\$ 1,343	\$ -	\$ 24,343
Total Corporate Bonds	23,000	1,343	-	24,343
Total Securities, Held to Maturity	\$ 23,000	\$ 1,343	\$ -	\$ 24,343

Note 3 - Estimated fair value of financial and nonfinancial instruments

Amounts and estimated fair value of financial instruments as of:

Dollars in thousands		
	September 30, 2009	
	Carrying Amount	Estimated Fair Value
FINANCIAL ASSETS		
Securities:		
Available-for-sale	\$ 1,237,434	\$ 1,237,434
Held-to-maturity	23,000	24,343
Loans:		
Commercial and industrial	\$ 220,830	\$ 223,516
Real estate	893,502	914,325
Consumer and other	18,790	18,326
Nontaxable states and political subdivisions obligations	17,430	18,544
Total Loans	\$ 1,150,552	\$ 1,174,711
FINANCIAL LIABILITIES		
Time Deposits	\$ 166,364	\$ 169,378

Fair values of loans are greater than the corresponding carrying amounts as a result of the average stated yields on loans as of September 30, 2009 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 September 30, 2009:

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	September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities, available- for-sale	\$1,237,434		\$1,237,434	
Total	\$1,237,434	\$0	\$1,237,434	\$0

For investment securities where quoted prices are available in an active market for identical securities, they are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models and quoted prices of securities with similar characteristics and the investment securities are classified within Level 2 of the valuation hierarchy. Where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation 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 September 30, 2009 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	September 30, 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 three months ended September 30, 2009	Total Gains (Losses) for the nine months ended September 30, 2009
Impaired loans	\$36,958			\$36,958	(\$1,408)	(\$5,258)
Originated mortgage servicing rights	3,502			3,502	(23)	(308)
Other real estate owned	2,037			2,037	(67)	(108)
Total	\$42,497	\$0	\$0	\$42,497	(\$1,498)	(\$5,674)

Assets measured at fair value on a nonrecurring basis for which a current period gain or loss was recorded are included in the above table. Remaining fair values of assets not reported are all measured using Level 3 inputs.

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

Note 4 – Other real estate owned

Net other real estate owned as of September 30, 2009, December 31, 2008, and September 30, 2008, was \$10.1 million, \$4.5 million, and \$3.5 million, respectively. Included in noninterest expense are charge offs of \$67 thousand and \$414 thousand for the three months ended September 30, 2009 and 2008, respectively. Charge offs of \$170 thousand and \$454 thousand are included in noninterest expense for the nine months ended September 30, 2009 and 2008, 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 September 30, 2009 and comparative balances for June 30, 2009 and December 31, 2008:

<u>Dollars in thousands</u>				
	September 30, 2009	% Change	June 30, 2009	December 31, 2008
Cash and cash equivalents	\$108,111	-52.5%	\$227,459	\$138,088
Total securities	1,260,434	21.6%	1,036,283	1,023,629
Total loans, net (1)	1,160,149	-1.8%	1,181,422	1,186,826
Premises and equipment	42,236	-0.7%	42,542	43,684
Other assets	51,645	-4.7%	54,215	44,762
Total Assets	\$2,622,575	3.2%	\$2,541,921	\$2,436,989
Noninterest bearing deposits	\$700,180	9.4%	\$640,292	\$593,499
Interest bearing deposits	909,853	0.0%	910,256	867,210
Securities sold under agreements to repurchase	538,481	3.6%	519,787	487,138
Other Liabilities	15,457	6.7%	14,481	19,781
Total Shareholders' equity	458,604	0.3%	457,105	469,361
Total Liabilities and Shareholders' Equity	\$2,622,575	3.2%	\$2,541,921	\$2,436,989

(1) 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 September 30, 2009, June 30, 2009 and December 31, 2008:

Dollars in thousands						
	September 30 2009	% Total	June 30, 2009	% Total	December 31, 2008	% Total
Cash and cash equivalents	\$108,111	4.1%	\$227,459	8.9%	\$138,088	5.7%
Total securities	1,260,434	48.1%	1,036,283	40.8%	1,023,629	42.0%
Total loans, net (1)	1,160,149	44.2%	1,181,422	46.5%	1,186,826	48.7%
Premises and equipment	42,236	1.6%	42,542	1.7%	43,684	1.8%
Other assets	51,645	2.0%	54,215	2.1%	44,762	1.8%
Total Assets	\$2,622,575	100%	\$2,541,921	100%	\$2,436,989	100%
Noninterest bearing deposits	\$700,180	26.7%	\$640,292	25.2%	\$593,499	24.4%
Interest bearing deposits	909,853	34.7%	910,256	35.8%	867,210	35.6%
Securities sold under agreements to repurchase	538,481	20.5%	519,787	20.4%	487,138	20.0%
Other Liabilities	15,457	0.6%	14,481	0.6%	19,781	0.8%
Total Shareholders' equity	458,604	17.5%	457,105	18.0%	469,361	19.2%
Total Liabilities and Shareholders' Equity	\$2,622,575	100%	\$2,541,921	100%	\$2,436,989	100%

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

Management Overview of Material Changes in Financial Position

Total assets increased \$80.7 million (3.2%) for the quarter ended September 30, 2009. **Available-for-sale securities** increased \$224.2 million (22.1%) as **cash and cash equivalents** decreased \$119.3 million (52.5%). **Total deposits** and **securities sold under agreements to repurchase** increased \$59.5 million (3.8%) and \$18.7 million (3.6%), respectively, for the third quarter 2009. Additionally, the net **loan** portfolio decreased \$21.3 million (1.8%) during the quarter primarily due to lower investor loan production volumes, seasonal variations, and payoff activity in commercial lending offset slightly by increases in real estate lending.

Total liabilities increased \$79.2 million (3.8%) during the third quarter. **Total deposits** increased \$59.5 million (3.8%) overall in the third quarter primarily from increased noninterest bearing deposits of \$59.9 million (9.4%) and savings deposits of \$15.0 million (3.9%) offset by a decrease in time deposits of \$21.0 million (11.2%). **Securities sold under agreements to repurchase** increased \$18.7 million (3.6%).

Total shareholders' equity remained level as compared to the second quarter. **Retained earnings** increased \$1.1 million (0.3%) over June 30, 2009. Net income for the third quarter of \$10.6 million

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

MATERIAL CHANGES IN FINANCIAL POSITION, continued

exceeded quarterly dividend declarations of \$8.3 million, however, \$1.3 million was utilized during the quarter to repurchase bank stock under the stock repurchase program. **Accumulated other comprehensive income** increased by \$0.5 million (2.9%) for the quarter, as unrealized gains, net of tax effect, on securities, available-for-sale increased to \$17.5 million at September 30, 2009, from the June 30, 2009 level of \$17.0 million.

Securities Portfolio

The following table provides comparative securities portfolio detail and composition percentages as of September 30, 2009, June 30, 2009, and December 31, 2008:

<i>Dollars in thousands</i>						
	September 30, 2009	% Total	June 30, 2009	% Total	December 31, 2008	% Total
U.S. Treasury notes	\$61,599	4.89%	\$61,655	5.95%	\$60,897	5.95%
U.S. government agencies	1,036,602	82.24%	812,394	78.39%	824,748	80.57%
Municipal	69,368	5.50%	70,168	6.77%	76,071	7.43%
Corporate bonds	63,195	5.01%	63,224	6.10%	23,000	2.25%
Total Securities, gross	1,230,764	97.65%	1,007,441	97.22%	984,716	96.20%
Unrealized gains, net	29,670	2.35%	28,842	2.78%	38,913	3.80%
Total Securities, net	\$1,260,434	100.00%	\$1,036,283	100.00%	\$1,023,629	100.00%

Total net securities increased \$224.2 million and \$236.8 million for the three and nine months ended September 30, 2009, respectively. Net unrealized gains increased by \$828 thousand for the quarter. Net unrealized gains decreased by \$9.2 million from December 31, 2008, which was driven primarily by increases in interest rates. Securities have increased overall from the previous quarter as the bank deployed increased liquidity provided by an increase in overall deposits and securities sold under agreements to repurchase. The increase in corporate bonds since December 31, 2008, 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 September 30, 2009 and December 31, 2008:

<i>Term and duration in months</i>	September 30, 2009			December 31, 2008		
	Average Term	Average Duration	Yield to Maturity	Average Term	Average Duration	Yield to Maturity
U.S. Treasury notes	20.3	16.3	2.34%	15.0	10.2	3.91%
U.S. government agencies	23.4	20.5	3.36%	19.1	16.1	4.18%
Municipal bank-qualified	33.7	26.8	3.28%	40.3	33.3	3.37%
Municipal non bank-qualified	31.7	21.8	3.51%	40.7	30.3	3.51%
Corporate bonds	20.4	19.4	3.41%	26.5	24.8	6.55%

Anticipated maturities of securities in the fourth quarter of 2009 are \$108.1 million (8.8%). Maturities anticipated during 2010 amount to \$281.4 million (22.9%). Maturities are comprised primarily of federal government agency securities followed by U.S. Treasury securities. The decrease in yields reflects higher yielding securities being reinvested at current market rates. The increase in average term and duration of treasury securities is the result of maturing securities being reinvested. The decrease in average term and duration of 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 as of September 30, 2009, June 30, 2009, and December 31, 2008:

<u>Dollars in thousands</u>			
	September 30, 2009	June 30, 2009	December 31, 2008
Commercial and industrial	\$225,330	\$268,733	\$252,796
Real estate	910,902	877,985	897,154
Consumer and other	19,890	19,899	22,758
Nontaxable states and political subdivision obligations	17,430	24,130	25,384
Total Loans, gross	<u>1,173,552</u>	<u>1,190,747</u>	<u>1,198,092</u>
Allowance for Loan Losses	<u>(23,000)</u>	<u>(21,750)</u>	<u>(19,000)</u>
Total Loans, net	<u>\$1,150,552</u>	<u>\$1,168,997</u>	<u>\$1,179,092</u>
Allowance as a % of loans	1.96%	1.83%	1.59%
Delinquent in excess of 30 days	\$12,470	\$14,464	\$17,061
Non-accrual in excess of 90 days	\$63,471	\$72,961	\$67,338

Net loans declined \$18.4 million during the third quarter as compared to June 30, 2009, primarily due to a decline in commercial and tax-exempt loans by \$43.4 million and \$6.7 million, respectively, offset in part by an increase in real estate loans of \$32.9 million. Average loans for the third quarter decreased statewide by \$30.5 million with decreases in the Anchorage and Fairbanks regions of \$19.6 million and \$10.3 million respectively. The decrease in overall loan levels and, more specifically, within the commercial and tax-exempt categories, was driven primarily by seasonal variations and payoff of a few large loans.

The decline in non-accrual loans over the third quarter is primarily the result of repayment activity. Consistent with a predominant position in the loan portfolio at 78% of loans overall, real estate loans comprise the significant population of non-accrual loans. The predominant category of non-accrual real estate loans are construction and land development loans in the major population centers of Anchorage and the adjacent Mat-Su Valley. While there has been some improvement made in resolving these loans, given the longer-term nature of development projects and the softening real estate market in these geographic areas, it could be some time before the ultimate resolution of these loans is known.

The bank considers associated collateral, risk of loss as well as other qualitative factors in determining the allowance for loan losses and believes it maintains an allowance for loan losses adequate to cover the current estimate of probable losses. The bank continues to closely monitor market conditions, which could result in 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, repaying debt when due, paying shareholder dividends and paying the expenses of operation.

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

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 \$458.6 million at September 30, 2009 compared to \$457.1 million at June 30, 2009. The equity-to-asset ratio was 17.5% at the end of the third quarter of 2009. This is comparable to a ratio of 18.0% at June 30, 2009.

To strengthen confidence and encourage liquidity in the banking system, on October 14, 2008, the Federal Deposit Insurance Corporation (FDIC) announced the **Temporary Liquidity Guarantee Program**. In part, the program provides full insurance coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount.

Under the plan, any participating depository institution is able to provide full deposit insurance coverage for non-interest bearing deposit transaction accounts, regardless of dollar amount. These are mainly payment-processing accounts, such as payroll accounts used by businesses. Frequently, these exceed the current maximum limit of \$250,000. Financial institutions have the option of participating in the unlimited guarantee program until the extended program expiration date of June 30, 2010. The bank has elected not to participate in the program after the original expiration on December 31, 2009. Participating financial institutions are charged a surcharge, which is added to their current insurance assessment in order to fully cover the non-interest bearing deposit transaction accounts.

On June 26, 2008, the Board of Directors of the bank approved a stock repurchase program in which the bank could repurchase shares of its outstanding common stock from time to time on the open market as well as through privately negotiated transactions. As of August 22, 2009, the date the repurchase program expired, the bank repurchased 12,705 shares representing an aggregate purchase price of \$20.5 million of stock under the repurchase program, which equates to an average price per share of \$1,613. Repurchases were funded from available capital. All repurchased shares are retired and available to reissue for general corporate purposes. The repurchases table is found under Part II Item 2 on page 29.

FIRST NATIONAL BANK ALASKA
FORM 10-Q
PART I

LIQUIDITY AND CAPITAL RESOURCES, continued

Credit Facilities

The bank's committed line of credit of \$104.5 million from the Federal Reserve Bank held a rate of 0.50% as of September 30, 2009. The bank also had a committed line of credit of \$82.0 million from the Federal Home Loan Bank Seattle at a rate of 0.68% as of September 30, 2009. Additionally, the bank has a federal fund arrangement of \$25 million with an unaffiliated bank carrying an estimated rate of 0.00% to 0.25%. The line of credit at the Federal Reserve Bank was increased during the third quarter at no additional cost by approximately \$4.7 million to provide additional borrowing capacity to compensate for the absence of available funding through the federal funds market. There were no outstanding balances against any of these available credit resources as of September 30, 2009.

Cash Flows Overview Analysis

For the three months ended September 30, 2009, cash and cash equivalents decreased \$119.3 million, compared to a \$121.2 million increase during third quarter 2008. Cash was provided by **operating activities** of \$21.3 million during third quarter 2009 as compared to \$11.0 million during third quarter 2008. Cash of \$209.2 million was used in **investing activities** for the three months ended September 30, 2009 outpacing the comparable quarter in 2008 by \$154.5 million primarily due to a decrease in net loans and increased purchases of securities. During 2009 the cash used in investing activities was caused primarily by purchases of securities outpacing maturities. Cash was provided by **financing activities** of \$68.6 million during third quarter 2009 as compared to \$166.9 million during third quarter 2008. Cash inflows of \$165.1 million and \$154.4 million for the quarter ended September 30, 2009 and 2008, respectively, was led by increases in total deposits and repurchase agreement accounts offset by payment of a quarterly dividend and stock repurchases.

For the nine months ended September 30, 2009, cash and cash equivalents decreased \$30.0 million as compared to a \$163.0 million increase for the comparative period in 2008. Net cash provided by **operating activities** decreased to \$38.0 million during 2009, down from \$46.7 million for the comparable period in 2008, primarily due to lower year-to-date net income, lower volumes in investor loan production and sales, and other operating activity. Net cash used in **investing activities** for the nine months ended September 30, 2009 was \$233.0 million as compared to \$38.1 million for the comparative period ended September 30, 2008. Net increases in total deposits and securities sold under agreements to repurchase provided additional cash available to be invested in securities. Cash provided by **financing activities** of \$165.1 million in the third quarter 2009 as compared with \$154.4 million for the nine months ended September 30, 2008, was led primarily by deposit growth.

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

LIQUIDITY AND CAPITAL RESOURCES, continued

Regulatory Capital

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

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

	September 30, 2009	December 31, 2008	To Be Well Capitalized Under Prompt Corrective Action Provisions
Total Capital Ratio	27.69%	29.01%	10.0%
Tier 1 Capital Ratio	26.44%	27.82%	6.0%
Tier 1 Leverage Ratio	17.12%	18.20%	5.0%

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION

The following table provides quarterly summary of operations data for the five consecutive quarters ended September 30, 2009:

Dollars in thousands, except per share data and ratios

Quarterly Summary of Operations	2009			2008	
	Third	Second	First	Fourth	Third
Interest and Loan Fee Income	\$30,525	\$30,524	\$29,685	\$31,850	\$31,529
Interest Expense	1,432	1,465	1,504	2,495	3,623
Net Interest and Fee Income	29,093	29,059	28,181	29,355	27,906
Provision for Loan Losses	1,797	1,379	1,899	3,312	1,020
Net Interest and Fee Income After Provision for Loan Losses	27,296	27,680	26,282	26,043	26,886
Noninterest Income	9,832	8,677	8,090	8,665	9,890
Salaries and employee benefits	10,846	10,992	11,184	10,741	10,602
Noninterest Expense	10,493	10,280	9,089	11,253	10,555
Income Before Taxes	15,789	15,085	14,099	12,714	15,619
Provision for Income Taxes	5,214	5,004	4,574	4,028	5,430
Net Income	\$10,575	\$10,081	\$9,525	\$8,686	\$10,189
Earnings Per Common Share	\$31.82	\$30.28	\$28.31	\$25.31	\$29.55
Dividends Declared Per Common Share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average Assets	\$2,574,829	\$2,422,951	\$2,371,229	\$2,451,707	\$2,362,826
Average Total Equity	\$439,597	\$438,269	\$444,007	\$455,441	\$454,202
Ratio of Net Income to					
Average Assets	1.63%	1.68%	1.84%	1.41%	1.72%
Return on Average Equity	9.54%	9.23%	9.78%	7.59%	8.92%

Management Overview of Material Changes in Quarterly Results of Operation

Net income before taxes for the quarter ended September 30, 2009 increased \$0.2 million to \$15.8 million from \$15.6 million for the comparative quarter ended 2008. Third quarter net interest and fee income of \$29.1 million increased \$1.2 million over the comparative quarter in 2008. The **provision for loan losses** of \$1.8 million for the third quarter of 2009 increased \$0.8 million from the comparative quarter in 2008 due to further losses anticipated in impaired loans. Third quarter **noninterest income** is comparable to the third quarter of 2008 while an increase of \$1.2 million over second quarter 2009 primarily resulted from an increase in bankcard merchant 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

The following table provides comparative average balances of interest earning assets, respective yields on a tax equivalent basis, and change analysis for the quarters ended September 30, 2009 and 2008:

<u>Dollars in thousands</u>							
	Average Third Quarter		Average Yield		Change Due to		
	2009	2008	2009	2008	Rate	Volume	Time
Earning Assets							
Loans-Taxable	\$1,098,372	\$1,107,084	6.70%	7.08%			
Loans-NonTaxable	19,128	18,518	11.39%	9.95%			
Investment Securities-Taxable	1,075,586	818,845	3.48%	4.37%			
Investment Securities- NonTaxable	69,887	78,824	5.81%	5.83%			
Federal Funds Sold and certificates of deposit	68	93,202	0.00%	1.92%			
Interest Bearing Cash Balances	119,094	0	0.25%	0.00%			
Total Earning Assets	<u>\$2,382,135</u>	<u>\$2,116,473</u>	<u>4.93%</u>	<u>5.79%</u>	-3.74%	2.88%	0.00%

Interest and loan fee income for the quarters ended September 30, 2009 and 2008 was \$30.5 million and \$31.5 million, respectively, for a decrease of \$1.0 million or 3.2%. The tax equivalent yield on average earning assets decreased 86 basis points, from 5.79% in 2008 to 4.93% in 2009. Total average earning assets increased \$265.7 million, from \$2.116 billion at September 30, 2008 to \$2.382 billion as of September 30, 2009. Average loan and federal funds sold levels decreased \$8.1 million and \$93.1 million, respectively, while average securities increased \$247.8 million year over year.

Lower interest rates, including the yield impact of non-accrual loans, and decreasing loan levels had an overall downward impact on interest and loan fee income while securities volume increases had an overall upward impact. Interest income was also negatively impacted by falling rates on overnight federal fund sales that were held at higher volumes in 2008 over 2009 for liquidity purposes.

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

Analysis of Interest Earning Assets and Interest Bearing Liabilities, continued

The following table provides comparative average balances of interest bearing liabilities, respective yields, and change analysis for the quarters ended September 30, 2009 and 2008:

Dollars in thousands							
	Average Third Quarter		Average Yield		Change Due to		
	2009	2008	2009	2008	Rate	Volume	Time
Interest Bearing Liabilities							
Savings	\$392,101	\$326,560	0.34%	0.88%			
First Rate	158,500	139,701	0.07%	0.61%			
First Investment	186,092	190,333	0.16%	1.09%			
Time	176,148	143,120	1.57%	2.75%			
Federal Funds Purchased	56	258	0.00%	3.08%			
Repurchase Agreements	531,519	498,558	0.19%	0.90%			
Other Debt	2,581	3,154	6.30%	6.30%			
Total Interest Bearing Liabilities	\$1,446,997	\$1,301,684	0.39%	1.11%	-0.85%	0.13%	0.00%

Interest expense for the quarters ended September 30, 2009 and 2008 was \$1.4 million and \$3.6 million, respectively, for a decrease of \$2.2 million or 60.5%. Interest expense decreased as interest rates paid for the total average aggregate interest bearing liabilities decreased 72 basis points, from 1.11% in 2008 to 0.39% in 2009. 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 2008. Total average aggregate outstanding interest bearing liabilities increased \$145.3 million from \$1.302 billion at September 30, 2008 to \$1.447 billion at September 30, 2009 as average deposits and securities sold under agreements to repurchase increased \$113.1 million and \$33.0 million, respectively, while federal funds purchased and other debt decreased by \$0.2 million and \$0.6 million, respectively.

**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 earning assets, respective yields on a tax equivalent basis, and change analysis for the nine months ended September 30, 2009 and 2008:

<u>Dollars in thousands</u>								
	Average Nine Month Balances		Average Yield		Change Due to			
	2009	2008	2009	2008	Rate	Volume	Time	
Earning Assets								
Loans-Taxable	\$1,107,278	\$1,091,758	6.70%	7.43%				
Loans-NonTaxable	22,822	19,087	10.19%	9.67%				
Investment Securities-Taxable	946,467	823,763	3.85%	4.58%				
Investment Securities- NonTaxable	72,213	70,189	5.91%	5.93%				
Federal Funds Sold and certificates of deposit	73	80,410	0.00%	2.26%				
Interest Bearing Cash Balances	116,756	0	0.25%	0.00%				
Total Earning Assets	<u>\$2,265,609</u>	<u>\$2,085,207</u>	<u>5.19%</u>	<u>6.07%</u>	-1.92%	1.07%	-0.03%	

Interest and loan fee income for the nine months ended September 30, 2009 and 2008 was \$90.7 million and \$97.5 million, respectively, for a decrease of \$6.7 million or 6.9%. The tax equivalent yield on average earning assets decreased 88 basis points, from 6.07% in 2008 to 5.19% in 2009. Total average earning assets increased \$180.4 million, from \$2.085 billion at September 30, 2008 to \$2.266 billion as of September 30, 2009. Average loan levels increased \$19.3 million year over year and average investment securities increased \$124.7 million over the same period.

Decreases in yield related to taxable loans and investment securities drove the overall decline in interest and loan fee income, which was only offset slightly by increases in yield of nontaxable loans and increases in volume. Interest income was also negatively impacted by falling rates on overnight federal fund sales that were held for liquidity purposes in 2008.

**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 nine months ended September 30, 2009 and 2008:

Dollars in thousands								
	Average Nine Month		Average Yield		Change Due to			
	2009	2008	2009	2008	Rate	Volume	Time	
Interest Bearing Liabilities								
Savings	\$381,466	\$319,019	0.32%	0.99%				
First Rate	154,213	134,445	0.07%	0.67%				
First Investment	179,400	183,243	0.17%	1.14%				
Time	178,853	140,361	1.79%	3.20%				
Federal Funds Purchased	19	694	0.00%	3.46%				
Repurchase Agreements	490,080	509,762	0.18%	1.33%				
Other Debt	2,571	3,144	6.55%	6.44%				
Total Interest Bearing Liabilities	\$1,386,602	\$1,290,668	0.42%	1.37%	-1.05%	0.11%	-0.01%	

Interest expense for the nine months ended September 30, 2009 and 2008 was \$4.4 million and \$13.2 million, respectively, for a decline of \$8.8 million or 66.7%. Interest expense decreased significantly as interest rates paid for the total average aggregate interest bearing liabilities decreased 95 basis points, from 1.37% in 2008 to 0.42% in 2009. Total average aggregate outstanding interest bearing liabilities increased \$95.9 million from \$1.291 billion at September 30, 2008 to \$1.387 billion at September 30, 2009, slightly offsetting the decline due to falling interest rates.

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

Provision for Loan Losses

The following is an analysis of the changes in the allowance for loan losses for the quarters ended September 30, 2009 and 2008:

	2009	2008
Beginning Balance, June 30,	\$21,750	\$18,500
Total Charge Offs	739	2,629
Total Recoveries	(192)	(109)
Net Charge Offs	547	2,520
Provision for Loan Losses	1,797	1,020
Balance, September 30	\$23,000	\$17,000

The following is an analysis of the changes in the allowance for loan losses for the nine months ended September 30, 2009 and 2008:

	2009	2008
Beginning Balance, January 1,	\$19,000	\$19,500
Total Charge Offs	1,553	3,305
Total Recoveries	(478)	(642)
Net Charge Offs	1,075	2,663
Provision for Loan Losses	5,075	163
Balance, September 30	\$23,000	\$17,000

The provision for loan losses of \$1.8 million and \$5.1 million for the three and nine months ended September 30, 2009, respectively, reflects additional losses anticipated on impaired loans over 2008 levels. The allowance for loan losses increased \$1.25 million and \$4.0 million for the three and nine months ended September 30, 2009, respectively. The allowance for loan losses increased \$6 million over the September 30, 2008 level due to additional anticipated losses on impaired loans. Loan charge offs, net of loan recoveries were \$0.5 million and \$1.1 million for the three and nine months ended September 30, 2009, respectively, as compared to \$2.5 million and \$2.7 million for the comparative periods in 2008. Net charge offs in 2008 were higher than 2009 levels as a result of a significant loan charge off in the third quarter 2008.

Noninterest Income and Expenses

Total noninterest income for the quarters ended September 30, 2009 and 2008 was \$9.8 million and \$9.9 million, respectively. Bankcard fees decreased \$0.3 million (5.3%) year over year with reduced transaction volumes in the third quarter expected from reduced spending in 2009 due to continued weakness in the economy. Offsetting the decline in bankcard fees is an increase in gain on sale of mortgage loans of \$0.2 million year over year due to elevated loan origination volumes driven by lower home mortgage rates and refinancing opportunities.

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

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

Noninterest Income and Expenses, continued

Noninterest income for the nine months ended September 30, 2009 of \$26.6 million is lower than the comparable period in 2008 of \$32.7 million primarily as the result of recording \$6.1 million of income with respect to one-time VISA and MasterCard transactions in 2008. Bankcard fees are down \$0.9 million (6.5%) due to reduced transaction volumes. Gain on sale of mortgage loans of \$1.8 million exceeded 2008 levels of \$1.1 million as a result of higher loan origination volumes. Additionally, mortgage loan servicing income during 2009 of \$2.1 million is higher than 2008 levels by \$0.3 million due to increased servicing fee income offset slightly by increased impairment losses on servicing rights.

Noninterest expense for the quarters ended September 30, 2009 and 2008 was \$21.3 million and \$21.2 million, respectively. Noninterest expense for the nine months ended September 30, 2009 and 2008 was \$62.9 million and \$63.7 million, respectively. Salary and employee benefit expenses increased \$1.0 million (3.1%) as expected with annual cost of living and inflation adjustments. Slightly offsetting this increase are declines in bankcard and other noninterest expenses of \$0.8 million and \$0.6 million, respectively. Bankcard expenses are down consistent with processing volume decreases as discussed previously.

Provision for Income Taxes

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

<u>Dollars in thousands</u>			
	Nine Months Ended September 30, 2009	Year Ended December 31, 2008	Nine Months Ended September 30, 2008
Income before taxes	\$44,973	\$65,815	\$53,101
Provision for income taxes	14,792	22,913	18,885
Net Income	\$30,181	\$42,902	\$34,216
Effective combined tax rate	32.9%	34.8%	35.6%

The effective tax rate at September 30, 2009 is lower than both comparable periods primarily as the result of benefits received from higher tax-exempt investment income and available low-income housing tax credits projected over 2009, which continue to have a downward impact on the effective tax rate.

**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, 2008. It should be noted the bank conducts nearly all its activities within the state of Alaska. The Alaskan economy is directly impacted by federal and state appropriations as well as commodity prices in conjunction with natural resource extraction and development. The bank is subject to market risk if either federal and/or state spending within the state declines or commodity prices decline resulting in decreasing resource activities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The bank's Principal Executive Officer and Principal Financial Officer have reviewed and evaluated the effectiveness of the bank's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-15 (e) and 15d-15(e) under the Securities Exchange Act of 1934) as of September 30, 2009. 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 September 30, 2009.

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, 2008.

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

**First National Bank Alaska
Repurchase Activity required in 10K (item 5)
Regulation S-K (229.703)
As of September 30, 2009**

The following table provides information about repurchases of common stock by the bank during the quarter ended September 30, 2009:

Month Ending	(a) Total number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Maximum Number of Shares or Approximate Dollar Value of Shares that May yet be Purchased under the Program
July 2009	22	\$ 1,648.86	22	\$ 80,732,225
August 2009	732	\$ 1,674.89	732	\$ 79,506,205
September 2009	-	-	-	\$ -
Total	754	\$ 1,674.13	754	\$ -

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

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
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- (19) Annual report filed on Form 10-K for the year ended December 31, 2008
- (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>
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- | | | |
|-----------|--|-------|
| (3) (i) | Articles of Association, as amended..... | 17-18 |
| (3) (ii) | Amended and Restated Bylaws..... | 19-24 |
| (3) (iii) | Special Shareholders Meeting..... | 25 |

SIGNATURES

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

FIRST NATIONAL BANK ALASKA

/s/ D.H. Cuddy

November 5, 2009

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

Date

/s/ Jason L. Roth

November 5, 2009

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

Date

/s/ Michele M. Schuh

November 5, 2009

Michele M. Schuh
Comptroller
(Principal Accounting Officer)

Date

EXHIBIT 31.1

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

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

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

EXHIBIT 31.1 - CERTIFICATION *(continued)*

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ D.H. Cuddy

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

November 5, 2009

Date

EXHIBIT 31.2

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

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

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

EXHIBIT 31.2 - CERTIFICATION *(continued)*

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jason L. Roth

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

November 5, 2009

Date

EXHIBIT 32.1

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

In connection with the First National Bank Alaska's ("bank") Quarterly Report on Form 10-Q ("Report") for the period ending September 30, 2009, I, D.H. Cuddy, Chairman and President, certify, that:

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

/s/ D.H. Cuddy

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

November 5, 2009

Date

EXHIBIT 32.2

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

In connection with the First National Bank Alaska's ("bank") Quarterly Report on Form 10-Q ("Report") for the period ending September 30, 2009, I, Jason L. Roth, Senior Vice President, certify, that:

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

/s/ Jason L. Roth

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

November 5, 2009

Date