

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

FIRST NATIONAL BANK ALASKA

ALASKA 92-0006595

101 West 36th Avenue
Post Office Box 100720
Anchorage, Alaska 99510-0720
(907) 777-4362

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

TITLE OF CLASS

Common Stock, \$100.00 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [] No [X]

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 [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [] No [X]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

[X]

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 definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer [X] Non-accelerated filer [] Smaller reporting company []

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

Yes [] No [X]

The approximate aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common stock was last sold, or the average bid and asked price of such common equity, as of June 30, 2010, was approximately \$205,199,034.

There were 332,054 shares of common stock outstanding as of March 1, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the First National Bank Alaska's 2011 Proxy Statement for the Annual Meeting of Shareholders to be held on April 26, 2011.

Table of Contents

PART I

Item 1. Business	3
Item 1a. Risk Factors	4
Item 2. Properties	6
Item 3. Legal Proceedings	6
Item 4. Submission Of Matters To A Vote Of Security Holders	6

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities	7
Item 6. Selected Financial Data	8
Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations	14
Item 7a. Quantitative And Qualitative Disclosures About Market Risk	22
Item 8. Financial Statements And Supplementary Data	26
Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure	60
Item 9a. Controls And Procedures	60
Item 9b. Other Information	60

PART III

Item 10. Directors And Executive Officers Of The Registrant	61
Item 11. Executive Compensation	62
Item 12. Security Ownership Of Certain Beneficial Owners And Management	62
Item 13. Certain Relationships And Related Transactions	62
Item 14. Principal Accounting Fees And Services	62

PART IV

Item 15. Exhibits	63
Signatures	64
Exhibit 31.1	66
Exhibit 31.2	67
Exhibit 32.1	68

Part I

ITEM 1. BUSINESS

First National Bank Alaska (bank) was organized as a National Association on September 21, 1921, and is a full service commercial bank providing general banking and trust services for business, industry, and individuals primarily within the State of Alaska. The bank is the largest bank headquartered in Alaska based upon asset and deposit size as of December 31, 2010. Banking services are provided from 30 branches in 18 Alaska communities, including 9 branches in Anchorage, 3 branches in Juneau and 3 branches in Fairbanks.

General Banking Services

This bank provides a complete range of depository and lending services, which include checking accounts, savings accounts, money market accounts, time certificates of deposit, traditional/Roth IRA accounts, securities sold under agreements to repurchase, commercial loans, consumer loans, construction and mortgage loans, safe deposit box services, night depositories, MasterCard credit cards, walk-up and drive-in banking, and an automated teller machine network. Other business services include issuance of letters of credit, collection and escrow services, mortgage loan servicing and trust services.

Competition

This bank competes with national and state banks, savings and loan associations, insurance companies, investment brokerage firms, Internet banks, money market funds and credit unions. Alaska allows out-of-state bank holding companies to acquire banks and domestic bank holding companies in Alaska. The law does not require reciprocal provisions by the home state of the out-of-state bank holding companies. To the extent that out-of-state bank holding companies enter the Alaskan market, the bank may encounter intensified competition.

Loans and Deposit Concentration

No material portion of the bank's deposit base has been obtained from a single source; therefore, the loss of any one or more single deposits would not have a materially adverse effect upon the bank. While the bank generally invests a large proportion of its assets in loans secured by commercial and residential real estate properties there is no material concentration of the bank's loans or commitments to lend to or within a single industry or group of related industries.

Certain customers, both depositors and borrowers, are included in seasonal activities, such as fisheries, summer tourism, or construction. However, taken as a whole, the broad mix of the bank's customer base lessens the impact of seasonality upon the bank.

Foreign Sources and Application of Funds

The bank has no material risks attendant to foreign sources and applications of funds.

Environmental Protection

There are no known material effects upon the bank's capital expenditures, earnings and competitive position due to compliance with Federal, State and local provisions relating to the protection of the environment.

Employees

The bank employed 672 full-time equivalent employees on December 31, 2010.

Available Information

The bank provides access to its filings on Forms 10-K, 10-Q and 8-K on its web site **FNBAAlaska.com**, free of charge, as soon as reasonably practicable after these reports are furnished to the Comptroller of the Currency. To locate, click on the **About FNBA** tab and select the **Financial Reports** caption. Otherwise a paper copy of these reports will be made available, free of charge, upon written request directed to:

Jason L. Roth, Senior Vice President
First National Bank Alaska
P.O. Box 100720
Anchorage, Alaska 99510-0720
(907) 777-3546
email: jroth@FNBAAlaska.com

ITEM 1A. RISK FACTORS

Competition

The bank's market area is highly competitive and competition in lending activities comes principally from other commercial banks and credit unions. The primary factors in competing for loans are interest rates and overall lending services. There are branches of local, regional, national banks, as well as a variety of credit unions of all sizes, located in its primary market area. In addition the bank faces competition from insurance companies, investment brokerage firms, Internet banks and savings associations. Competition for deposits among the banks is strong, and as a result, the bank monitors its competitive position and makes adjustments in pricing that management deems necessary to attract new depositors and maintain current deposit relationships. The primary factors in competing for deposits are location and overall financial condition.

Credit Risk: Concentration of Loan Portfolio

The bank generally invests a large proportion of its assets in loans secured by commercial and residential real estate properties. While management does not expect a substantial decline in real estate values and economic conditions in Alaska, a decline in these values or economic activities could have a material impact on the value of collateral securing the loans as well as the ability for the repayment of loans, thereby resulting in additional loan losses.

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation have observed that commercial real estate is an area in which some banks have become increasingly concentrated. These agencies support banks serving a vital role in their communities by supplying credit for business and real estate development. However, the agencies are concerned that rising commercial real estate loan concentrations may expose institutions to unanticipated earnings and capital volatility in the event of adverse changes in commercial real estate markets. Accordingly, the agencies issued Commercial Real Estate Guidance in December 2006 to ensure that institutions with such concentrations maintain strong risk management practices and appropriate levels of capital. This guidance does not impose any limits on the level of commercial real estate lending made by banks. The bank has credit risk management processes, including the preparation of concentration reports, subject to review and evaluation by management to monitor and address possible concentration issues.

Interest Rate Risk

Aside from credit risk, the most significant risk resulting from the bank's normal course of business, extending loans and accepting deposits, is interest rate risk. If market interest rate fluctuations cause the bank's cost of funds to increase faster than the yield of its interest-earning assets, then its net interest income will be reduced. Bank results of operation depend, to a large extent, on the level of net interest income which is the difference between income from interest-earning assets and interest expense on interest bearing liabilities. Interest rates are highly sensitive to many factors that are beyond the bank's control, including general economic conditions and the policies of various governmental and regulatory authorities. To provide guidance to management, the bank's board of directors have established a policy related thereto which includes interest rate risk parameters within which to operate.

Effect of Environmental Regulation

The bank's primary exposure to environmental risk is through its lending activities. In cases when management believes environmental risk potentially exists, the bank mitigates its environmental risk exposures by requiring environmental site assessments at the time of loan origination to confirm collateral quality as to commercial real estate parcels posing higher than normal potential for environmental impact, as determined by reference to present and past uses of the subject property and adjacent sites. Environmental assessments are typically required prior to any foreclosure activity involving non-residential real estate collateral. With regard to residential real estate lending, management reviews those loans with inherent environmental risk on an individual basis and makes decisions based on the dollar amount of the loan and the materiality of the specific credit.

Capital Standards

The Federal Deposit Insurance Corporation and other federal banking agencies have risk-based capital adequacy guidelines intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations. As of December 31, 2010, the bank's capital significantly exceeds regulatory requirements. A schedule of capital amounts and ratios is included in Note 22 to the financial statements presented in Item 8 on page 55.

Highly Regulated Environment

The bank is subject to extensive regulation, supervision and examination by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Such regulation and supervision govern the activities in which a financial institution may engage and are intended primarily for the protection of the consumer. Recently regulators have intensified their focus on the USA PATRIOT Act's anti-money laundering and Bank Secrecy Act compliance requirements. In order to comply with regulations, guidelines and examination procedures in this area as well as other areas, the bank has been required to adopt new policies and procedures and to install new systems. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of the institution. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, or legislation, may have a material impact on operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, President Obama signed the Dodd-Frank Act, which is a sweeping overhaul of financial industry regulation. In general, the Act

- Creates a systemic-risk council of top regulators, the Financial Stability Oversight Council (FSOC), whose purpose is to identify risks and respond to emerging threats to the financial stability of the U.S. arising from large, interconnected bank holding companies or nonbank financial companies.
- Gives the FDIC authority to unwind large failing financial firms. Treasury would supply funds to cover the up-front costs of winding down the failed firm, but the government would have to put a "repayment plan" in place. Regulators would recoup any losses incurred from the wind-down afterwards by assessing fees on financial firms with more than \$50 billion in assets.
- Directs the FDIC to base deposit-insurance assessments on assets minus tangible capital instead of on domestic deposits and requires the FDIC to increase premium rates to raise the Deposit Insurance Fund's (DIF) minimum reserve ratio from 1.15% to 1.35% by September 30, 2020.
- Extends the FDIC's Transaction Account Guarantee (TAG) program to December 31, 2012. There is no "opt-out" from the extension.
- Permanently increases FDIC deposit-insurance coverage to \$250,000, retroactive to January 1, 2008. The Act eliminates the 1.5% cap on the Deposit Insurance Fund (DIF) reserve ratio and automatic dividends when the ratio exceeds 1.35%. Under the agreement, the FDIC would have discretion on whether to provide dividends to DIF members.

Liquidity Risk

Liquidity sources are provided from both the asset and liability side of the balance sheet. Asset side liquidity is generated from maturing loans and investments plus marketable assets disposable at or near book values. 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 meet its liquidity needs. At December 31, 2010 the bank had committed lines of credit from the Federal Reserve Bank and Federal Home Loan Bank Seattle in the amounts of \$104,293,000 and \$89,927,000, respectively. The bank does not consider access to the Federal Home Loan Bank Seattle line to be material to its liquidity management.

ITEM 2. PROPERTIES

The executive administrative offices of First National Bank Alaska are located at West 36th Avenue and A Street in Anchorage, Alaska. Additional Anchorage administrative and operational facilities include a service center, an operations center, and a warehouse facility. Also in Anchorage, the bank owns one two-story building and one nine-story building which are sublet and two lots with two existing buildings intended for a future branch location.

The bank owns 27 of its statewide branch offices (including one which is subject to a ground lease) and leases three other branches under operating lease agreements. The bank owns residential properties in rural areas for use by the associated branch personnel.

ITEM 3. LEGAL PROCEEDINGS

The information required by Item 3 is included in Note 14 to the financial statements presented in Item 8 on page 47.

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

None.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

SECURITIES MARKET

Common stock of First National Bank Alaska is traded primarily over-the-counter under the ticker symbol FBAK. The following table reflects the high and low bid prices of the bank's common stock during each of the calendar quarters indicated. These prices were obtained from sources considered to be reliable; although they do not necessarily represent actual transactions, they are believed to be reasonable approximations of price ranges for the periods indicated.

2010	CALENDAR QUARTER			
	FIRST	SECOND	THIRD	FOURTH
High	\$1,748	\$1,829	\$1,900	\$1,900
Low	\$1,620	\$1,687	\$1,725	\$1,765
2009				
High	\$1,650	\$1,725	\$1,750	\$1,850
Low	\$1,405	\$1,600	\$1,605	\$1,640
Cash Dividends Paid Per Share				
2010	\$25.00	\$25.00	\$25.00	\$125.00
2009	\$25.00	\$25.00	\$25.00	\$25.00

As of **December 31, 2010** and 2009, there were **542** and 548 shareholders of record, respectively, according to the bank's shareholder record system. These records do not include beneficial owners whose stock is held in street name.

The bank made no repurchases of common stock during the year ended **December 31, 2010** under the bank's stock repurchase program.

The repurchase program will expire April 7, 2011.

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR FINANCIAL SUMMARY *(dollars in thousands, except per common share data)*

Summary Of Operations	2010	2009	2008	2007	2006
Interest and loan fee income	\$114,977	\$121,035	\$129,302	\$152,694	\$146,498
Interest expense	3,944	5,566	15,709	37,299	34,444
Net interest and loan fee income	111,033	115,469	113,593	115,395	112,054
Provision for loan losses	(521)	6,625	3,475	8,063	1,420
Net interest and loan fee income after provision for loan losses	111,554	108,844	110,118	107,332	110,634
Noninterest income	35,957	35,174	41,366	36,099	33,963
Noninterest expense	86,365	89,100	85,669	83,310	79,081
Income before taxes	61,146	54,918	65,815	60,121	65,516
Provision for income taxes	20,764	17,760	22,913	22,089	23,344
Net Income	\$40,382	\$37,158	\$42,902	\$38,032	\$42,172
Cash Dividends Paid	\$66,411	\$33,270	\$34,476	\$34,476	\$34,476
Selected Year-End Balances	2010	2009	2008	2007	2006
Investment securities	\$1,323,117	\$1,205,118	\$1,023,629	\$955,094	\$872,383
Loans, gross	\$1,237,536	\$1,194,471	\$1,205,826	\$1,172,286	\$1,216,134
Total assets	\$2,725,609	\$2,651,312	\$2,436,989	\$2,308,664	\$2,272,643
Deposits	\$1,795,715	\$1,649,730	\$1,460,709	\$1,341,720	\$1,353,995
Shareholders' Equity	\$422,435	\$453,098	\$469,361	\$458,474	\$434,461
Per Common Share Data	2010	2009	2008	2007	2006
Net income	\$121.61	\$111.45	\$124.59	\$110.32	\$122.32
Cash dividends paid	\$200.00	\$100.00	\$100.00	\$100.00	\$100.00
Book Value At December 31,	\$1,272.19	\$1,364.53	\$1,385.53	\$1,329.84	\$1,260.19

blank

AVERAGE BALANCES AND ANALYSIS OF RELATED INCOME AND EXPENSE *(dollars in thousands)*

ASSETS	AVERAGE BALANCE		
	2010	2009	2008
Interest bearing cash balances	\$158,567	\$120,273	\$20,350
Federal funds sold	25	73	66,393
Investment securities:			
U.S. Treasury securities	150,871	55,397	53,389
U.S. Government-sponsored enterprises	878,098	882,627	784,575
U.S. Government-sponsored enterprises - state taxable	—	—	3,106
States and political subdivisions*	64,463	70,977	71,903
Commercial notes	100,872	49,153	3,450
Other securities	4,335	4,360	4,373
Total investment securities	1,198,639	1,062,514	920,796
Loans:			
Commercial and industrial	235,338	234,870	231,479
Real estate	868,624	832,714	824,279
Real estate loans to be sold	12,004	11,901	10,001
Consumer and other	26,070	27,765	30,852
Nontaxable states and political subdivision obligations*	19,201	21,430	20,224
Total loans	1,161,237	1,128,680	1,116,835
Total Earning Assets	2,518,468	2,311,540	2,124,374
Nonaccrual loans	42,399	70,613	69,555
Other non-earning assets	138,481	116,903	147,888
Total Assets	\$2,699,348	\$2,499,056	\$2,341,817

LIABILITIES AND SHAREHOLDERS' EQUITY

Savings	\$445,205	\$390,444	\$330,124
NOW	170,351	156,946	137,834
Money market	199,175	180,777	182,408
Time	155,719	174,501	144,368
Federal funds purchased and securities sold under agreements to repurchase	547,839	502,411	515,288
Notes payable, capital lease obligations and other	2,063	2,573	3,147
Total Interest Bearing Liabilities	1,520,352	1,407,652	1,313,169
Noninterest bearing demand	728,077	640,441	561,182
Other noninterest bearing liabilities	20,217	10,784	15,353
Shareholders' equity	430,702	440,179	452,113
Total Noninterest Bearing			
Liabilities And Shareholders' Equity	1,178,996	1,091,404	1,028,648
Total Liabilities And Shareholders' Equity	\$2,699,348	\$2,499,056	\$2,341,817

NET INTEREST INCOME* AND RATIO TO EARNING ASSETS

Loan origination fees	
Less taxable equivalent adjustment*	
Net Interest And Loan Fee Income (Financial Reporting Basis)	
Provision for loan losses	
Noninterest income	
Noninterest expense	
Provision for income taxes	
Net Income And Ratio To Total Assets	

* Nontaxable income is presented on a tax equivalent basis using a combined Federal and State marginal tax rate of **41.11%** for **2010**, 2009 and 2008, and adjusted for the disallowance of interest expense associated with tax-exempt assets.

INCOME AND EXPENSE			AVERAGE RATE		
2010	2009	2008	2010	2009	2008
\$397	\$ 302	\$132	0.25%	.25%	.65%
—	—	1,438	—	—	2.17%
2,410	1,636	2,302	1.60%	2.95%	4.31%
25,613	32,901	35,155	2.92%	3.73%	4.48%
—	—	105	—	—	3.38%
3,454	3,934	4,047	5.36%	5.54%	5.63%
2,977	1,919	239	2.95%	3.90%	6.93%
157	156	269	3.62%	3.58%	6.15%
34,611	40,546	42,117	2.89%	3.82%	4.57%
14,793	14,618	16,536	6.29%	6.22%	7.14%
57,337	56,968	60,834	6.60%	6.84%	7.38%
700	780	741	5.83%	6.55%	7.41%
1,705	1,800	2,281	6.54%	6.48%	7.39%
1,530	2,177	1,979	7.97%	10.16%	9.79%
76,065	76,343	82,371	6.55%	6.76%	7.38%
111,073	117,191	126,058	4.41%	5.07%	5.93%

1,317	1,245	2,958	.30%	.32%	.90%
89	97	785	.05%	.06%	.57%
182	276	1,800	.09%	.15%	.99%
1,512	2,914	4,349	.97%	1.67%	3.01%
708	866	5,613	.13%	.17%	1.09%
136	168	204	6.59%	6.53%	6.48%
3,944	5,566	15,709	.26%	.40%	1.20%

107,129	111,625	110,349	4.25%	4.83%	5.19%
5,625	6,256	5,457			
1,721	2,412	2,213			
111,033	115,469	113,593			
(521)	6,625	3,475			
35,957	35,174	41,366			
86,365	89,100	85,669			
20,764	17,760	22,913			
\$40,382	\$37,158	\$42,902	1.50%	1.49%	1.83%

ANALYSIS OF INTEREST CHANGE (dollars in thousands)

ASSETS	COMPONENTS OF INTEREST CHANGE - 2010 VS. 2009		
	RATE	CHANGE DUE TO, VOLUME	TOTAL CHANGE
Interest bearing cash balances	(\$1)	\$96	\$95
Federal funds sold	—	—	—
Investment securities:			
U.S. Treasury securities	(2,046)	2,820	774
U.S. Government-sponsored enterprises	(7,119)	(169)	(7,288)
U.S. Government-sponsored enterprises - state taxable	—	—	—
States and political subdivisions	(119)	(361)	(480)
Commercial notes	(961)	2,019	1,058
Other securities	2	(1)	1
Total investment securities	(11,130)	5,195	(5,935)
Loans:			
Commercial and industrial	146	29	175
Real estate	(2,088)	2,457	369
Real estate loans to be sold	(87)	7	(80)
Consumer and other	15	(110)	(95)
Nontaxable states and political subdivision obligations	(421)	(226)	(647)
Total loans	(2,480)	2,202	(278)
Total Earning Assets	(16,609)	10,491	(6,118)
LIABILITIES			
Savings	(103)	175	72
NOW	(16)	8	(8)
Money market	(122)	28	(94)
Time	(1,088)	(314)	(1,402)
Federal funds purchased and securities sold under agreements to repurchase	(237)	78	(159)
Notes payable, capital lease obligations and other	1	(33)	(32)
Total Interest Bearing Liabilities	\$(2,069)	\$ 446	\$(1,623)
Net Interest Income			(4,495)
Loan origination fees			(631)
Taxable equivalent adjustment			690
Net Interest And Fee Income (Financial Reporting Basis)			(4,436)
Provision for loan losses			(7,146)
Noninterest income			783
Noninterest expense			(2,735)
Provision for income taxes			3,004
Net Income			\$3,224

ANALYSIS OF INTEREST CHANGE (dollars in thousands)

ASSETS	COMPONENTS OF INTEREST CHANGE - 2009 VS. 2008		
	CHANGE DUE TO,		TOTAL CHANGE
	RATE	VOLUME	
Interest bearing cash balances	\$(478)	\$648	\$170
Federal funds sold	(2)	(1,436)	(1,438)
Investment securities:			
U.S. Treasury securities	(753)	87	(666)
U.S. Government-sponsored enterprises	(6,647)	4,393	(2,254)
U.S. Government-sponsored enterprises - state taxable	—	(105)	(105)
States and political subdivisions	(61)	(52)	(113)
Commercial notes	(1,486)	3,166	1,680
Other securities	(112)	(1)	(113)
Total investment securities	(8,053)	6,482	(1,571)
Loans:			
Commercial and industrial	(2,160)	242	(1,918)
Real estate	(4,489)	623	(3,866)
Real estate loans to be sold	(102)	141	39
Consumer and other	(253)	(228)	(481)
Nontaxable states and political subdivision obligations	80	118	198
Total loans	(6,902)	874	(6,028)
Total Earning Assets	(19,973)	11,106	(8,867)
LIABILITIES			
Savings	(2,253)	540	(1,713)
NOW	(797)	109	(688)
Money market	(1,508)	(16)	(1,524)
Time	(2,343)	908	(1,435)
Federal funds purchased and securities sold under agreements to repurchase	(4,607)	(140)	(4,747)
Notes payable, capital lease obligations and other	1	(37)	(36)
Total Interest Bearing Liabilities	\$(11,273)	\$ 1,130	\$(10,143)
Net Interest Income			1,276
Loan origination fees			799
Taxable equivalent adjustment			(199)
Net Interest And Fee Income (Financial Reporting Basis)			1,876
Provision for loan losses			3,150
Noninterest income			(6,192)
Noninterest expense			3,431
Provision for income taxes			(5,153)
Net Income			\$(5,744)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ANALYSIS OF FINANCIAL CONDITION *(dollars in thousands)*

The following tables provide an overview of the condensed statements of condition and changes for the year and quarter ended December 31, 2010 and provide the foundation for the management summary that follows.

Table 1 provides the percentage change by major caption for the year ended December 31, 2010 and major caption comparative data for the years ended 2009 and 2008.

Table 1A provides condensed, comparative statements of condition as of the quarterly period-end dates with percentage changes for the fourth quarter period ended December 31, 2010.

Table 1B provides condensed, comparative statements of condition as of the quarterly period-end dates with balances shown as a percentage of total assets to highlight composition consistency.

Table 1C provides comparative information regarding the average term, duration, and yield to maturity for each major category of securities for the years ended 2010, 2009 and 2008.

TABLE 1 - CONDENSED COMPARATIVE STATEMENTS OF CONDITION AS OF DECEMBER 31 *(dollars in thousands)*

	2010	INCREASE (DECREASE) %	2009	2008
Total cash and equivalents	\$74,269	(56.2)%	\$169,572	\$138,088
Total securities	1,323,117	9.8 %	1,205,118	1,023,629
Total loans, net ⁽¹⁾	1,222,536	3.9 %	1,176,471	1,186,826
Premises and equipment, net	42,066	(2.1)%	42,986	43,684
Other real estate owned, net	18,230	95.3 %	9,332	4,531
Other assets	45,391	(5.1)%	47,833	40,231
Total Assets	\$2,725,609	2.8 %	\$2,651,312	\$2,436,989
Total deposits	\$1,795,715	8.8 %	\$1,649,730	\$1,460,709
Other liabilities	507,459	(7.5)%	548,484	506,919
Total shareholders' equity	422,435	(6.8)%	453,098	469,361
Total Liabilities And Shareholders' Equity	\$2,725,609	2.8%	\$2,651,312	\$2,436,989

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

TABLE 1A - CONDENSED, COMPARATIVE STATEMENTS OF CONDITION AS OF DECEMBER 31, 2010 *(dollars in thousands)*

	DECEMBER 31, 2010	% CHANGE	SEPTEMBER 30, 2010	JUNE 30, 2010	MARCH 31, 2010
Total cash and equivalents	\$74,269	(61.2)%	\$191,460	\$201,508	\$268,352
Total securities	1,323,117	1.3 %	1,306,398	1,150,717	1,190,459
Total loans, net ⁽¹⁾	1,222,536	2.5 %	1,192,563	1,195,466	1,180,851
Premises and equipment, net	42,066	0.4 %	41,911	41,887	42,390
Other real estate owned, net	18,230	(3.9)%	18,973	16,570	13,957
Other assets	45,391	4.1 %	43,615	45,166	44,289
Total Assets	\$2,725,609	(2.5)%	\$2,794,920	\$2,651,314	\$2,740,298
Noninterest bearing deposits	\$780,772	1.4 %	\$769,797	\$700,892	\$683,212
Interest bearing deposits	1,014,943	3.6 %	979,832	945,054	1,029,211
Securities sold under agreements to repurchase	473,136	(13.4)%	546,068	538,498	537,433
Other liabilities	34,323	(56.8)%	79,369	9,788	36,796
Total shareholders' equity	422,435	0.6 %	419,854	457,082	453,646
Total Liabilities And Shareholders' Equity	\$2,725,609	(2.5)%	\$2,794,920	\$2,651,314	\$2,740,298

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

TABLE 1B - CONDENSED, COMPARATIVE COMPOSITION PERCENTAGES FOR THE STATEMENTS OF CONDITION (dollars in thousands)

	DECEMBER 31, 2010	SEPTEMBER 30, 2010	JUNE 30, 2010	MARCH 31, 2010	DECEMBER 31, 2009
Total cash and equivalents	3%	7%	7%	10%	6%
Total securities	48%	47%	43%	43%	46%
Total loans, net ⁽¹⁾	45%	43%	45%	43%	44%
Premises and equipment, net	1%	1%	2%	1%	2%
Other real estate owned, net	1%	1%	1%	1%	—
Other assets	2%	1%	2%	2%	2%
Total Assets	100%	100%	100%	100%	100%
Noninterest bearing deposits	29%	27%	27%	25%	27%
Interest bearing deposits	37%	35%	36%	38%	36%
Securities sold under agreements to repurchase	17%	20%	20%	20%	20%
Other liabilities	1%	3%	—	1%	—
Total shareholders' equity	16%	15%	17%	16%	17%
Total Liabilities And Shareholders' Equity	100%	100%	100%	100%	100%

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

TABLE 1C - SECURITIES PORTFOLIO ANALYSIS term and Duration in months (dollars in thousands)

	DECEMBER 31, 2010			DECEMBER 31, 2009			DECEMBER 31, 2008		
	TERM	AVERAGE DURATION	YIELD	TERM	AVERAGE DURATION	YIELD	TERM	AVERAGE DURATION	YIELD
U.S. Treasury notes	29.4	27.5	1.36%	17.2	13.8	2.34%	10.2	8.4	3.91%
U.S. Government agencies	25.1	22.7	2.47%	22.4	19.5	3.26%	19.1	16.1	4.18%
Municipal bank-qualified	31.6	23.6	3.21%	33.5	26.3	3.31%	40.3	33.3	3.37%
Municipal non bank-qualified	42.5	33.9	2.86%	33.9	22.5	3.61%	40.7	30.3	3.51%
Corporate bonds	28.8	26.8	2.47%	17.4	16.4	3.41%	26.5	24.8	6.55%
Total Securities Portfolio	26.6	24.1	2.30%	22.4	19.3	3.22%	20.3	17.0	4.14%

MANAGEMENT SUMMARY

ASSETS

Total assets increased to **\$2.726 billion** as of **December 31, 2010**, for an increase of \$74.3 million, 2.8% over December 31, 2009. **Total cash and equivalents** decreased by \$95.3 million (56.2%) to **\$74.3 million** as of **December 31, 2010** as funds provided by operations and financing activities were invested in securities available for sale and loan assets during the course of the year.

The **securities** portfolio increased \$118.0 million (10.0%) to **\$1.323 billion** as of **December 31, 2010** driven by continued strong cash flow from operations, deposit growth, and federal fund purchases. The portfolio composition continues to be conservative in risk profile with the majority of investments in U.S. Treasury securities and U.S. Government-sponsored enterprises. The increase in corporate bonds since December 2009 partially the result of bonds purchased that were issued as part of the government's Temporary Liquidity Guarantee Program wherein they are guaranteed by the Federal Deposit Insurance Corporation in addition to corporate bond purchases made to achieve higher yield relative to other investment options. Note 3 to the financial statements presented in Item 8 provides additional information regarding the securities portfolio.

The **average duration** of the portfolio is **24 months** as of **December 31, 2010** in comparison to 19 months as of December 31, 2009. The increase in the average duration is due to reinvestment of maturing short duration securities replaced with new securities of longer duration. The average terms have increased during 2010 to gain back some yield advantage as rates remained low. The **average yield** of securities as of **December 31, 2010** is **2.30%** as compared to 3.22% as of December 31, 2009. The decrease in yields is a reflection of higher yielding securities maturing and being reinvested at current lower rates. The portfolio is in a net unrealized gain position of **\$14.7 million, net of \$4.4 million** of unrealized losses.

The bank has never been invested in collateralized debt obligations or high risk asset-backed securities.

Total loans increased \$33.0 million (2.8%) to **\$1.217 billion** as of **December 31, 2010**. Loan growth occurred in commercial and industrial loans (16.7%) along with nontaxable state and political subdivision loans (66.0%). Decreases occurred in both real estate and consumer categories. The loan portfolio is detailed in Note 4 to the financial statements presented in Item 8 on page 37.

The loan portfolio interest rate composition during 2010 remained at a predominantly fixed rate position (75% of total) slightly higher than 2009 (68% of total), which has helped maintain strength in the bank's management of interest rate risk.

A substantial portion of the loan portfolio is represented by mortgage and other real estate loans throughout Alaska. The bank monitors the portfolio by loan type and geographic dispersion for concentration evaluation. The ability of the bank's debtors to honor their contracts is dependent upon real estate and general economic conditions within the state of Alaska.

The **allowance for loan losses** was **\$15.0 million** and \$18.0 million as of **December 31, 2010** and 2009, respectively. The decline in the allowances for loan losses over the prior year is partially attributable to reduced balances in the non-performing loans and delinquent loans in the 30-89 days past due category. The allowance is maintained at a level that provides for continued existent weakness in the portfolio. Additional information on the allowance for loan losses is contained in the provision for loan losses section that follows.

Premises and equipment, net decreased \$0.9 million (2.1%) to **\$42.1 million** as of **December 31, 2010**. The decrease is attributed to normal depreciation and disposal of premises and equipment, offset by normal additions.

Other real estate owned, net increased \$8.9 million (95.3%) to **\$18.2 million** as of **December 31, 2010**. The net realizable value is net of a valuation allowance of \$4.4 million. The increase is attributed to foreclosure activity during 2010 which added five properties to the total of thirteen held as of December 31, 2010. Individual properties owned have a range in individual values from \$26 thousand to \$5.0 million. Many of these properties are a result of land development loans which were previously impaired and will require extended holding times to allow the market to absorb excess projects and create an improved market for these properties.

Other assets decreased \$2.4 million (5.1%) to **\$45.4 million** as of **December 31, 2010**. Interest receivable on securities held for resale decreased \$1.4 million consistent with lower average coupon rates. Investments in community development projects decreased \$1.3 million through amortization and recognition of equity losses. Prepaid expenses were lower at December 31, 2010 by \$2.0 million over 2009 levels. Federal income tax receivable of \$218 thousand was \$2.8 million lower than 2009 level. Deferred income taxes increased \$3.1 million during 2010.

LIABILITIES AND SHAREHOLDERS' EQUITY

Total deposits increased \$146.0 million (8.8%) to **\$1.796 billion** as of **December 31, 2010**. Overall during 2010, deposit accounts increased in both noninterest and interest bearing accounts. The diminishing interest rate environment for other short-term investment opportunities and the security of deposit accounts insured to higher levels in 2010 contributed to these higher balances.

Securities sold under agreements to repurchase decreased by \$64.6 million (12.0%) to **\$473.1 million** as of **December 31, 2010**. These balances are highly subject to seasonal commercial and government customer revenues and to the short-term investment market rates with which these accounts compete. The majority of these accounts are tied to federal fund rates which dropped to near zero percent base rates during the fourth quarter of 2008 and remained low throughout 2009 and 2010.

Shareholders' equity decreased \$30.7 million (6.8%) to **\$422.4 million** as of **December 31, 2010**. Net income of \$40.4 million less dividends paid of \$66.4 million decreased retained earnings by \$26.0 million. Accumulated other comprehensive income decreased \$4.6 million (34.9%), net of tax, as the securities, available-for-sale portfolio lost unrealized market gain as maturing securities were reinvested at current lower rates.

TABLE 2 - COMMITMENTS AND CONTINGENCIES (dollars in thousands)

Payments under known contractual obligations as of **December 31, 2010** are as follows:

	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Time deposits	\$159,403	\$141,745	\$12,950	\$4,359	\$349
Securities sold under agreements to repurchase	473,136	473,136	—	—	—
Notes payable	1,688	—	1,095	593	—
Capital lease obligations	64	55	9	—	—
Operating leases	374	164	142	68	—
Contractual Obligations By Period	\$634,665	\$615,100	\$14,196	\$5,020	\$349

EARNING SUMMARY (dollars in thousands)

TABLE 3 - EARNING SUMMARY

	2010	2009	2008
Total interest and loan fee income	\$114,977	\$121,035	\$129,302
Total interest expense	(3,944)	(5,566)	(15,709)
Net interest and loan fee income	111,033	115,469	113,593
Provision for loan losses	521	(6,625)	(3,475)
Noninterest income	35,957	35,174	41,366
Noninterest expense	(86,365)	(89,100)	(85,669)
Provision for income taxes	(20,764)	(17,760)	(22,913)
Net Income	\$40,382	\$37,158	\$42,902
Return on average assets	1.50%	1.49%	1.83%
Return on average equity	9.38%	8.44%	9.49%

NET INTEREST AND LOAN FEE INCOME *(dollars in thousands)*

TABLE 4 - ANALYSIS OF NET INTEREST AND LOAN FEE INCOME

	2010	2009	2008
Total interest and loan fee income	\$114,977	\$121,035	\$129,302
Total interest expense	\$3,944	\$5,566	\$15,709
Net interest and loan fee income	\$111,033	\$115,469	\$113,593
Tax equivalent adjustment	\$1,722	\$2,412	\$2,213
Net interest and loan fee income (taxable equivalent)	\$112,755	\$117,881	\$115,806
Average earning assets	\$2,518,468	\$2,311,540	\$2,124,374
Ratio to earning assets	4.48%	5.10%	5.45%

Net interest and loan fee income, the most significant component of net income, is the amount by which the interest and fees generated from earning assets exceeds the expense associated with funding those assets. The interest earned on tax-exempt assets is adjusted, for analytical purposes, to a taxable equivalent basis to recognize the income tax savings which facilitates comparisons between taxable and tax-exempt assets.

The tax equivalent adjustment is based on the combined Federal and State marginal tax rate of **41.11%** for **2010**, 2009 and 2008, and is adjusted for the disallowed interest expense associated with tax-exempt assets.

The following table provides comparative average balances of interest earning assets, respective yields on a tax equivalent basis, and change analysis for the twelve month periods ended December 31, 2010 and 2009:

TABLE 5 - ANALYSIS OF COMPARATIVE YIELD ON EARNING ASSETS *(dollars in thousands)*

EARNING ASSETS	AVERAGE BALANCES		AVERAGE YIELD		CHANGE DUE TO	
	2010	2009	2010	2009	RATE	VOLUME
Loans-taxable	\$1,142,036	\$1,107,250	6.51%	6.68%		
Loans-nontaxable	19,201	21,430	10.21%	10.16%		
Investment securities-taxable	1,134,839	991,537	2.75%	3.69%		
Investment securities-nontaxable	63,800	70,977	5.80%	5.89%		
Federal funds sold	25	73	—%	—		
Interest bearing cash balances	158,567	120,273	.25%	.25%		
Total Earning Assets	\$2,518,468	\$2,311,540	4.43%	5.07%	(1.83)%	1.19%

Interest and loan fee income for the twelve months ended **December 31, 2010** and 2009 was **\$115.0 million** and \$121.0 million, respectively, for a decrease of \$6.0 million or 5.0%. The tax equivalent yield on the average earning assets decreased 64 basis points, from 5.07% in 2009 to 4.43% in 2010. **Total average earning assets** increased \$206.9 million, from \$2.312 billion at December 31, 2009 to **\$2.518 billion** as of **December 31, 2010**. Average balances of loans, investment securities, and interest bearing deposits increased \$32.6 million, \$136.1 million, and \$38.3 million year over year, respectively.

Decreases in yields in both investments and lending assets drove the overall decline in interest and loan fee income. The increased volume of investment securities and interest bearing deposits partially offset decreasing yields in all earning asset categories except for nontaxable loans.

The following table provides comparative average balances of interest bearing liabilities, respective yields, and change analysis for the twelve months ended **December 31, 2010** and 2009:

INTEREST BEARING LIABILITIES	AVERAGE BALANCES		AVERAGE YIELD		CHANGE DUE TO	
	2010	2009	2010	2009	RATE	VOLUME
Savings	\$445,205	\$390,444	.30%	.32%		
NOW	170,351	156,946	.05%	.06%		
Money market	199,175	180,777	.09%	.15%		
Time	155,719	174,501	.97%	1.67%		
Federal funds purchased	20,129	14	.12%	—		
Repurchase agreements	527,710	502,397	.13%	.17%		
Other debt	2,063	2,573	6.54%	6.53%		
Total Interest Bearing Liabilities	\$1,520,352	\$1,407,652	.26%	.40%	(.18)%	.04%

Interest expense for the twelve months ended **December 31, 2010** and 2009 was **\$3.9 million** and \$5.6 million, respectively, for a decrease of \$1.6 million or 29.1%. Interest expense decreased significantly as interest rates paid for the total average aggregate interest bearing liabilities decreased 14 basis points, from .40% in 2009 to 0.26% in 2010. **Total average aggregate outstanding interest bearing liabilities** increased \$112.7 million from \$1.408 billion at 2009 to **\$1.520 billion** in **2010**. Increases in average deposits only partially offset decreases in average yields.

PROVISION FOR LOAN LOSSES (dollars in thousands)

The following table shows delinquent and nonaccrual loans as a percentage of total loans as of **December 31**:

	2010	2009	2008
Delinquent 30-89 days	0.56%	1.27%	1.42%
Delinquent 90 days or more	0.01%	0.01%	—
Total Delinquent Loans (still accruing)	0.57%	1.28%	1.42%
Nonaccrual Loans	2.92%	4.66%	5.74%
Total Loans, Gross	\$1,216,682	\$1,183,673	\$1,198,092

TABLE 8 - ALLOCATION OF ALLOWANCE FOR LOAN LOSSES

The table below presents an estimate of the allowance for loan losses allocated by loan type and the percentage of loans in each category to total loans:

	DECEMBER 31, 2010		DECEMBER 31, 2009		DECEMBER 31, 2008	
	AMOUNT (\$ THOUSANDS)	PERCENT OF LOANS TO TOTAL LOANS	AMOUNT (\$ THOUSANDS)	PERCENT OF LOANS TO TOTAL LOANS	AMOUNT (\$ THOUSANDS)	PERCENT OF LOANS TO TOTAL LOANS
Commercial and industrial	\$2,541	22.51%	\$4,355	19.82%	\$6,391	21.10%
Real estate	11,782	73.54%	12,742	76.98%	11,323	74.88%
Consumer and other	677	3.95%	903	3.20%	1,286	4.02%
Total Allowance For Loan Losses	\$15,000	100.00%	\$18,000	100.00%	\$19,000	100.00%

As stated in Note 1 to the financial statements, use of accounting estimates in the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management's estimate of the allowance for loan losses is a critical accounting estimate based on a periodic review of the loan portfolio in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The bank follows a policy of writing off loans where it is confirmed they are uncollectible, while aggressively pursuing collection efforts to recover charged off loans. The **loan loss provision** was **\$(0.521) million** for **2010**, compared to \$6.625 million and \$3.475 million for 2009 and 2008, respectively. The provision for loan losses represented (0.04)%, 0.59% and 0.31% of average loans for each of those years. The allowance for loan losses represented 1.23% and 1.52% of total loans for 2010 and 2009, respectively.

The loan loss provision in 2010 decreased \$7.1 million compared to 2009. The decrease is related to improvements in the overall loan portfolio including a decrease in net loan charge-offs of \$5.1 million in 2010 compared to 2009 and nonaccrual loans decreasing from \$55.1 million at December 31, 2009 to \$36.0 million at December 31, 2010.

Delinquent loans (still accruing) totaled **\$6.9 million**, \$15.1 million and, \$17.1 million for the years ended **December 31, 2010**, 2009 and 2008, respectively. **Nonaccrual loans**, net of deferred fees and nonaccrual interest paid, totaled **\$35.6 million**, \$55.1 million and \$68.7 million for the years ended **2010**, 2009 and 2008, respectively. The decrease in nonaccrual loans during 2010 was primarily the result of foreclosure on a few significant impaired loans, which were primarily commercial and land development 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.

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 that is adequate to cover probable estimated losses. The bank continues to closely monitor market conditions, which could result in future adjustments to the allowance.

NONINTEREST INCOME (dollars in thousands)

TABLE 9 - ANALYSIS OF NONINTEREST INCOME

	2010	INCREASE (DECREASE) %	2009	INCREASE (DECREASE) %	2008
Bankcard fees	\$18,927	8.6%	\$17,433	(3.7)%	\$18,095
Service charges on deposit accounts	4,804	(12.4)%	5,484	(1.0)%	5,540
Gain on sale of mortgage loans	1,791	(19.0)%	2,210	48.1 %	1,492
Mortgage loan servicing income	2,653	(1.0)%	2,681	14.6 %	2,340
Net gains (losses) on investment securities	242	175.0%	88	(25.4)%	118
Trust income	1,016	(8.8)%	1,114	(0.4)%	1,119
Other noninterest income	6,524	5.8%	6,164	(51.3)%	12,662
Total Noninterest Income	\$35,957	2.2%	\$35,174	(15.0)%	\$41,366

For the year ended **December 31, 2010**, **noninterest income** was **\$36.0 million**, an increase of \$0.8 million from 2009. As a percentage of average assets, noninterest income was **1.33%**, 1.41%, and 1.77% in **2010**, 2009, and 2008, respectively. Noninterest income as a percentage of total interest and loan fee income was **31.3%**, 29.1%, and 32.0% as of **2010**, 2009 and 2008, respectively.

The primary sources of recurring noninterest income continued to be bankcard fees, which comprised **53%**, 50%, and 44% of noninterest income, and service charges on deposit accounts providing **13%**, 16%, and 13% in **2010**, 2009, and 2008, respectively.

Other noninterest income increased \$0.360 million to **\$6.5 million** as of **December 31, 2010**. The bank recorded approximately \$6.4 million in nonrecurring gains during 2008, which were primarily from the sale of Visa and MasterCard stock sales in the amounts of \$2.2 million and \$2.7 million, respectively, and Visa litigation gains of \$1.5 million. Note 14 to the financial statements included in Item 8 on page 43 discusses the Visa litigation in further detail. The remainder of recurring other noninterest income included escrow fees, wire transfer fees, ATM fees, ACH fees, safe deposit box rentals, merchant equipment rentals, and other miscellaneous income accounts.

NONINTEREST EXPENSE *(dollars in thousands)*

TABLE 10 - ANALYSIS OF NONINTEREST EXPENSE

	2010	INCREASE (DECREASE) %	2009	INCREASE (DECREASE) %	2008
Salaries and employee benefits	\$44,822	1.9 %	\$43,990	2.9 %	\$42,771
Occupancy expense, net	6,740	(7.0)%	7,245	1.3 %	7,153
Furniture and equipment expense	3,268	6.6 %	3,065	(7.9)%	3,329
Bankcard expenses	13,681	(1.2)%	13,854	(4.5)%	14,505
Professional services	2,416	0.4 %	2,407	6.8 %	2,254
FDIC insurance	2,076	(8.9)%	2,278	1,138.0 %	184
Printing, stationery and supply expense	1,275	8.3 %	1,177	(10.2)%	1,310
Postage expense	1,523	11.7 %	1,363	(2.1)%	1,392
Software licensing fees	1,521	2.4 %	1,485	(0.6)%	1,494
Other operating expense	9,043	(26.1)%	12,236	8.5 %	11,277
Total Noninterest Expense	\$86,365	(3.1)%	\$89,100	4.0 %	\$85,669

For the year ended **December 31, 2010**, **noninterest expense** was **\$86.4 million**, a decrease of \$2.7 million over 2009. As a percentage of average assets, noninterest expense was **3.20%**, 3.57%, and 3.66% in **2010**, 2009, and 2008, respectively. Noninterest expense as a percentage of total interest and loan fee income was **75.1%**, 73.6%, and 66.3% as of **2010**, 2009, and 2008, respectively.

The primary element of noninterest expense are **salaries and employee benefits** of **\$44.8 million**, which comprised **51.9%**, 49.4%, and 49.9% of noninterest expense in **2010**, 2009, and 2008, respectively. The 1.9% increase reflects an average of salary and benefit inflation, as employment levels remained consistent. The bank is self insured for benefits, with caps provided through insurance policies, and has effectively managed to control expense increases through benefit plan management and programs such as high deductible program offerings.

Bankcard expenses declined \$0.2 million during 2010 from 2009 levels due to reduced transaction volumes. Losses on disposal or impairment of OREO increased by \$3.4 million as foreclosure and sales activity rose in 2009 over prior year nominal levels. Additionally, FDIC insurance expense decreased by \$0.2 million over prior year levels primarily due to a special assessment received in the third quarter of 2009.

Included in **other noninterest expense** of **\$9.0 million** are advertising costs, donations and community development expenditures, data communication expenses and other miscellaneous expenses. Also included in other noninterest expense in 2008 is a nonrecurring charge of \$1.5 million related to Visa litigation as discussed in Note 14 to the financial statements presented in Item 8 on page 47.

LIQUIDITY AND CAPITAL RESOURCES *(dollars in thousands)*

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, shareholder dividends and paying the expenses of operation.

Liquidity sources are provided from both the asset and liability side of the balance sheet 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 meet its liquidity needs.

The maintenance of an adequate level of capital to support business growth, is an important element in the bank's ability to add to future earnings. **Equity** decreased to **\$422,435 at December 31, 2010** compared to \$453,098 at December 31, 2009 and \$469,361 at December 31, 2008. The equity-to-asset ratio was 15.5% at year-end 2010. This compares to a ratio of 17.1% and 19.3% at December 31, 2009 and 2008, respectively.

INFLATION AND CHANGING PRICES

The primary effect of inflation on the bank is its impact on interest rates. Virtually all of the bank's assets and liabilities are monetary in nature, therefore changes in interest rates may significantly affect the bank's earnings. Since the bank's main component of earnings is its net interest income, prudent asset/liability management must be exercised to maintain profitable spreads.

The increased cost associated with inflation on premises, equipment and other expenses is difficult to quantify; however, it does not have a significant financial impact.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivative financial instruments include futures, forwards, interest rate swaps, option contracts and other financial instruments with similar characteristics. The bank currently does not enter into futures, swaps or options. The Bank periodically enters into interest rate locks and forward commitments on loans; however, such activity is not material to the financial statements. The bank is also party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of condition. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require collateral from the borrower if deemed necessary by the bank. Standby letters of credit are conditional commitments issued by the bank to guarantee the performance of a customer to a third party up to a stipulated amount and with specified terms and conditions.

Commitments to extend credit and standby letters of credit are not recorded as an asset or liability by the bank until the instrument is exercised.

The bank's exposure to interest rate risk is reviewed on a regular basis by members of Senior Management (see "Asset/Liability Management"). Interest rate risk is the potential for economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk, while at the same time maximize income. Management realizes certain risks are inherent and the goal is to identify and minimize the risks.

Tools used by management include GAP analysis and interest rate shock modeling. The bank has no market risk sensitive instruments held for trading purposes. The condensed GAP analysis summarizing the bank's interest rate sensitivity is presented under "Asset/Liability Management."

ASSET/LIABILITY MANAGEMENT

The operating results of the bank are dependent, to a large extent, upon its net interest income, which is the difference between its interest income from earning assets, such as loans and investment securities and interest expense on interest bearing liabilities, such as deposits, securities sold under agreements to repurchase, and other borrowings.

The bank's current asset/liability management objective is to provide an acceptable balance between interest rate risk, credit risk and maintenance of yield. The principal operating strategy of the bank has been to manage the repricing of its interest-sensitive assets and liabilities and manage the sensitivity of the bank's earnings to changes in interest rates. The bank generally implemented this strategy by: (i) originating and retaining adjustable-rate mortgages; (ii) originating construction and consumer loans which typically have shorter terms to maturity or repricing than long-term, fixed-rate residential mortgages; (iii) maintaining liquidity levels adequate to allow flexibility in reacting to the interest rate environment; and (iv) selling upon origination certain long-term, fixed-rate, residential mortgages in the secondary mortgage market.

Tables 11 and 12 set forth the interest rate sensitivity of the bank's earning assets and interest bearing liabilities at December 31, 2010 and December 31, 2009. One indicator used to measure interest rate risk are the gaps between earning assets and interest bearing liabilities as classified by the timeframe in which the items mature or reprice. Various assumptions are used for presentation of data in the tables. Fixed-rate loans are shown on the basis of contractual amortization adjusted for prepayments at rates estimated by available industry sources. Adjustable-rate loans and investments are determined to reprice at the earlier of maturity, call date or the next contractual repricing date. The allocation of savings, NOW and money market account balances are based on repricing practices. The assumptions used may not be indicative of the actual prepayments and withdrawals which may be experienced by the bank. The data presented in the table represents a static measure of assets and liabilities maturing over various time periods. The tables do not necessarily indicate the impact of general interest rate movements on the bank's net yield because the repricing of certain categories of assets and liabilities is subject to competitive and other pressures beyond the bank's control. As a result, certain assets and liabilities indicated as maturing or otherwise repricing within a stated period may, in fact, mature or reprice at different times or at different volumes.

TABLE 11 - MATURITY/RATE SENSITIVITY AT DECEMBER 31, 2010 (dollars in thousands)

ASSETS	2011	2012	2013-2015	THEREAFTER	TOTAL
Loans, net	\$348,557	\$121,907	\$141,075	\$597,482	\$1,209,021
Investment securities, at amortized cost	372,488	300,700	567,892	67,336	1,308,416
Federal reserve deposits	49,517	—	—	—	49,517
Total Earning Assets	770,562	442,607	708,967	664,818	2,566,954
Nonearning assets	—	—	—	—	158,655
Total Assets	\$770,562	\$442,607	\$708,967	\$664,818	\$2,725,609

LIABILITIES AND SHAREHOLDERS' EQUITY

Savings	\$477,956	—	—	—	\$477,956
NOW	176,090	—	—	—	176,090
Money market	201,494	—	—	—	201,494
Time	127,534	10,073	7,236	349	145,192
Federal funds purchased	25,000	—	—	—	25,000
Securities sold under agreements to repurchase	473,136	—	—	—	473,136
Notes payable and capital lease obligations	53	463	1,020	—	1,536
Total Interest Bearing Liabilities	1,481,263	10,536	8,256	349	1,500,404
Shareholders' equity and noninterest bearing liabilities	—	—	—	—	1,225,205
Total Liabilities And Shareholders' Equity	\$1,481,263	\$10,536	\$8,256	\$349	\$2,725,609

RATE SENSITIVITY GAP AND RATIOS

GAP for period (earning assets less interest bearing liabilities)	\$(710,701)	\$412,071	\$700,711	\$664,470	\$1,066,551
Cumulative GAP	\$(710,701)	\$(298,630)	\$402,081	\$1,066,551	—
GAP as a percentage of earning assets	(27.69)%	16.05 %	27.30 %	25.89 %	41.55 %
Cumulative GAP as a percentage of earning assets	(27.69)%	(11.63)%	15.66 %	41.55 %	

TABLE 12 - MATURITY/RATE SENSITIVITY AT DECEMBER 31, 2009 (dollars in thousands)

ASSETS	2010	2011	2012-2014	THEREAFTER	TOTAL
Loans, net	\$240,281	\$157,991	\$199,293	\$548,642	\$1,146,207
Investment securities, at amortized cost	393,197	343,545	435,224	10,584	1,182,550
Federal reserve deposits	143,501	—	—	—	143,501
Total Earning Assets	776,979	501,536	634,517	559,226	2,472,258
Nonearning assets	—	—	—	—	179,054
Total Assets	\$776,979	\$501,536	\$634,517	\$559,226	\$2,651,312

LIABILITIES AND SHAREHOLDERS' EQUITY

Savings	\$423,748	—	—	—	\$423,748
NOW	169,990	—	—	—	169,990
Money market	180,682	—	—	—	180,682
Time	146,959	4,886	12,617	333	164,795
Securities sold under agreements to repurchase	537,748	—	—	—	537,748
Notes payable and capital lease obligations	51	492	1,416	66	2,025
Total Interest Bearing Liabilities	1,459,178	5,378	14,033	399	1,478,988
Shareholders' equity and noninterest bearing liabilities	—	—	—	—	1,172,324
Total Liabilities And Shareholders' Equity	\$1,459,178	\$5,378	\$14,033	\$399	\$2,651,312

RATE SENSITIVITY GAP AND RATIOS

GAP for period (earning assets less interest bearing liabilities)	\$(682,199)	\$496,158	\$620,484	\$558,827	\$993,270
Cumulative GAP	\$(682,199)	\$(186,041)	\$434,443	\$993,270	—
GAP as a percentage of earning assets	(27.59)%	20.07 %	25.10 %	22.60 %	40.18 %
Cumulative GAP as a percentage of earning assets	(27.59)%	(7.53)%	17.57 %	40.18 %	

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

STATEMENTS OF CONDITION (dollars in thousands except per share amounts)

ASSETS	DECEMBER 31,	
	2010	2009
Cash and cash equivalents	\$74,269	\$169,572
Securities:		
Available-for-sale (amortized cost: 2010 - \$1,285,416; 2009 - \$1,159,550)	1,300,117	1,182,118
Held-to-maturity (fair value: 2010 - \$23,232; 2009 - \$24,222)	23,000	23,000
Real estate loans to be sold	20,854	10,798
Loans:		
Commercial and industrial	273,917	234,695
Real estate	894,694	911,154
Consumer and other	17,914	19,652
Nontaxable states and political subdivision obligations	30,157	18,172
Total Loans, Gross	1,216,682	1,183,673
Less: Allowance for loan losses	15,000	18,000
Total Loans, Net	1,201,682	1,165,673
Premises and equipment, net	42,066	42,986
Other real estate owned, net	18,230	9,332
Other assets	45,391	47,833
Total Assets	\$2,725,609	\$2,651,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	\$780,772	\$707,005
Interest bearing:		
Savings	477,956	423,748
NOW	176,090	169,990
Money market	201,494	180,682
Time	159,403	168,305
Total interest bearing	1,014,943	942,725
Total Deposits	1,795,715	1,649,730
Securities sold under agreements to repurchase	473,136	537,748
Federal funds purchased	25,000	—
Capital lease obligations	62	113
Notes payable, net	1,474	1,912
Other liabilities	7,787	8,711
Total Liabilities	2,303,174	2,198,214
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, \$100 par value (Authorized: 2010 and 2009 - 400,000 shares) (Issued: 2010 and 2009 - 332,054 shares)	33,205	33,205
Surplus	40,000	40,000
Retained earnings	340,573	366,602
Accumulated other comprehensive income	8,657	13,291
Total Shareholders' Equity	422,435	453,098
Total Liabilities And Shareholders' Equity	\$2,725,609	\$2,651,312

See accompanying notes to financial statements.

STATEMENTS OF INCOME *(dollars in thousands)*

INTEREST INCOME AND LOAN FEES	FOR YEARS ENDED DECEMBER 31,		
	2010	2009	2008
Interest and fees on loans:			
Taxable	\$80,125	\$80,370	\$85,829
Nontaxable	1,214	1,379	1,312
Total Interest And Fees On Loans	81,339	81,749	87,141
Interest and dividends on investment securities:			
Taxable	31,173	36,612	38,070
Nontaxable	2,068	2,372	2,521
Total Interest And Dividends On Investment Securities	33,241	38,984	40,591
Interest on cash and cash equivalents	397	302	1,570
Total Interest And Loan Fee Income	114,977	121,035	129,302
INTEREST EXPENSE			
Interest on deposits	3,100	4,532	9,892
Interest on federal funds purchased and securities sold under agreements to repurchase	708	866	5,613
Interest on notes payable, capital lease obligations and other	136	168	204
Total Interest Expense	3,944	5,566	15,709
Net Interest And Loan Fee Income	111,033	115,469	113,593
Provision for loan losses	(521)	6,625	3,475
Net Interest And Loan Fee Income After Provision For Loan Losses	111,554	108,844	110,118
NONINTEREST INCOME			
Bankcard fees	18,927	17,433	18,095
Service charges on deposit accounts	4,804	5,484	5,540
Gain on sale of mortgage loans	1,791	2,210	1,492
Mortgage loan servicing income	2,653	2,681	2,340
Net gains on investment securities	242	88	118
Other noninterest income	7,540	7,278	13,781
Total Noninterest Income	35,957	35,174	41,366
NONINTEREST EXPENSE			
Salaries and employee benefits	44,822	43,990	42,771
Occupancy expense, net	6,740	7,245	7,153
Furniture and equipment expense	3,268	3,065	3,329
Bankcard expenses	13,681	13,854	14,505
Other noninterest expense	17,854	20,946	17,911
Total Noninterest Expense	86,365	89,100	85,669
Income Before Taxes	61,146	54,918	65,815
Provision for income taxes	20,764	17,760	22,913
Net Income	\$40,382	\$37,158	\$42,902
EARNINGS PER COMMON SHARE <i>(not in thousands)</i>	\$121.61	\$111.45	\$124.59

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS *(dollars in thousands)*

OPERATING ACTIVITIES	FOR YEARS ENDED DECEMBER 31,		
	2010	2009	2008
Net income	\$40,382	\$37,158	\$42,902
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of discount on investment securities, net	7,839	5,517	2,566
Loss from equity method investment	859	—	—
Depreciation, accretion and amortization	6,135	7,111	6,414
Provision for loan losses	(521)	6,625	3,475
Deferred taxes	145	3,703	(1,309)
Gain on sale of mortgage loans	(1,791)	(2,210)	(1,492)
Net (gain) loss on the sales or impairment of other real estate owned	(127)	3,812	448
Net gain on the liquidation of loans of acquired bank	—	—	(284)
Net loss on the sale of premises and equipment	5	5	2
Net gain on disposition of investment securities	(242)	(88)	(118)
Real estate loans to be sold-originated	(223,207)	(287,276)	(167,743)
Real estate loans to be sold-shipped	213,151	284,212	174,616
Net (increase) decrease in other assets	3,980	(8,453)	4,060
Net increase (decrease) in other liabilities	(866)	(3,938)	4,132
Net Cash Provided By Operating Activities	45,742	46,178	67,669
INVESTING ACTIVITIES			
Proceeds from calls and/maturities of securities, available-for-sale	412,126	399,332	361,546
Proceeds from sales of securities available-for-sale	40,990	—	—
Purchase of securities, available-for-sale	(586,580)	(602,595)	(388,426)
Purchase of securities, held-to-maturity	—	—	(23,000)
Net redemptions of Federal Reserve Bank stock	—	38	—
Purchased mortgage servicing rights	—	—	(38)
Net increase in loans, net of undisbursed portion	(45,434)	(3,241)	(46,083)
Proceeds from sales of premises and equipment	4	2	—
Purchase of land, premises and equipment	(2,804)	(2,779)	(1,995)
Improvements to other real estate owned	(348)	(44)	(406)
Proceeds from sales of other real estate owned	1,663	1,700	4,089
Proceeds from the liquidation of loans of acquired bank	—	—	284
Net Cash Used In Investing Activities	(180,383)	(207,587)	(94,029)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS (CONTINUED)

FINANCING ACTIVITIES

	2010	FOR YEARS ENDED DECEMBER 31,	
		2009	2008
Net increase in total deposits	145,985	189,021	118,989
Net increase (decrease) in securities sold under agreements to repurchase	(64,612)	50,610	(1,495)
Net increase in federal funds purchased	25,000	—	—
Payments on notes and capital leases	(624)	(2,942)	(6,849)
Dividends paid	(66,411)	(33,270)	(34,476)
Retirement of common stock	—	(10,526)	(9,967)
Net Cash Provided By Financing Activities	39,338	192,893	66,202
Increase (decrease) in cash and cash equivalents	(95,303)	31,484	39,842
Cash And Cash Equivalents, January 1,	169,572	138,088	98,246
Cash And Cash Equivalents, December 31,	\$74,269	\$169,572	\$138,088

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$4,236	\$6,304	\$16,249
Cash paid during the year for income taxes	\$17,762	\$17,024	\$23,145

NONCASH INVESTING AND FINANCING ACTIVITIES

Transfer of loans to other real estate owned	\$12,118	\$10,144	\$1,816
Bank financed sales of other real estate owned	\$2,020	—	—
Transfer of land held for bank premises to other real estate owned	—	—	\$1,240

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(dollars in thousands, except per share amounts)

	COMMON STOCK (\$100 PAR VALUE)	SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance, January 1, 2008	\$34,476	\$40,000	\$373,510	\$10,488	\$458,474
Net income - 2008	—	—	42,902	—	42,902
Other comprehensive gain, net of tax effect (\$8,675):					
Unrealized gain on securities, net of reclassification adjustment*	—	—	—	12,428	12,428
Comprehensive income					55,330
Dividends declared - \$100 per share	—	—	(34,476)	—	(34,476)
Retirement of common stock (5,999 shares)	(600)	—	(9,367)	—	(9,967)
Balance, December 31, 2008	33,876	40,000	372,569	22,916	469,361
Net income - 2009	—	—	37,158	—	37,158
Other comprehensive loss, net of tax effect (\$6,720):					
Unrealized loss on securities, net of reclassification adjustment*	—	—	—	(9,625)	(9,625)
Comprehensive income					27,533
Dividends declared - \$100 per share	—	—	(33,270)	—	(33,270)
Retirement of common stock (6,706 shares)	(671)	—	(9,855)	—	(10,526)
Balance, December 31, 2009	33,205	40,000	366,602	13,291	453,098
Net income - 2010	—	—	40,382	—	40,382
Other comprehensive loss, net of tax effect (\$3,235):					
Unrealized loss on securities, net of reclassification adjustment*	—	—	—	(4,634)	(4,634)
Comprehensive income					35,748
Dividends declared - \$200 per share	—	—	(66,411)	—	(66,411)
Balance, December 31, 2010	\$33,205	\$40,000	\$340,573	\$8,657	\$422,435

*DISCLOSURE OF RECLASSIFICATION AMOUNT (dollars in thousands, net of tax)	FOR YEARS ENDED DECEMBER 31,		
	2010	2009	2008
Net increase (decrease) in unrealized holding gains on securities arising during period	\$ (4,491)	\$ (9,573)	\$ 12,497
Reclassification adjustment for gains included in net income, net of tax effect	(143)	(52)	(69)
Net Unrealized Gains (Losses) On Securities	\$(4,634)	\$(9,625)	\$12,428

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES *(dollars in thousands)*

First National Bank Alaska (the bank) is a full service commercial bank operated as a single segment, and as such, its principal activities include the receiving and lending of money. Additionally, the bank provides trust banking services, escrow and contract collection services, bankcard services, and safe deposit box facilities. These services are for business, industry, and individuals primarily within the State of Alaska. Banking services are provided from 30 branches throughout Alaska. The accounting and reporting policies of the bank conform with U.S. generally accepted accounting principles and the prevailing practices within the banking industry. Significant accounting and reporting policies are summarized below.

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, valuation of other real estate owned, and fair values of financial instruments.

Cash and cash equivalents include: cash and due from banks and overnight federal funds sold. Net cash flows are reported for customer loan and deposit transactions, securities sold under agreements to repurchase and federal funds purchased.

Securities, available-for-sale are classified at the time of acquisition. The available-for-sale classification includes debt and marketable equity securities which are carried at estimated fair value. Unrealized holding gains or losses on securities available-for-sale are included in other comprehensive income and as a separate component of shareholders' equity. Amortization of premiums and accretion of discount are recognized using the level yield method. Realized gains and losses on sales of securities are computed using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment (OTTI) related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Securities, held-to-maturity are classified at the time of acquisition. Securities that the bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost. Amortization of premiums and accretion of discounts are recognized using the level yield method.

Real estate loans to be sold are carried at the lower of cost or fair value. The bank records and holds for sale one-to-four family and multifamily real estate loans which are originated pursuant to investor programs. Net unrealized losses, if any, are recognized through a valuation allowance by charges to other noninterest expense.

Loans, the bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage and other loans throughout Alaska. The ability of the bank's debtors to honor their contracts is dependent upon real estate and general economic conditions.

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on mortgage and commercial loans is normally discontinued at the time a loan is 90 days delinquent. Credit card loans and other personal loans are typically charged off no later than 120 days and 90 days past due, respectively. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Collected interest on nonaccrual loans is recognized as a reduction of loan principal. Collected or accrued interest on nonaccrual loans is recognized only upon the return of these loans to accrual status, or in the event of loan payoff, whichever occurs first. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses, is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of non-impaired loans in light of historical loss experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. The historical loss experience is determined by portfolio segment and is based on the actual loss history of the bank over the most recent 3, 5 or 7 years for consumer, commercial and real estate loans, respectively. The actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment.

This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. While management does not expect a substantial decline in real estate values and economic conditions in Alaska, a decline in these values or economic activities could have an impact on the value of collateral securing the loans as well as the ability for the repayment of loans resulting in a higher allowance for loan losses in the future.

A loan is considered impaired when, based on current information and events, it is probable that the bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulty, are considered troubled debt restructurings and classified as impaired.

Troubled debt restructurings are measured at the net present value of estimated future cash flows or where considered to be collateral dependant, the loan is reported, net, at the fair value of the collateral.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the bank does not separately identify all individual consumer loans for impairment disclosures.

Reserve for unfunded commitments, is established at a level that is considered adequate by management to provide for possible losses associated with commitments to lend funds under existing agreements. Management determines the adequacy of the reserve for unfunded commitments by evaluating the outstanding commitment levels, the expected conversion to loans, historical loss estimates, and other relevant factors. This evaluation is inherently subjective and actual losses may vary from current estimates. Changes in the reserve are reported in earnings in the periods they become known. The reserve for unfunded commitments is included in other liabilities in the accompanying statements of condition.

At **December 31, 2010** and 2009, the recorded liability was **\$0.5 million** and \$0.0 million.

Premises and equipment, including leasehold improvements and software, are stated at cost less accumulated depreciation and amortization. Equipment under capital leases is stated at the present value of minimum lease payments. Depreciation on premises and equipment is calculated on a declining balance basis over the estimated useful lives of the assets. The estimated useful life of buildings is 39 years, with some external elements using 15 years. The estimated useful life of software is 3 years and furniture and equipment is 5 to 7 years. Equipment held under capital leases and leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Maintenance and repairs are expensed as incurred, while betterments and construction costs are capitalized.

Federal Reserve Bank stock is a required holding of capital stock of the Federal Reserve Bank and is carried in other assets in the accompanying statements of condition at cost and periodically evaluated for impairment based on ultimate recovery of par value, (**\$2,196** as of **2010** and 2009). Calculation of the stock requirement is based solely on the capital structure of the bank.

Federal Home Loan Bank stock is a required stock holding of the Federal Home Loan Bank of Seattle (Seattle Bank) and is carried in other assets in the accompanying statements of condition at cost and periodically evaluated for impairment based on ultimate recovery of par value, (**\$2,139** as of **2010** and 2009). The minimum stock requirement is calculated based on the bank's assets or qualifying loans, whichever applies.

Other real estate and equipment owned consists principally of properties and equipment acquired through foreclosure and is carried at the lower of fair value at acquisition date or current estimated fair value net of disposal costs. At the time the property or equipment 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 to foreclosure, costs associated with holding the property or equipment are charged to expense as incurred. Subsequent write-downs and gains and losses recognized on the sale of these properties are included in noninterest expense.

Loan Commitments and Related Financial Instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Purchased mortgage servicing rights (PMSRs) are capitalized at their initial purchase price, not to exceed net future servicing income at the time of acquisition. **Originated mortgage servicing rights** (OMSRs) are capitalized based on their fair value when the corresponding loans are sold. The purchased or originated rights to service loans are amortized in relation to the estimated period of net servicing income. The carrying value of mortgage servicing rights (MSRs) is evaluated on a disaggregated basis relative to loans originated in a given quarter for impairment if there are changes in market conditions, payoffs or loan delinquencies. Impairment of MSRs is recognized through a charge to noninterest income when the MSRs' carrying amount exceeds its current fair value. MSRs are included in other assets in the accompanying statements of condition and are amortized into mortgage loan servicing income.

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Mortgage loan servicing fees are based on a percentage of the interest collected and are included in income as related loan payments from mortgagors are collected offset by the accretion of the servicing rights cost.

Investments in limited partnerships, where the underlying assets are qualified affordable housing projects, are accounted for using either the cost method or equity method, depending on investment ownership percentage. Under the cost method, the bank amortizes the excess of the carrying amount of the investment over its estimated residual value during the periods in which tax credits are allocated to the bank. Under the equity method, the bank includes its proportionate share of income or loss in other noninterest income or expense.

Bankcard fees include income from interchange fees on both credit and debit cards, merchant fees earned on credit transactions, and miscellaneous set up and equipment rental fees. The bank recognizes fee revenue as it is earned and collectibility is reasonably assured. Expenses related to rebate reward programs are recorded when earned by cardholders.

Income taxes are accounted for in accordance with Accounting Standards Codification (ASC) Topic 740. A current income tax asset or liability is recognized for estimated taxes payable or refundable on current year income tax returns. A deferred tax asset or liability is recognized for future tax effects attributable to temporary differences arising between the tax bases of assets or liabilities and their reported amounts in the financial statements. The measurement of current and deferred tax assets and liabilities is based on provisions of enacted tax law. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date. In the event the bank does not expect to realize future tax benefits, a valuation allowance would be established to reduce the amount of deferred tax assets.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings per common share are computed on the basis of the weighted average number of shares outstanding. The weighted average number of shares outstanding were **332,054** as of **December 31, 2010**, 333,415 as of December 31, 2009 and 344,361 for the year ended December 31, 2008. The bank does not have any potentially dilutive securities.

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassifications have been made to conform 2009 and 2008 financial statement data with the 2010 presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

NOTE 2 - CASH AND CASH EQUIVALENTS *(dollars in thousands)*

The bank is required to maintain an average daily reserve balance with the Federal Reserve Bank, or maintain such reserve balance in cash. The average daily reserve balance for the two-week maintenance period which encompassed **December 31, 2010**, 2009 and 2008, was **\$7,758**, \$6,518 and \$8,961, respectively.

NOTE 3 - SECURITIES *(dollars in thousands)*Amortized cost and fair values of securities, available-for-sale by maturity date, as of **December 31, 2010**:

SECURITIES, AVAILABLE-FOR-SALE	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
U.S. TREASURY SECURITIES:				
Maturity:				
within one year	\$31,020	\$361	\$ —	\$31,381
after 1 but within 5 years	148,565	854	91	149,328
after 5 but within 10 years	43,400	14	359	43,055
Total U.S. Treasury Securities	222,985	1,229	450	223,764

U.S. GOVERNMENT-SPONSORED ENTERPRISES:

Maturity:				
within one year	279,757	3,985	12	283,730
after 1 but within 5 years	581,282	11,355	2,451	590,186
Total U.S. Government-Sponsored Enterprises	861,039	15,340	2,463	873,916

STATES AND POLITICAL SUBDIVISIONS:

Maturity:				
within one year	16,898	214	34	17,078
after 1 but within 5 years	40,016	1,411	42	41,385
after 5 but within 10 years	3,597	154	40	3,711
Total States And Political Subdivisions	60,511	1,779	116	62,174

CORPORATE BONDS:

Maturity:				
within one year	35,080	94	3	35,171
after 1 but within 5 years	100,329	571	1,344	99,556
after 5 but within 10 years	5,472	64	—	5,536
Total Corporate Bonds	140,881	729	1,347	140,263
Total Securities, Available-For-Sale	\$1,285,416	\$19,077	\$4,376	\$1,300,117

Within the state and political subdivisions category, the largest concentrations of available-for-sale securities are held in Washington with 27%, Alaska with 25%, Oregon with 14% and Pennsylvania with 13% of the category.

Amortized cost and fair values of securities, held-to-maturity by maturity date, as of **December 31, 2010**:

SECURITIES, HELD-TO-MATURITY	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
CORPORATE BONDS:				
Maturity:				
within one year	\$23,000	\$232	\$—	\$23,232
Total Corporate Bonds Held-to-Maturity	23,000	232	—	23,232
Total Securities, Held-to-Maturity	\$23,000	\$232	\$—	\$23,232

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at **December 31, 2010**, were as follows:

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE
Available-for-sale:						
U.S. Treasury Securities	\$450	\$62,380	\$—	\$—	\$450	\$62,380
U.S. Government agencies and corporations	\$2,463	\$197,063	\$—	\$—	\$2,463	\$197,063
States and political subdivisions	\$82	\$6,689	\$34	\$1,647	\$116	\$8,336
Corporate Bonds	\$1,347	\$61,754	\$—	\$—	\$1,347	\$61,754
Total	\$4,342	\$327,886	\$34	\$1,647	\$4,376	\$329,533

The unrealized holding losses on investments are the result of increasing interest rates. The contractual terms of these investments do not permit the issuer to redeem the securities at a price less than par, or at a time in which the securities amortized cost would be less than par. Because the bank has the ability and intent to hold these investments until the market price exceeds the bank's amortized cost, or maturity, these investments are not considered other-than-temporarily impaired.

Unrealized losses on corporate bonds have not been recognized into income because the issuer(s) bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the bond(s) approach maturity.

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

SECURITIES, AVAILABLE-FOR-SALE	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
U.S. TREASURY SECURITIES:				
Maturity:				
within one year	\$19,999	\$170	\$ —	\$20,169
after 1 but within 5 years	41,545	930	—	42,475
Total U.S. Treasury Securities	61,544	1,100	—	62,644
U.S. GOVERNMENT-SPONSORED ENTERPRISES:				
Maturity:				
within one year	369,743	5,564	12	375,295
after 1 but within 5 years	623,967	13,600	548	637,019
Total U.S. Government-Sponsored Enterprises	993,710	19,164	560	1,012,314
STATES AND POLITICAL SUBDIVISIONS:				
Maturity:				
within one year	18,969	263	—	19,232
after 1 but within 5 years	36,836	1,767	36	38,567
after 5 but within 10 years	8,325	525	—	8,850
Total States And Political Subdivisions	64,130	2,555	36	66,649
CORPORATE BONDS:				
Maturity:				
after 1 but within 5 years	40,166	345	—	40,511
Total Corporate Bonds	40,166	345	—	40,511
Total Securities, Available-For-Sale	\$1,159,550	\$23,164	\$596	\$1,182,118

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

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

SECURITIES, HELD-TO-MATURITY	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
CORPORATE BONDS:				
Maturity:				
after 1 but within 5 years	\$23,000	\$1,222	\$ —	\$24,222
Total Corporate Bonds Held-to-Maturity	23,000	1,222	—	24,222
Total Securities, Held-to-Maturity	\$23,000	\$1,222	\$ —	\$24,222

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at **December 31, 2009**, were as follows:

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE
Available-for-sale:						
U.S. Government agencies and corporations	\$560	\$147,309	\$—	\$—	\$560	\$147,309
States and political subdivisions	\$2	\$582	\$ 34	\$ 1,660	\$36	\$2,242
Total	\$562	\$147,891	\$ 34	\$ 1,660	\$596	\$149,551

The unrealized holding losses on investments are the result of increasing interest rates. The contractual terms of these investments do not permit the issuer to redeem the securities at a price less than par, or at a time in which the securities amortized cost would be less than par. Because the bank has the ability and intent to hold these investments until the market price exceeds the bank's amortized cost, or maturity, these investments are not considered other-than-temporarily impaired.

Investment securities with carrying amounts of **\$717,604** and \$728,673 at **December 31, 2010** and 2009, respectively, were pledged to secure public and trust deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

Gross realized gains on the disposition of investment securities totaled **\$242**, \$105, and \$118 in **2010**, 2009 and 2008, respectively. Realized losses on the disposition of investment securities were **\$0**, \$17 and \$0 for **2010**, 2009, and 2008, respectively.

NOTE 4 - LOANS (dollars in thousands)

Loan maturity and rate sensitivity of the loan portfolio as of **December 31, 2010**:

	MATURITY			LOANS, GROSS
	WITHIN 1 YEAR	AFTER 1 BUT WITHIN 5 YEARS	AFTER 5 YEARS	
Commercial and industrial	\$85,467	\$115,956	\$72,494	\$273,917
Real estate	23,440	79,021	792,233	894,694
Consumer and other	6,284	8,374	3,256	17,914
Nontaxable states and political subdivision obligations	14,611	4,033	11,513	30,157
Loans, Gross	\$129,802	\$207,384	\$879,496	\$1,216,682
Loans at fixed interest rates	\$129,528	\$167,708	\$614,801	\$912,037
Loans at variable interest rates	274	39,676	264,695	304,645
Loans, Gross	\$129,802	\$207,384	\$879,496	\$1,216,682

There were unearned discounts as of **December 31, 2010** and 2009 of **\$73** and \$224, respectively.

Net loan origination fees for which recognition has been deferred to future periods as of **December 31, 2010** and 2009, were **\$7,550** and \$7,419, respectively.

Other real estate, acquired through foreclosure, resulted in a reduction to loans of **\$12,118**, \$12,345 and \$4,410 in **2010**, 2009 and 2008, respectively. Loans made to facilitate the sales of other real estate were **\$2,020**, \$2,201 and \$2,594 in **2010**, 2009 and 2008, respectively.

Real estate loans serviced for others as of **December 31, 2010** and 2009, were **\$1,291,183** and \$1,316,102 respectively. Reserve balances, associated with these loans and held in non-interest bearing demand accounts, amounted to **\$10,305** and \$10,332 as of **December 31, 2010** and 2009, respectively.

Nonaccrual loans totaled **\$36,031** and \$55,128 at **December 31, 2010** and 2009, respectively, net of deferred fees and interest collected of **\$5,540** and \$4,525, respectively. The bank has commitments to lend additional funds to debtors whose loans are nonperforming in the amount of **\$0** at **December 31, 2010**.

At **December 31, 2010** and 2009, the net recorded investment in loans that are considered to be impaired was **\$37,965** and \$56,907, respectively, (of which \$35,578 and \$55,128, respectively, were on a nonaccrual basis). A specific allowance of **\$5,000** and \$9,000 was established for the impaired loans in **2010** and 2009, respectively. The average recorded investment in impaired loans was **\$44,988**, \$73,083 and \$60,794 during **2010**, 2009 and 2008, respectively. The amount of interest income recognized on impaired loans during **2010**, 2009, and 2008, respectively was **\$69**, \$375 and \$66, respectively.

The loan portfolio consists of the following at **December 31**,

	2010	2009
Commercial and industrial	\$273,917	\$234,695
Real estate construction	232,625	237,780
Real estate mortgage	189,061	182,270
Real estate commercial	473,008	491,104
Consumer and other	17,914	19,652
Nontaxable states and political subdivision obligations	30,157	18,172
Loans, Gross	\$1,216,682	\$1,183,673

As of **December 31, 2010** and 2009 the aggregate indebtedness of all related parties (directors and executive officers of the bank and their family members) was **\$199** and \$199, respectively. The aggregate indebtedness of these parties did not exceed five percent of equity during **2010** or 2009.

NOTE 5 - ALLOWANCE FOR LOAN LOSSES (dollars in thousands)

Activity in the Allowance for Loan and Lease Losses:

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

	2010	2009	2008
Balance, January 1,	\$18,000	\$19,000	\$19,500
Loan Charge-Offs:			
Commercial and industrial	728	474	1,107
Real estate	2,763	7,632	3,275
Consumer and other	209	498	411
Total Loan Charge-Offs	3,700	8,604	4,793
Loan Recoveries:			
Commercial and industrial	564	377	304
Real estate	244	334	59
Consumer and other	413	268	455
Total Loan Recoveries	1,221	979	818
Net Loan Charge-Offs	2,479	7,625	3,975
Provision for loan losses	(521)	6,625	3,475
Balance, December 31,	\$15,000	\$18,000	\$19,000

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2010:

	COMMERCIAL & INDUSTRIAL	REAL ESTATE	CONSUMER & OTHER	TOTAL
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$1,000	\$4,000	\$—	\$5,000
Collectively evaluated for impairment	1,541	7,805	654	10,000
Total ending allowance balance	\$2,541	\$11,805	\$654	\$15,000
Loans:				
Individually evaluated for impairment	\$4,638	\$33,327	\$—	\$37,965
Collectively evaluated for impairment	281,840	886,412	17,922	1,186,174
Total loans outstanding balance	\$286,478	\$919,739	\$17,922	\$1,224,139
Deferred loan fees, net				(\$7,457)
Total loans				\$1,216,682

At **December 31, 2010** and 2009 the bank had loans of **\$9.1 million** and \$0 classified as troubled debt restructurings, which are included in impaired loans. These loans had allocated specific reserves of **\$2.4 million** and \$0 as of **December 31, 2010** and 2009, respectively. The bank has committed to lend additional amounts totaling up to **\$ 0.5** and \$ 0 as of **December 31, 2010** and 2009 to customers with outstanding loans that are classified as troubled debt restructurings.

The following table summarizes our nonaccrual loans and loans past due by loan class as of **December 31,**

DECEMBER 31, 2010						
	30-89 DAYS PAST DUE	GREATER THAN 90 DAYS & ACCRUING	TOTAL PAST DUE	NONACCRUAL	CURRENT	TOTAL LOANS
Commercial and Industrial	\$903	\$—	\$903	\$3,493	\$282,082	\$286,478
Real Estate						
Construction and development	1,405	—	1,405	18,481	212,796	232,682
1-4 and multifamily residential	1,926	100	2,026	1,764	187,483	191,273
Commercial real estate	2,451	—	2,451	12,293	481,040	495,784
Consumer and other	123	—	123	—	17,799	17,922
Total	\$6,808	\$100	\$6,908	\$36,031	\$1,181,200	\$1,224,139
Deferred loan fees, net						(\$7,457)
Total loans						\$1,216,682

The following table summarizes impaired loans by class as of **December 31,**

DECEMBER 31, 2010

	UNPAID PRINCIPAL BALANCE	RECORDED INVESTMENT	RELATED ALLOWANCE
With no allowance recorded			
Commercial and Industrial	\$2,556	\$2,323	\$—
Real Estate			
Construction and other	5,112	4,289	—
1-4 and multifamily residential	2,346	2,122	—
Commercial real estate	13,805	11,309	—
Consumer and other	—	—	—
With an allowance recorded			
Commercial and Industrial	2,777	2,315	1,000
Real Estate			
Construction and other	17,572	14,328	3,785
1-4 and multifamily residential	729	729	200
Commercial real estate	597	550	15
Consumer and other	—	—	—
Total			
Commercial and Industrial	5,333	4,638	1,000
Real Estate	40,161	33,327	4,000
Consumer and other	—	—	—
Total	\$45,494	\$37,965	\$5,000

The bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The bank analyzes loans individually by classifying loans as to credit risk. Formal analysis of classified loans is performed quarterly, including all loans 60 days delinquent. Ongoing evaluation of certain performing loans is conducted through internal credit examinations and loan committee reviews.

The bank uses the following definitions for risk ratings:

Pass/Watch. Loans classified as pass/watch include current loans performing in accordance with contractual terms, pools of homogenous residential real estate and installment/consumer loans that are not individually risk rated and loans which exhibit certain risk factors that require greater than usual monitoring by management.

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful/Loss. Loans classified as doubtful/loss have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following table summarizes our internal risk rating by loan class based on the most recent analysis performed as of **December 31,**

DECEMBER 31, 2010

	PASS/ WATCH	SPECIAL MENTION	SUB- STANDARD	DOUBTFUL /LOSS	TOTAL
Commercial and Industrial	\$262,937	\$18,081	\$5,269	\$191	\$286,478
Real Estate					
Construction and development	202,806	6,135	23,600	141	232,682
1-4 and multifamily residential	176,157	7,555	7,433	128	191,273
Commercial real estate	470,542	11,226	14,016	—	495,784
Consumer and other	17,714	201	7	—	17,922
Total	\$1,130,156	\$43,198	\$50,325	\$460	\$1,224,139
Deferred loan fees, net					\$(7,457)
Total					\$1,216,682

NOTE 6 - PREMISES AND EQUIPMENT (dollars in thousands)

The following is a summary of the major components of premises and equipment as of **December 31,**

	2010	2009
Land	\$12,991	\$12,991
Bank premises	63,773	62,810
Leasehold improvements	638	638
Furniture and equipment	33,451	32,266
Total Premises And Equipment	110,853	108,705
Accumulated depreciation and amortization	68,787	65,719
Premises And Equipment, Net	\$42,066	\$42,986

Depreciation and amortization expense on premises and equipment for the year ended **December 31, 2010,** 2009 and 2008 totaled **\$3,715,** \$3,470 and \$3,521, respectively.

NOTE 7 - OTHER REAL ESTATE OWNED (dollars in thousands)

The following is an analysis of the changes in other real estate owned:

	2010	2009
Balance, January 1,	\$13,572	\$5,169
Acquired upon foreclosure	12,118	12,345
Capitalized improvements	348	44
Dispositions	(3,385)	(3,986)
Balance, December 31,	22,653	13,572
Less Devaluation Reserves:		
Balance, January 1,	(4,240)	(638)
Impairments subsequent to foreclosure	38	(4,015)
Dispositions	(221)	413
Balance, December 31,	(4,423)	(4,240)
Other Real Estate Owned, Net	\$18,230	\$9,332

Net losses on sales of other real estate owned included in other noninterest expense for the years ended **December 31,** **2010,** 2009 and 2008, totaled **\$127,** \$3,812 and \$448, respectively, which includes impairments recorded subsequent to foreclosure in the amounts of **\$387,** \$4,015, and \$639 for the comparative years then ended.

NOTE 8 - MORTGAGE SERVICING RIGHTS *(dollars in thousands)*

The following is an analysis of the changes in mortgage servicing rights:

	2010	2009
Balance, January 1,	\$3,535	\$3,494
Additions:		
Capitalization of servicing assets	1,791	2,210
Subtractions:		
Amortization	(1,699)	(1,788)
Accelerated amortization due to early payoffs	(238)	(381)
Balance, December 31,	\$3,389	\$3,535

Mortgage servicing rights (MSRs) are accounted for under the amortization method. MSRs are included in other assets. MSRs are initially recorded at estimated fair value and are then amortized in proportion to and over the period of estimated net servicing income. The fair value of MSRs is estimated at the present value of the estimated expected future cash flows using a discount rate equivalent with the risks involved. MSRs are amortized against mortgage loan servicing income over seven years based upon prepayment assumptions. Those prepayment assumptions predict mortgages will payoff or refinance at lower levels during the first 30 months and at a constant level over the remaining 54 months. Accordingly, MSRs are amortized against mortgage loan servicing income at higher levels during the initial 30 months. If actual payments received exceed the prepayment assumptions, an impairment is recorded.

NOTE 9 - DEPOSITS *(dollars in thousands)*

Total deposits by type of depositor as of **December 31,**

	2010	2009
Deposits of individuals, partnerships, and corporations	\$1,787,977	\$1,642,295
Deposits of U.S. Government	348	384
Deposits of states and political subdivisions	7,202	6,470
Other deposits	188	581
Total Deposits	\$1,795,715	\$1,649,730

As of **December 31, 2010** and 2009, the aggregate deposit overdrafts of **\$218** and \$365, respectively, have been reclassified as loan balances.

As of **December 31, 2010** and 2009, the aggregate deposits of related parties (directors and executive officers of the bank and their family members) were **\$60,661** and \$43,486, respectively.

Time deposits have aggregate maturities as of **December 31** as follows:

	2010
Maturity:	
2011	\$141,745
2012	10,073
2013	2,877
2014	2,566
2015	1,793
Thereafter	349
Total Time Deposits	\$159,403

Included in time deposits are certificates of deposit in amounts of \$100 or more in the amount of **\$81,775** and \$95,389 as of **December 31, 2010** and 2009, respectively.

Interest expense on deposits was as follows:

	FOR YEARS ENDED DECEMBER 31,		
	2010	2009	2008
Savings	\$1,317	\$1,245	\$2,958
NOW	89	97	1,800
Money market	182	276	785
Time - less than \$100	574	1,153	2,078
Time - \$100 or more	938	1,761	2,271
Total Interest Expense On Deposits	\$3,100	\$4,532	\$9,892

NOTE 10 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE *(dollars in thousands)*

Selected balances and rates are as follows:

	2010	2009	2008
Maximum monthly average balance	\$542,438	\$559,126	\$542,753
Average daily balance	\$527,710	\$502,397	\$514,767
Average rate during year	0.13%	.17%	1.09%
Average rate at December 31,	0.13%	.13%	.27%

Investment securities with carrying amounts of **\$556,861** and \$574,914 at **December 31, 2010** and 2009, respectively, were pledged to secure securities sold under agreements to repurchase. As of December 31, 2010 all repurchase agreements matured within 1 day.

NOTE 11 - NOTES PAYABLE *(dollars in thousands)*

The bank purchased investments in two national limited partnerships that provide within their asset portfolio housing for low and moderate-income Alaskans living in Anchorage. The investments are included in other assets and are funded through installment payments on two subscription notes as follows:

	2010	2009
Face value Promissory Note payable in ten annual installments, with final payment due January 1, 2014, secured by a limited partnership interest	\$612	\$844
Face value Promissory Note payable in ten annual installments, with final payment due January 1, 2015, secured by a limited partnership interest	1,076	1,413
Total Face Value Before Discounts	1,688	2,257
Discount on notes payable with imputed interest rates of 6.61% to 7.02%	(214)	(345)
Notes Payable, Net Of Discount	\$1,474	\$1,912

Aggregate maturities of notes payable for each of the five years subsequent to **December 31, 2010** and thereafter are:

2011	\$—
2012	555
2013	540
2014	522
2015	71
Thereafter	—
Total	\$1,688

NOTE 12 - LEASES (dollars in thousands)

The bank is obligated under a capital lease covering mail equipment. The gross amount of mail equipment, including installation costs, and related accumulated amortization recorded under the capital lease was as follows for **December 31**,

	2010	2009
Furniture and equipment	\$942	\$942
Accumulated amortization	(912)	(888)
Capitalized Lease Equipment, Net	\$30	\$54

Amortization of assets held under capital leases is included with depreciation expense.

The bank is party to various operating leases for the rental of premises and equipment. Total rental expenses for bank premises and equipment were **\$798**, \$812 and \$804 as of **December 31, 2010**, 2009 and 2008, respectively.

Aggregate minimum rental commitments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of **December 31, 2010** were:

	CAPITAL LEASES	OPERATING LEASES
Year ended December 31:		
2011	\$55	\$164
2012	9	85
2013	—	57
2014	—	48
2015	—	20
Thereafter	—	—
Total Minimum Lease Payments	\$64	\$374
Amount representing interest at 4.5% - 5%	(2)	
Present Value Of Net Minimum Capital Lease Payments	\$62	

NOTE 13 - SHAREHOLDERS' EQUITY

At the special shareholders meeting held on November 19, 2008, the bank was authorized to repurchase up to \$100 million worth of its outstanding common stock from time to time on the open market as well as through privately negotiated transactions. The repurchase program originally expired on August 22, 2009 and was renewed annually with current expiration on April 7, 2011. Repurchases are funded from available capital and retired.

During 2010, the bank repurchased no shares of common stock. The bank repurchased a total of 12,705 shares of common stock through the program representing an aggregate purchase price of \$20.494 million, which equates to an average price per share of \$1,613. The repurchase transactions were accounted for as a reduction in common stock and retained earnings. The surplus balance of **\$40,000** as of **December 31, 2010** and 2009 has historically been maintained to comply with regulatory requirements. Changes to surplus require regulatory approval.

At the July 22, 2010 Board of Directors meeting, cash dividends of \$12.50 per share were declared, payable March 15, 2011 to shareholders of record as of March 1, 2011. This dividend was subject to regulatory approval which was withheld from consideration until first quarter 2011. This dividend was not accrued as of December 31, 2010. Subsequent to year-end, the bank received regulatory approval for this dividend.

NOTE 14 - LITIGATION

From time to time in the normal course of business, various claims are asserted against the bank. Management and legal counsel are of the opinion that ultimate resolution of the matters presently known to exist will not have a material effect on the bank's financial statements.

The bank's payment services include acquisition of Visa credit card transactions from merchants who use the bank's merchant services. In order to be able to acquire those transactions the bank is a member of the Visa U.S.A. credit card association.

During 2004, Discover Financial Services, Inc. filed an action against Visa U.S.A. and others seeking treble damages and injunctive relief under Federal antitrust laws. Also in 2004, American Express Travel Related Services Company, Inc. filed a similar action against Visa U.S.A. and others. There is other related litigation as well.

During 2007, Visa closed a restructuring of its organization. As part of this re-organization, the Visa U.S.A. by-laws were amended and included an indemnification provision whereby the bank, as a member of Visa U.S.A., is required to indemnify Visa for acts and omissions of the bank related to the Visa network and for certain specified litigation involving Visa U.S.A. An escrow arrangement was established anticipating the use of escrowed funds to pay the amount of certain Visa U.S.A. litigation expenses and settlements, including the Discover and American Express cases discussed above. Consequently, under ASC Topic 460, the bank was required to measure the indemnification obligation related to the Visa litigation at fair value.

In late 2007 and 2008, respectively, Visa Inc., Visa U.S.A. and Visa International entered into agreements with American Express and Discover Financial Services to resolve all current litigation between them. Under the agreements Visa Inc. agreed to pay American Express some \$2.065 billion and some \$1.888 billion to Discover Financial Services. The bank's membership proportion according to the number of shares it was issued upon restructuring was 0.034121% and is currently 0.03299% after share repurchase adjustments.

The bank has carried reserves for litigation expense in other liabilities for proportional exposure under these matters deemed covered litigation by VISA Inc. since 2007. The reserve is **\$1.2 million** and \$1.5 million as of **December 31, 2010** and 2009 respectively, and was recorded through charges to noninterest expense in the amounts of **\$0.0 million**, \$0.0 million and \$1.5 million in **2010**, 2009 and 2008 respectively. The bank has not recorded in its financial statements any value for its membership interest in Visa Inc.

The bank has **\$0.9 million** and \$0.8 million escrow receivable included in other assets as of **December 31, 2010** and December 31, 2009 respectively, representing the bank's proportionate share of remaining escrowed funds Visa set aside to the purpose of settling these litigation claims. During **2010**, 2009 and 2008, the bank recorded **\$0.4 million**, \$0.2 million, and \$1.4 million in noninterest income reflecting the value of its proportionate common shares attributed to the bank in escrow funds.

The specified litigation discussed above includes outstanding unresolved claims against Visa U.S.A., which are complex and subject to substantial uncertainty and unspecified damages. As such, the ultimate outcome of the cases and corresponding indemnification may be significantly different than the fair value estimated in the December 31, 2010 financial statements.

NOTE 15 - MORTGAGE LOAN SERVICING INCOME (dollars in thousands)

Mortgage loan servicing income is comprised of the following:

	2010	2009	2008
Mortgage loan servicing fees	\$4,590	\$4,850	\$4,403
Amortization of costs	(1,699)	(1,788)	(1,890)
Accelerated amortization due to early payoffs	(238)	(381)	(173)
Mortgage Loan Servicing Income	\$2,653	\$2,681	\$2,340

NOTE 16 - EMPLOYEE BENEFIT PLANS (dollars in thousands)

The bank has a qualified non-contributory profit sharing plan for all employees. Vesting begins at 20% after completion of two full years of service, increasing 20% per year until fully vested at the completion of six years of service. The annual profit sharing contribution can be made only from profits and the amount is determined by the Board of Directors.

The bank offers a 401(k) plan for all employees whom have attained 18 years of age. Participants are allowed to make voluntary salary deferral of up to 50% of their eligible pay subject to certain limitations. For 2010, the maximum amount that may be deferred by participant is \$16,500. Additionally, participants who reach the age of 50 by the end of the calendar year are eligible to make a "catch-up contribution" in an amount up to \$5,500.

The bank will make matching contributions equal to 50% of the portion of each participant's before-tax contributions (excluding "catch-up contributions") that do not exceed 7.5% of the participant's eligible pay. The participant's salary deferral plus any earnings they generate are 100% vested. Matching contributions made by the bank, including any earnings generated, are vested beginning at 20% after completion of two full years of service, increasing 20% each year until fully vested at six years of service. The 2010 combined limit of all employee and employer contributions to an individual participant's account is \$49,000.

The contribution to the profit sharing and 401(k) plan was **\$1,500** for each of the years ended **December 31, 2010**, 2009 and 2008.

NOTE 17 - OTHER NONINTEREST EXPENSE (dollars in thousands)

Other operating expense is comprised of the following:

	2010	2009	2008
Professional services	\$2,416	\$2,407	\$2,254
FDIC insurance	2,076	2,278	184
Postage, freight and express	1,523	1,363	1,392
Software licensing fees	1,521	1,485	1,494
Other general expense	10,318	13,413	12,587
Other Noninterest Expense	\$17,854	\$20,946	\$17,911

NOTE 18 - PROVISION FOR INCOME TAXES (dollars in thousands)

The provision for income taxes is comprised of the following as of **December 31**,

	2010	2009	2008
Current:			
Federal	\$17,944	\$13,186	\$21,249
State	2,675	871	2,973
Total Current	20,619	14,057	24,222
Deferred:			
Federal	123	3,153	(1,114)
State	22	550	(195)
Total Deferred	145	3,703	(1,309)
Provision For Income Taxes	\$20,764	\$17,760	\$22,913

Income tax expense differed from the Federal statutory rate of 35% for **2010**, 2009 and 2008 for the following reasons:

	2010	%	2009	%	2008	%
Tax expense at Federal statutory rate	\$21,400	35.00 %	\$19,221	35.00 %	\$23,034	35.00 %
Increase (decrease) resulting from:						
State tax, net of Federal tax effect	1,727	2.82 %	1,066	1.94 %	1,768	2.69 %
Disallowed interest expense	20	0.03 %	32	0.06 %	93	0.14 %
Interest exempt from Federal taxation	(1,128)	(1.85)%	(1,283)	(2.34)%	(1,324)	(2.01)%
Other items, net	(1,255)	(2.05)%	(1,276)	(2.33)%	(658)	(1.00)%
Provision For Income Taxes	\$20,764	33.95 %	\$17,760	32.33 %	\$22,913	34.82 %

The tax effect of temporary differences that give rise to the bank's deferred tax assets and deferred tax liabilities are comprised of the following:

	2010	2009
Deferred Tax Assets:		
Allowance for loan losses	\$6,167	\$7,400
Mortgage servicing rights	857	1,813
Interest collected on nonperforming loans	2,277	1,184
Vacation accrual	1,165	1,111
Accumulated depreciation and amortization	1,102	727
Other real estate owned valuation reserve	1,904	1,743
Other	608	489
Total Deferred Tax Assets	14,080	14,467
Deferred Tax Liabilities:		
Net unrealized holding gain on securities, available-for-sale	6,043	9,278
Net deferred loan fees	2,287	2,309
Low income housing projects	761	790
Deferred loan costs	460	439
Other	880	1,092
Total Deferred Tax Liabilities	10,431	13,908
Net Deferred Tax (Liabilities) Assets	\$3,649	\$559

Net deferred tax assets and net liabilities are included in other assets and other liabilities in the statements of condition, respectively. The bank believes that it is more likely than not that the previous taxes paid and results of future operations will generate sufficient taxable income to realize deferred tax assets.

The bank does not have any material uncertain tax positions or unrecognized tax benefits for additional disclosure in the financial statements.

The total amount of interest and penalties recorded in the income statement for the years ended December 31, 2010, 2009 and 2008 were immaterial and no amounts are accrued for interest and penalties at December 31, 2010 or 2009.

The bank is subject to U.S. federal income tax as well as income tax for the state of Alaska and various other state income and franchise taxes. The bank is no longer subject to examination by taxing authorities for years before 2007.

During January and February 2011 the bank purchased at a discount approximately \$2.2 million in tax credits under the Alaska Film Production Incentive Program which awards transferable tax credits to film producers who choose to film in Alaska. These credits can be used towards the bank's State of Alaska tax liability and are fully negotiable and assignable for up to three years from issuance. The bank anticipates fully utilizing the credits against a portion of its State of Alaska tax liability. The bank will consider additional purchases under the Alaska Film Production Incentive Program in the future to offset future State of Alaska tax obligations.

NOTE 19 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS *(dollars in thousands)*

GAAP requires disclosure of the estimated fair values of certain financial assets and liabilities, both on and off-balance sheet, for which it is practical to estimate the fair value. Because the estimated fair values provided herein exclude disclosure of the fair value of certain other financial instruments and all non-financial instruments, any aggregation of the estimated fair value amounts presented would not represent the underlying value of the Bank. Examples of non-financial instruments having significant value include the future earnings potential of significant customer relationships and the value of the Bank's trust department operations and other fee-generating businesses. In addition, other significant assets including property, plant, and equipment and mortgage servicing rights for portfolio loans are not considered financial instruments and, therefore, have not been valued.

Various methodologies and assumptions have been utilized in management's determination of the estimated fair value of the Bank's financial instruments, which are detailed below. The fair value estimates are made at a discrete point in time based on relevant market information. Because no market exists for a significant portion of these financial instruments, fair value estimates are based on judgments regarding future expected economic conditions, loss experience, and risk characteristics of the financial instruments. These estimates are subjective, involve uncertainties, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates. In addition to the valuation methodology explained above for financial instruments recorded at fair value, the following methods and assumptions were used in estimating the fair value of financial instruments that are carried at cost in the Statements of Condition as of December 31, 2010 and 2009.

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

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

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

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

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

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

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

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

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

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

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

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

Subscriptions to purchase Federal Reserve Bank stock: The fair value is the difference between the contract price and the current offered price, which is generally the par value.

The fair value estimates presented herein are based on pertinent information available to management as of **December 31, 2010**. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Amounts and estimated fair value of financial instruments as of **December 31,**

	2010		2009	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
FINANCIAL ASSETS				
Cash and cash equivalents	\$74,269	\$74,269	\$169,572	\$169,572
Securities:				
Available-for-sale	\$1,300,117	\$1,300,117	\$1,182,118	\$1,182,118
Held-to-maturity	\$23,000	\$23,232	\$23,000	\$24,222
Real estate loans to be sold	\$20,854	\$20,898	\$10,798	\$10,798
Loans:				
Commercial and industrial	\$271,376	\$270,461	\$230,340	\$231,539
Real estate	882,912	891,413	898,412	913,994
Consumer and other	17,260	17,076	18,749	18,601
Nontaxable states and political subdivision obligations	30,134	35,519	18,172	19,971
Total Loans	\$1,201,682	\$1,214,469	\$1,165,673	\$1,184,105
Federal Reserve Bank stock	\$2,196	N/A	\$2,196	N/A
Federal Home Loan Bank stock	\$2,139	N/A	\$2,139	N/A
Interest receivable	\$14,486	\$14,486	\$15,907	\$15,907

FINANCIAL LIABILITIES

Deposits:				
Non-interest bearing	\$780,772	\$780,772	\$707,005	\$707,005
Interest bearing:				
Savings	477,956	477,956	423,748	423,748
NOW	176,090	176,090	169,990	169,990
Money market	201,494	201,494	180,682	180,682
Time	159,403	161,602	168,305	171,142
Total Interest Bearing	1,014,943	1,017,142	942,725	945,562
Total Deposits	\$1,795,715	\$1,797,914	\$1,649,730	\$1,652,567
Securities sold under agreements to repurchase	\$473,136	\$473,136	\$537,748	\$537,748
Federal funds purchased	\$25,000	\$25,000	—	—
Notes payable and capital lease obligations	\$1,536	\$1,536	\$2,025	\$2,025
Interest payable	\$279	\$279	\$571	\$571

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

	2010		2009	
	CONTRACTUAL AMOUNT	ESTIMATED FAIR VALUE	CONTRACTUAL AMOUNT	ESTIMATED FAIR VALUE
Assets:				
Loan commitments	\$323,835	\$1,688	\$322,187	\$1,460
Bankcard commitments	\$76,111	—	\$70,627	—
Standby and commercial letters of credit	\$20,488	\$176	\$25,721	\$226
Liabilities:				
Subscriptions to purchase Federal Reserve Bank stock	\$2,196	—	\$2,196	—

In accordance with ASC Topic 820, we measure some of the financial assets and financial liabilities disclosed in the following tables at fair value in three levels based on the markets in which the assets and liabilities are traded and reliability of the assumptions used to determine fair value. The levels are:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, or interest in open-end mutual funds that allow the Bank to sell its ownership interest back to the fund at net asset value (NAV) on a daily basis. Valuations are obtained from readily available pricing sources for market transactions involving identical assets, liabilities, or funds.

Level 2 - Valuations for assets and liabilities traded in less active dealer, or broker markets, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active. Level 2 includes U.S. Treasury, U. S. government and agency debt securities, and mortgage-backed securities. Valuations are usually obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, such as option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS *(dollars in thousands)*

DESCRIPTION	DECEMBER 31, 2010	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL3)
Securities:				
U.S. Treasury	\$223,764	\$223,764	—	—
U.S. Government agencies	873,916	—	\$873,916	—
States and political subdivisions	62,174	—	62,174	—
Corporate bonds	140,263	—	140,263	—
Securities Total	\$1,300,117	\$223,764	\$1,076,353	—

DESCRIPTION	DECEMBER 31, 2009	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL3)
Securities:				
U.S. Treasury	\$62,644	—	\$62,644	—
U.S. Government agencies	1,012,314	—	1,012,314	—
States and political subdivisions	66,649	—	66,649	—
Corporate bonds	40,511	—	40,511	—
Securities Total	\$1,182,118	—	\$1,182,118	—

For investment securities, where quoted prices are available in an active market for identical securities they are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models and quoted prices of securities with similar characteristics. Where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy. No securities were classified as Level 3 during 2010 and 2009.

The majority of the bank's investments are in high-quality short term U.S. Treasury, 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 December 31, 2010 the bank had no investments in Fannie Mae or Freddie Mac common or preferred stock or mortgage-backed securities.

ASSETS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS *(dollars in thousands)*

DESCRIPTION	DECEMBER 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 YEAR ENDED DECEMBER 31, 2010
Impaired loans:					
Commercial and Industrial	\$1,315	—	—	\$1,315	\$(244)
Real Estate	11,607	—	—	11,607	(1,336)
Other real estate owned:					
Construction and development	6,031	—	—	6,031	(165)
Commercial	2,522	—	—	2,522	(62)
Bank premise	784	—	—	784	(67)
Total	\$22,259	—	—	\$22,259	\$(1,874)

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 YEAR ENDED DECEMBER 31, 2009
Impaired loans	\$31,131	—	—	\$31,131	\$148
Originated mortgage servicing rights	3,423	—	—	3,423	(354)
Other real estate owned	9,332	—	—	9,332	(3,917)
Total	\$43,886	—	—	\$43,886	\$(4,123)

Certain impaired loans are evaluated based on the fair value of collateral, which is derived from appraisals that take into consideration prices in observed transactions involving similar assets in similar locations, in accordance with provisions of ASC Topic 310. The bank may apply management-determined discount factors to appraisal valuations to take into consideration changing market conditions.

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

Other real estate owned is carried at the lower of fair value at acquisition or current estimated value net of disposal costs, which is derived from current appraisals. 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.

ASC Topic 825 provides an option to selectively report financial assets and financial liabilities at fair value and establishes presentation and disclosure requirements. The bank did not elect the fair value option for any additional financial assets or liabilities as of December 31, 2010. The bank may adopt this guidance for financial assets and liabilities in the future as permitted under the guidance.

NOTE 20 - CREDIT ARRANGEMENTS *(dollars in thousands)*

The bank had a committed line of credit, secured by investment securities, of **\$104,293** and \$107,958 from the Federal Reserve Bank at a rate of **0.75%** and 0.50% as of **December 31, 2010** and 2009, respectively. The bank also had a committed line of credit, secured by multifamily and first lien single family mortgages, of **\$89,927** and \$83,100 from the Federal Home Loan Bank Seattle at a rate of **0.75%** and 0.64% as of **December 31, 2010** and 2009, respectively. In addition, the bank also had federal funds arrangements available from unaffiliated banks of **\$20,000** and \$25,000, at a rate estimated at **0.25%** as of **December 31, 2010** and 2009. There were no outstanding balances against these lines of credit as of **December 31, 2010** or 2009.

NOTE 21 - COMMITMENTS AND CONTINGENCIES *(dollars in thousands)*

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. Collateral varies but may include cash, securities, accounts receivable, inventory, premises and equipment, and real estate.

Amounts of off-balance-sheet commitments as of **December 31,**

	2010	2009
Loan commitments	\$322,934	\$322,187
Bankcard commitments	76,111	70,627
Commitments to fund mortgage loans to be sold	46,601	6,700
Total Loan Commitments	\$445,646	\$399,514
Commitments at fixed interest rates	\$146,569	\$107,795
Commitments at variable interest rates	299,077	291,719
Total Loan Commitments	\$445,646	\$399,514
Standby and commercial letters of credit	\$20,488	\$25,721
Subscriptions to purchase Federal Reserve Bank stock	\$2,196	\$2,196

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments have interest rates ranging from 3.25% to 16.5%.

As of **December 31, 2010** the bank held **\$2,139** of Federal Home Loan Bank Seattle (Seattle Bank) Class B stock that is included in other assets. The Seattle Bank is anticipated to report a risk-based capital deficiency as of December 31, 2010. This would mean they would not be able to redeem or repurchase any stock outstanding while a risk-based capital deficiency exists. They have not repurchased Class B stock since 2004 and did not pay a dividend in 2010. The bank has conducted an assessment and has concluded that an impairment is not necessary as of December 31, 2010.

NOTE 22 - REGULATORY MATTERS *(dollars in thousands)*

The bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the bank's financial statements.

The directors of the bank may declare and pay dividends as frequently and of such amount of undivided profits as they judge prudent, subject to certain restrictions on capital accounts as defined in Federal banking regulations.

Under 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 amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of **December 31, 2010**, that the bank meets all capital adequacy requirements to which it is subject.

As of **December 31, 2010**, the most recent notifications from the Comptroller of the Currency (OCC) categorized the bank as well capitalized under the regulatory framework for prompt corrective action for both **2010** and 2009. To be categorized as well capitalized, the bank is required to maintain minimum total risk-based, Tier I risk-based, Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The bank's actual amounts and ratios at **December 31, 2010** and 2009 are as follows:

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2010:						
Total Capital <i>(to Risk-weighted Assets)</i>	\$428,939	23.67%	\$144,960	8.00%	\$181,200	10.00%
Tier I Capital <i>(to Risk-weighted Assets)</i>	\$413,439	22.82%	\$72,480	4.00%	\$108,720	6.00%
Tier I Capital <i>(to Average Assets)</i>	\$413,439	14.78%	\$111,860	4.00%	\$139,826	5.00%
As of December 31, 2009:						
Total Capital <i>(to Risk-weighted Assets)</i>	\$457,454	27.08%	\$135,131	8.0%	\$168,913	10.0%
Tier I Capital <i>(to Risk-weighted Assets)</i>	\$439,454	26.02%	\$67,565	4.0%	\$101,348	6.0%
Tier I Capital <i>(to Average Assets)</i>	\$439,454	16.73%	\$105,074	4.0%	\$131,342	5.0%

The bank's principal source of funds for dividend payments are net income and cash provided by operations. Banking regulations limit the amount of dividends that may be paid without prior approval of the OCC. Under these regulations, the amount of dividends that may be paid in any calendar year is subject to the current year's net profits (net income less dividends paid), combined with the retained net profits of the preceding two years, subject to the minimum requirements for capital adequacy in the table above.

During 2010, the bank required OCC approval for the \$100 special cash dividend paid in December and consequently we anticipate the bank will require continued prior approval from the OCC for dividends until the earnings test can be met.

NOTE 23 - QUARTERLY FINANCIAL SUMMARY (UNAUDITED) (dollars in thousands)

The following table presents the summary results for the four quarters during the years ended 2010 and 2009:

QUARTERLY FINANCIAL SUMMARY (UNAUDITED) (dollars in thousands, except per share amounts)

Summary Of Operations	2010			
	FIRST	SECOND	THIRD	FOURTH
Interest and loan fee income	\$28,594	\$28,543	\$29,015	\$28,825
Interest expense	1,037	1,049	972	886
Net interest and fee income	27,557	27,494	28,043	27,939
Provision for loan losses	751	(226)	(45)	(1,001)
Net interest and fee income after provision for loan losses	26,806	27,720	28,088	28,940
Noninterest income	7,988	8,761	9,861	9,347
Noninterest expense	20,739	21,838	21,735	22,053
Income before taxes	14,055	14,643	16,214	16,234
Provision for income taxes	4,651	4,879	5,640	5,594
Net Income	\$9,404	\$9,764	\$10,574	\$10,640
Earnings Per Common Share	\$28.32	\$29.41	\$31.84	\$32.04
Summary Of Operations	2009			
	FIRST	SECOND	THIRD	FOURTH
Interest and loan fee income	\$29,685	\$30,524	\$30,525	\$30,301
Interest expense	1,504	1,465	1,432	1,165
Net interest and fee income	28,181	29,059	29,093	29,136
Provision for loan losses	1,899	1,379	1,797	1,550
Net interest and fee income after provision for loan losses	26,282	27,680	27,296	27,586
Noninterest income	8,090	8,677	9,832	8,575
Noninterest expense	20,273	21,272	21,339	26,216
Income before taxes	14,099	15,085	15,789	9,945
Provision for income taxes	4,574	5,004	5,214	2,968
Net Income	\$9,525	\$10,081	\$10,575	\$6,977
Earnings Per Common Share	\$28.31	\$30.28	\$31.82	\$21.01

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders,
First National Bank Alaska
Anchorage, Alaska:

We have audited the accompanying Statement of Condition of First National Bank Alaska ("the Bank") as of December 31, 2010, and the related statements of income, changes in shareholders' equity and comprehensive income, and cash flows for the year ended December 31, 2010. We also have audited First National Bank Alaska's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First National Bank Alaska as of December 31, 2010, and the results of its operations and its cash flows for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, First National Bank Alaska maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Crowe Horwath LLP
Crowe Horwath LLP

Oak Brook, Illinois
March 14, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders, First National Bank Alaska:

We have audited the accompanying statement of condition of First National Bank Alaska (Bank), as of December 31, 2009, and the related statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the two-year period ended December 31, 2009. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First National Bank Alaska as of December 31, 2009, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2009 in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Anchorage, Alaska
March 9, 2010

MANAGEMENT'S REPORT

March 14, 2011

To the Shareholders:

Financial Statements

The management of First National Bank Alaska ("the bank") is responsible for the preparation, integrity, and fair presentation of its published financial statements and all other information presented in this annual report. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and, as such, include amounts based on informed judgments and estimates made by management.

Internal Control

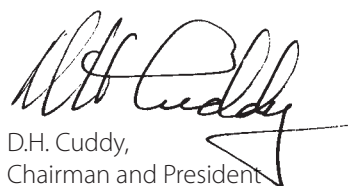
Management is responsible for establishing and maintaining adequate internal control over financial reporting, including safeguarding of assets, presented in conformity with both U.S. generally accepted accounting principles and the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions). The internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified.

There are inherent limitations in any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management assessed the bank's internal control over financial reporting, including safeguarding of assets, presented in conformity with both U.S. generally accepted accounting principles and call report instructions as of December 31, 2010. This assessment was based on criteria for effective internal control over financial reporting, including safeguarding of assets, established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31, 2010, the bank maintained effective internal control over financial reporting, including safeguarding of assets, presented in conformity with both U.S. generally accepted accounting principles and call report instructions.

The Audit Committee of the Board of Directors is comprised entirely of outside directors who are independent of the bank's management. The Audit Committee is responsible for recommending to the Board of Directors the selection of independent auditors. It meets periodically with management, the independent auditors and the internal auditors to ensure that they are carrying out their responsibilities. The Committee is also responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of the bank in addition to reviewing the bank's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of the internal control over financial reporting and any other matters which they believe should be brought to the attention of the Committee.

Crowe Horwath LLP has also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of First National Bank Alaska's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and their report dated March 14, 2011 expressed an unqualified opinion on the effectiveness of internal control over financial reporting.



D.H. Cuddy,
Chairman and President



Jason L. Roth, Senior Vice President,
Financial Division

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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) for the quarter ended December 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 December 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.

Additional information required by Item 9A is included in Item 8 on pages 57 and 59.

ITEM 9B. OTHER INFORMATION

None.

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The response to this item is incorporated by reference to First National Bank Alaska's Proxy Statement for the 2011 annual meeting of shareholders, pages 2 through 19.

The following table sets forth the Executive Officers of First National Bank Alaska, all of which serve at the pleasure of the Board of Directors.

NAME	AGE	DATE FIRST BECAME AN EXECUTIVE OFFICER	POSITIONS HELD DURING PRECEDING 5 YEARS
D. H. Cuddy	89	September 1, 1951	Chairman and President
Betsy Lawer	61	October 15, 1982	Vice Chair and Chief Operating Officer (COO through December 1, 2008)
William Renfrew	63	January 1, 1989	Senior Vice President and Regional Manager, Interior Alaska
Sue Foley	62	May 1, 1992	Senior Vice President, Central Support Division
Jason Roth	54	May 1, 1992	Senior Vice President, Financial Division
Doug Longacre	58	January 1, 1993	Senior Vice President, Branch Administration and Loan Division
David Lawer	60	April 19, 1993	Senior Vice President, Corporate Systems Division and General Counsel
David Stringer	62	January 1, 1996	Senior Vice President, Loan Servicing Division
Charles Weimer	50	January 1, 1999	Senior Vice President and Regional Manager, Kenai Peninsula
William Inscho	59	January 1, 2004	Senior Vice President, Commercial Lending
Craig Thorn	50	January 1, 2004	Senior Vice President and Regional Manager, Mat-Su Region

ITEM 11. EXECUTIVE COMPENSATION

The response to this item is incorporated by reference to the Proxy Statement, under the captions "Remuneration, Security Ownership of Management and Other Transactions With Management and Others".

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The response to this item is incorporated by reference to the Proxy Statement, under the caption "Security Ownership of Certain Beneficial Owners".

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The response to this item is incorporated by reference to the Proxy Statement, pages 2 through 19.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The response to this item is incorporated by reference to the Proxy Statement, under the caption "Relationship With Independent Public Accountants".

The Audit Committee annually approves at its January meeting, accounting fee limits for services to be provided by independent accountants for the calendar year.

All of the independent accountant services for the years ended December 31, 2010 and 2009 were pre-approved by the Audit Committee.

Part IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

The financial statements are included as Item 8 of this Form 10-K.

2. Financial Statement Schedules

All schedules have been omitted because the information is not required, not applicable, not present in amounts sufficient to require submission, or is included in the financial statements or notes thereto.

3. Page number references are to the First National Bank Alaska's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

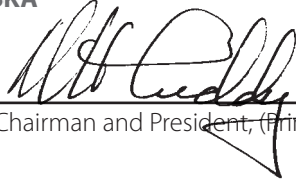
EXHIBIT NUMBER	EXHIBIT	PAGE(S)
(3) (I)	Articles of Association, as amended	17-18
(3) (ii)	Amended and Restated Bylaws	19-24
(3) (iii)	Special Shareholders' Meeting.	25

SIGNATURES

Pursuant to the requirements of Section 13, or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST NATIONAL BANK ALASKA

By: _____



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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

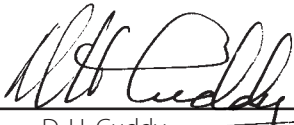
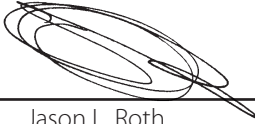
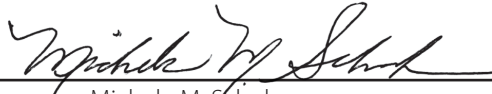
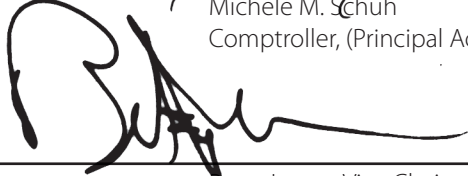
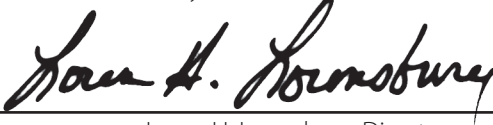


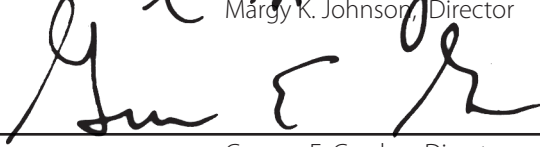

March 14, 2011 DATE	 D. H. Cuddy Chairman and President, (Principal Executive Officer)
March 14, 2011 DATE	 Jason L. Roth Senior Vice President, (Principal Financial Officer)
March 14, 2011 DATE	 Michele M. Schuh Comptroller, (Principal Accounting Officer)
March 14, 2011 DATE	 Betsy Lawer, Vice Chair
March 14, 2011 DATE	 Loren H. Lounsbury, Director
March 14, 2011 DATE	 Maurice J. Coyle, M.D., Director
March 14, 2011 DATE	 Margy K. Johnson, Director
March 14, 2011 DATE	 George E. Gordon, Director
March 14, 2011 DATE	 Jane Klopfer, Director

EXHIBIT 31.1

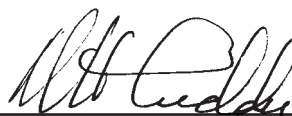
CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

1. I have reviewed this annual report on Form 10-K of First National Bank Alaska;
2. Based on my knowledge, this annual 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, 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 fourth 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:
 - (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.

March 14, 2011

Date:



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

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 annual report on Form 10-K of First National Bank Alaska;
2. Based on my knowledge, this annual 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, 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 fourth 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:
 - (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.

March 14, 2011

Date:



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

EXHIBIT 32


CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the First National Bank Alaska's ("bank") Annual Report on Form 10-K ("Report") for the period ending December 31, 2010, each of the undersigned hereby certifies, that:

- (1) To the best of my knowledge, the Report fully complies with the requirements of section 13(a) or 15(d) 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 respects, the financial condition and results of operation of the bank.

March 14, 2011

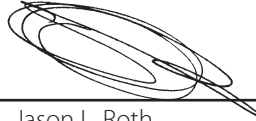
Date:



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

March 14, 2011

Date:



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