

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

FORM 10-Q

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

For the quarterly period ended June 30, 2007

FIRST NATIONAL BANK ALASKA

ALASKA

92-0006595

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

(907) 777-4362

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes No

There were **344,759** shares of \$100 par value common stock outstanding as of **June 30, 2007**.

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

PART I - ITEM 1.

(dollars in thousands)

ASSETS	June 30, 2007	December 31, 2006
Cash and cash equivalents:		
Cash and due from banks	\$90,543	\$66,471
Federal funds sold	115,922	43,758
Total Cash and Cash Equivalents	206,465	110,229
Securities, available-for-sale, at fair value	845,829	872,383
Mortgage loans held for sale	9,075	23,808
Loans, net of allowance for loan losses of \$17,500 and \$13,000 for 2007 and 2006	1,170,674	1,179,326
Premises and equipment, net	47,116	45,030
Other assets	45,869	41,867
Total Assets	\$2,325,028	\$2,272,643
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing	\$595,420	\$571,510
Interest bearing	764,044	782,485
Total Deposits	1,359,464	1,353,995
Securities sold under agreements to repurchase	508,664	462,409
Notes payable and capital lease obligations	3,488	4,072
Dividends declared	-	8,619
Other liabilities	11,362	9,087
Total Liabilities	1,882,978	1,838,182
Shareholders' Equity:		
Common stock, \$100 par value (Authorized: 2007 and 2006 - 400,000 shares Issued: 2007 and 2006 - 344,759 shares)	34,476	34,476
Surplus	40,000	40,000
Retained earnings	370,629	361,335
Accumulated other comprehensive loss	(3,055)	(1,350)
Total Shareholders' Equity	442,050	434,461
Total Liabilities and Shareholders' Equity	\$2,325,028	\$2,272,643

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

FOR THREE MONTHS ENDED
June 30,

Interest Income and Loan Fees	2007	2006
Interest and fees on loans	\$27,185	\$26,632
Interest and dividends on investment securities	9,920	8,057
Interest on Federal funds sold	1,521	1,026
Total Interest and Loan Fee Income	38,626	35,715
Interest Expense		
Interest on deposits	4,222	3,758
Interest on federal funds purchased and securities sold under agreements to repurchase	5,881	4,325
Interest on notes payable and capital lease obligations	56	65
Total Interest Expense	10,159	8,148
Net Interest and Loan Fee Income	28,467	27,567
Provision for loan losses	3,903	(340)
Net Interest And Loan Fee Income After Provision For Loan Losses	24,564	27,907
Noninterest Income		
Bankcard fees	4,740	4,361
Service charges on deposit accounts	1,520	1,701
Gain on sale of mortgage loans	382	350
Mortgage loan servicing income	480	369
Other noninterest income	1,817	1,705
Total Noninterest Income	8,939	8,486
Noninterest Expense		
Salaries and employee benefits	10,827	10,100
Occupancy, net	1,735	1,751
Furniture and equipment	870	966
Bankcard	3,877	3,653
Other noninterest expense	3,447	3,500
Total Noninterest Expense	20,756	19,970
Income Before Taxes	12,747	16,423
Provision for income taxes	4,513	6,210
NET INCOME	\$8,234	\$10,213
Earnings Per Common Share (not in thousands)	\$23.88	\$29.62
Cash Dividends Paid Per Common Share (not in thousands)	\$25.00	\$25.00

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

FOR SIX MONTHS ENDED
June 30,

Interest Income and Loan Fees	2007	2006
Interest and fees on loans	\$53,958	\$52,588
Interest and dividends on investment securities	19,346	15,661
Interest on Federal funds sold	2,343	1,713
Total Interest and Loan Fee Income	75,647	69,962
Interest Expense		
Interest on deposits	8,344	7,266
Interest on federal funds purchased and securities sold under agreements to repurchase	11,164	7,975
Interest on notes payable and capital lease obligations	113	129
Total Interest Expense	19,621	15,370
Net Interest and Loan Fee Income	56,026	54,592
Provision for loan losses	4,198	672
Net Interest And Loan Fee Income After Provision For Loan Losses	51,828	53,920
Noninterest Income		
Bankcard fees	8,779	7,955
Service charges on deposit accounts	3,022	3,353
Gain on sale of mortgage loans	689	628
Mortgage loan servicing income	899	693
Other noninterest income	3,611	3,419
Total Noninterest Income	17,000	16,048
Noninterest Expense		
Salaries and employee benefits	21,339	20,123
Occupancy, net	3,631	3,505
Furniture and equipment	1,797	2,056
Bankcard	7,130	6,874
Other noninterest expense	6,862	6,752
Total Noninterest Expense	40,759	39,310
Income Before Taxes	28,069	30,658
Provision for income taxes	10,156	10,570
NET INCOME	\$17,913	\$20,088
Earnings Per Common Share (not in thousands)	\$51.96	\$58.27
Cash Dividends Paid Per Common Share (not in thousands)	\$50.00	\$50.00

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

Comprehensive Income	For Three Months Ended June 30,	
	2007	2006
Net Income	\$8,234	\$10,213
Other Comprehensive Income, net of taxes:		
Increase in unrealized net holding gains (losses) during period, net of tax effect of \$2,363 and \$1,130, 2007 and 2006	(3,385)	(1,619)
Net Losses Recognized in Other Comprehensive Income	(3,385)	(1,619)
Comprehensive Income	\$4,849	\$8,594

Comprehensive Income	For Six Months Ended June 30,	
	2007	2006
Net Income	\$17,913	\$20,088
Other Comprehensive Income, net of taxes:		
Increase in unrealized net holding gains (losses) during period, net of tax effect of \$1,190 and \$2,102, 2007 and 2006	(1,705)	(3,011)
Net Losses Recognized in Other Comprehensive Income	(1,705)	(3,011)
Comprehensive Income	\$16,208	\$17,077

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.

(dollars in thousands)

	For Six Months Ended June 30,	
Operating Activities	2007	2006
Net income	\$17,913	\$20,088
Adjustments to reconcile net income to net cash provided by operating activities	2,963	2,938
Net other operating activity	17,098	2,944
Net Cash Provided By Operating Activities	37,974	25,970
Investing Activities		
Proceeds from sales/maturities of securities, available-for-sale	172,977	274,706
Purchase of securities, available-for-sale	(148,728)	(264,069)
Net decrease (increase) in loans, net of undisbursed portion	3,764	(20,114)
Net other investing activity	(3,539)	(2,147)
Net Cash Provided By (Used In) Investing Activities	24,474	(11,624)
Financing Activities		
Net increase (decrease) in total deposits	5,469	(32,052)
Net increase in securities sold under agreements to repurchase	46,256	96,764
Payments on notes and capital leases	(699)	(697)
Dividends paid	(17,238)	(17,238)
Net Cash Provided by Financing Activities	33,788	46,777
Increase in cash and cash equivalents	96,236	61,123
Cash and cash equivalents, January 1,	110,229	89,789
Cash and Cash Equivalents, June 30,	\$206,465	\$150,912
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$19,382	\$15,295
Cash paid during the period for income taxes	\$10,841	12,070
Increase in unrealized holding gains (losses) on available-for-sale securities, net of deferred tax of \$1,190 and \$2,102, 2007 and 2006	(\$1,705)	(\$3,011)

See accompanying notes to condensed financial statements.

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

PART I - ITEM 1.
(dollars in thousands)

Shareholders' Equity

Balance, January 1, 2007	\$434,461
Net income for the six months ended June 30, 2007	17,913
Cash dividends declared on common stock	(8,619)
Increase in accumulated other comprehensive loss	(1,705)
Balance, June 30, 2007	\$442,050

See accompanying notes to condensed financial statements.

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ITEM 1. NOTES TO CONDENSED FINANCIAL STATEMENTS

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

In the opinion of management, adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2007, are not necessarily indicative of the results anticipated for the year ending December 31, 2007. These condensed financial statements should be read in conjunction with the Bank's Annual Report to Shareholders for the year ended December 31, 2006, which is incorporated by reference as an exhibit.

Management affirms all of its accounting policies as described in the Bank's Annual Report to Shareholders. During the six month period ended June 30, 2007, the Bank has not changed any of its policies or altered the way it formulates critical accounting estimates.

Earnings per share are computed on the basis of the weighted average number of shares outstanding of 344,759 for June 30, 2007 and 2006.

Certain reclassifications have been made to conform 2006 financial data to the 2007 presentation.

During 2007, the Financial Accounting Standards Board (FASB) has issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The Bank believes the adoption of this Statement will have no impact on the financial statements of the Bank.

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PART 1**

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

MATERIAL CHANGES IN FINANCIAL POSITION

The following table provides condensed balance sheet change analysis for the current quarter ended June 30, 2007, previous quarter ended March 31, 2007 and December 31, 2006:

<u>Dollars in thousands</u>				
	June 30, 2007	% Change	March 31, 2007	December 31, 2006
Cash and equivalents	\$206,465	13%	\$182,230	\$110,229
Securities, available-for-sale	845,829	2%	828,094	872,383
Total loans, net	1,179,749	3%	1,147,169	1,203,134
Premises and equipment, net	47,116	6%	44,509	45,030
All other assets	45,869	17%	39,200	41,867
Total Assets	\$2,325,028	4%	\$2,241,202	\$2,272,643
Noninterest bearing deposits	\$595,420	13%	\$527,855	\$571,510
Interest bearing deposits	764,044	-1%	768,146	782,485
Securities sold under agreement to repurchase	508,664	6%	480,986	462,409
All other liabilities	14,850	-19%	18,396	21,778
Shareholders' equity	442,050	-1%	445,819	434,461
Total Liabilities and Shareholders' Equity	\$2,325,028	4%	\$2,241,202	\$2,272,643

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PART 1

MATERIAL CHANGES IN FINANCIAL POSITION, continued

The following table provides condensed, comparative balance sheets and composition percentages as of the current quarter ended June 30, 2007, previous quarter ended March 31, 2007 and December 31, 2006:

Dollars in thousands						
	June 30, 2007	% of Total	March 31, 2007	% of Total	December 31, 2006	% of Total
Cash and equivalents	\$206,465	9%	\$182,230	8%	\$110,229	5%
Securities, available-for-sale	845,829	36%	828,094	37%	872,383	38%
Total loans, net	1,179,749	51%	1,147,169	51%	1,203,134	53%
Premises and equipment, net	47,116	2%	44,509	2%	45,030	2%
All other assets	45,869	2%	39,200	2%	41,867	2%
Total Assets	\$2,325,028	100%	\$2,241,202	100%	\$2,272,643	100%
Noninterest bearing deposits	\$595,420	25%	\$527,855	24%	\$571,510	25%
Interest bearing deposits	764,044	33%	768,146	34%	782,485	35%
Securities sold under agreement to repurchase	508,664	22%	480,986	21%	462,409	20%
All other liabilities	14,850	1%	18,396	1%	21,778	1%
Shareholders' equity	442,050	19%	445,819	20%	434,461	19%
Total Liabilities and Shareholders' Equity	\$2,325,028	100%	\$2,241,202	100%	\$2,272,643	100%

Management Summary

Total assets increased \$83.8 million (3.7%) during the second quarter of 2007. This growth in assets was funded by substantial quarterly increases in deposits of \$63.5 million and securities sold under agreements to repurchase of \$27.7 million. Customers in tourism, construction and state governmental activities drove these seasonal deposit increases as economic activity surges in the summer months. This additional funding was leveraged into quarterly loan growth of \$39.5 million, investments in securities of \$17.7 million and cash equivalents of \$24.2 million. Second quarter asset composition was unchanged from March 31, 2007. Shareholders' equity decreased \$3.8 million (0.8%) as a result of unrealized losses due to market value changes within the securities portfolio.

Total assets have increased \$52.4 million (2.3%) since December 31, 2006. Over the full six month period, the funding source of note has been the securities sold under agreements to repurchase which have increased \$46.3 million as commercial customers continue to be attracted by the bank's highest yielding products. In turn, the cash and cash equivalents are held at higher levels, up \$96.2 million over December 31, 2006, to provide liquidity for these accounts that are at record levels and can fluctuate without restriction.

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MATERIAL CHANGES IN FINANCIAL POSITION, continued

Loan Portfolio Analysis

The following table provides comparative loan portfolio detail as of the current quarter ended June 30, 2007, previous quarter ended March 31, 2007 and December 31, 2006:

<u>Dollars in thousands</u>			
	June 30, 2007	March 31, 2007	December 31, 2006
Commercial and industrial	\$263,350	\$227,207	\$261,304
Real estate	883,840	880,783	889,549
Consumer and other	24,679	23,341	24,674
Nontaxable states and political subdivision obligations	16,305	17,314	16,799
Total Loans, gross	1,188,174	1,148,645	1,192,326
Allowance for Loan Losses	(17,500)	(13,500)	(13,000)
Total Loans, Net	<u>\$1,170,674</u>	<u>\$1,135,145</u>	<u>\$1,179,326</u>

Loan volumes increased \$39.5 million (3.4%) at the end of the second quarter as compared to March 31, 2007 with portfolio growth most significant in the commercial and industrial category, which dropped in the first quarter with significant commercial payoff activity. The second quarter growth brought the loan portfolio back to levels reported as of December 31, 2006. The year to date fluctuating yet trending flat lending activity reflects the hesitancy in the statewide business environment as possible gas line proposals and potential special legislative sessions, to reconsider taxes on oil and gas companies doing business in Alaska, await outcome. These issues are significant to the future economic health of businesses and communities throughout the state.

Noteworthy in the second quarter is the upward adjustment in the allowance for loan losses by \$4.0 million to \$17.5 million or 1.47% of loans. Historically the Bank sees seasonal improvement in the performance of the loan portfolio during the second quarter as measured by delinquency rate and non-accrual loan levels. However, second quarter 2007 portfolio performance, primarily in construction and land development real estate loans, furthered concern initially signaled in the first quarter through the upward adjustment in the allowance of \$0.5 million. Non-accrual loans totaled \$48.7 million, \$33.8 million and \$29.7 million as of June 30, 2007, March 31, 2007, and December 31, 2006, respectively.

Management believes it has identified the material loans at risk and continues to undertake steps to strengthen them. It will take time for the outcome of these credits to resolve and these loans will continue to be a drain on financial resources until then.

Deposit Increases and Repurchase Agreements Growth

Deposits increased \$63.5 million (4.9%) in the second quarter, headlined by a substantial increase in non-interest bearing accounts of \$67.6 million (13%). Analysis of average balances in demand accounts shows increased levels in the Anchorage, Southeast, Fairbanks, and Kenai Peninsula regions reflecting

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PART 1**

MATERIAL CHANGES IN FINANCIAL POSITION, continued

the robust, seasonal economic activity across the state. Securities sold under agreements to repurchase rose \$27.7 million (5.8%) during the quarter, continuing the running quarterly growth trend in these attractive, higher-yielding products. New account openings in 2007 are running seven to one in relation to closed accounts and the overall number of accounts has increased approximately 14% during the current year.

Changes in Shareholders' Equity

Shareholders' equity decreased during the second quarter by \$3.8 million (0.8%), as accumulated other comprehensive losses increased \$3.4 million as the securities available for sale portfolio lost market value when measured against current investment yields and moved to a net unrealized holding loss of \$3.1 million at June 30, 2007 as compared to a net unrealized holding gain of \$0.3 million as of March 31, 2007 and an unrealized holding loss of \$1.4 million as of December 31, 2006.

Net income for the quarter ended June 30, 2007 is \$8.2 million and dividend declarations of \$8.6 million were recorded. Year to date net income of \$17.9 million, offset with the impact of second quarter dividends and a year to date accumulated other comprehensive loss of \$1.7 million, resulted in a year to date increase in shareholders' equity of \$7.6 million (1.7%).

LIQUIDITY AND CAPITAL RESOURCES

Liquidity management is the process by which banks provide the continuing flow of funds necessary to meet financial commitments on a timely basis. These commitments include withdrawals by depositors, funding credit commitments to borrowers, repaying debt when due, paying shareholder dividends and paying the expenses of operation.

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

Credit Facilities

The Bank's committed line of credit of \$17.3 million from the Federal Reserve Bank held a rate of 6.25% as of June 30, 2007. In addition, the Bank also has committed line of credit arrangements available from unaffiliated banks of \$175.0 million at rates of 5.25 – 5.63% as of June 30, 2007. There were no outstanding balances against these lines of credit as of June 30, 2007.

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LIQUIDITY AND CAPITAL RESOURCES, continued

Cash Flows

The following table provides comparative condensed cash flow statement highlights for the current quarter and year to date periods.

<i>Dollars in thousands</i>	Second Quarter		Year to Date	
	2007	2006	2007	2006
Net income	\$8,234	\$10,213	\$17,913	\$20,088
Adjustments to reconcile income to net cash provided by operating activities	2,124	1,376	2,963	2,938
Real estate loans to be sold	2,950	(3,130)	14,734	4,752
All other operating activity	<u>(4,831)</u>	<u>(4,775)</u>	<u>2,364</u>	<u>(1,808)</u>
Net Cash Provided by Operating Activities	8,477	3,684	37,974	25,970
Net maturities/purchases of securities, available-for-sale	(23,164)	(5,473)	24,249	10,637
Net (increase) decrease in loans	(40,183)	(3,335)	3,764	(20,114)
All other financing activity	<u>(3,389)</u>	<u>(1,098)</u>	<u>(3,539)</u>	<u>(2,147)</u>
Net Cash Provided by (Used in) Investing Activities	(66,736)	(9,906)	24,474	(11,624)
Net increase (decrease) in deposits	63,463	19,621	5,469	(32,052)
Net increase in securities sold under agreements to repurchase	27,679	19,502	46,256	96,764
Dividends paid	(8,619)	(8,619)	(17,238)	(17,238)
Payments on notes and capital leases	<u>(29)</u>	<u>(29)</u>	<u>(699)</u>	<u>(697)</u>
Net Cash Provided By Financing Activities	82,494	30,475	33,788	46,777
Increase in Cash and Cash Equivalents	\$24,235	\$24,253	\$96,236	\$61,123

During the second quarter, cash and equivalents increased \$24.2 million, consistent in total with second quarter 2006. Review of this quarter's relative components again demonstrate the strong second quarter growth in deposits and securities sold under agreements to repurchase that, in turn, were used for loan and securities investment.

For the six months ended June 30, 2007, cash and cash equivalents increased \$96.2 million, compared to \$61.1 million increase in 2006. Net cash provided by operating activities increased to \$38.0 million from \$26.0 million in 2006 through increased volume in investor loan production and sales. Net cash of \$24.5 million was provided by investing activities for the six months ended June 30, 2007 versus a use of cash during 2006 when the loan portfolio was growing on a year to date basis. Cash provided by financing activities was \$33.8 million as compared with cash provided by financing activities of \$46.8 million for the

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LIQUIDITY AND CAPITAL RESOURCES, continued

comparable 2006 period. Net increases in total deposits and securities sold under agreements to repurchase continued to provide cash, albeit not at the same high net levels of 2006.

Regulatory Capital

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

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

	June 30, 2007	December 31, 2006	To Be Well Capitalized Under Prompt Corrective Action Provisions
Total Capital Ratio	29.56%	28.95%	10.0%
Tier 1 Capital Ratio	28.44%	28.11%	6.0%
Tier 1 Leverage Ratio	19.45%	18.98%	5.0%

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MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION

The following table provides quarterly summary of operations data for five consecutive quarters ended June 30, 2007:

Dollars in thousands, except per share data and ratios

Quarterly Summary of Operations	2007			2006	
	Second	First	Fourth	Third	Second
Interest and Loan Fee Income	\$38,626	\$37,021	\$38,528	\$38,326	\$35,715
Interest Expense	10,159	9,462	9,621	9,453	8,148
Net Interest and Fee Income	28,467	27,559	28,907	28,873	27,567
Provision for Loan Losses	3,903	295	563	185	(340)
Net Interest and Fee Income After Provision for Loan Losses	24,564	27,264	28,344	28,688	27,907
Noninterest Income	8,939	8,061	7,903	9,694	8,486
Salaries and employee benefits	10,827	10,512	9,941	9,849	10,100
Noninterest Expense	9,929	9,491	9,553	10,428	9,870
Income Before Taxes	12,747	15,322	16,753	18,105	16,423
Provision for Income Taxes	4,513	5,643	5,858	6,916	6,210
Net Income	8,234	9,679	10,895	11,189	10,213
Earnings Per Common Share	\$23.88	\$28.08	\$31.60	\$32.45	\$29.62
Dividends Paid Per Common Share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average Assets	\$2,286,689	\$2,222,577	\$2,293,734	\$2,301,609	\$2,234,262
Average Total Equity	\$444,550	\$443,669	\$442,012	\$439,378	\$438,459
Annualized Ratio of Net Income to Average Assets	1.45%	1.76%	1.90%	1.93%	1.84%
Annualized Return on Average Equity	7.43%	8.85%	9.78%	10.10%	9.34%

Net income for the quarters ended June 30, 2007 and 2006 was \$8.2 million and \$10.2 million, respectively, significantly impacted by a charge during the current quarter to the provision for loan losses. While net interest and loan fee income rose \$0.9 million as interest rate margins continued to improve, this improvement was not adequate to offset the significant increase in the provision for loan losses of \$3.9 million. As a result, net interest and loan fee income after provision for loan losses was \$24.6 million and \$27.9 million as of the quarters ended June 30, 2007 and 2006, respectively.

Modest improvements in noninterest income and effective cost control over noninterest expenses held net noninterest expense to comparable levels for the quarterly periods. The provision for income taxes for the six months ended June 30, 2007 decreased slightly to an effective rate of 36.2% as compared to an effective rate of 34.5% during the same period of 2006.

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MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

The following table provides comparative average balances of interest earning assets, respective yields on a tax equivalent basis, and change analysis for the quarters ended June 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Second Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
Earning Assets						
Loans-Taxable	\$1,133,279	\$1,126,198	8.89%	8.72%		
Loans-Nontaxable	16,955	13,077	8.28%	8.80%		
Investment Securities-Taxable	802,017	835,717	4.73%	3.75%		
Investment Securities-Nontaxable	46,885	23,284	5.71%	5.79%		
Federal Funds Sold	115,215	82,318	5.30%	5.00%		
Total Earning Assets	\$2,114,351	\$2,080,594	7.04%	6.55%	0.41%	0.08%

Interest and loan fee income for the quarters ended June 30, 2007 and 2006 was \$38.6 million and \$35.7 million, respectively, for an increase of \$2.9 million or 8.2%. The tax equivalent yield on the average earning assets increased 49 basis points, from 6.55% in 2006 to 7.04% in 2007. Total average earning assets increased \$33.8 million, from \$2.081 billion at June 30, 2006 to \$2.114 billion as of June 30, 2007. Average loan levels increased \$15.0 million year over year, while average investment securities decreased \$10.1 million for the same period. The increasing volume of lending levels, along with their higher average yields and improving rates on investment securities provided improvements to interest and loan fee income in 2007.

The following table provides comparative average balances of interest bearing liabilities, respective yields, and change analysis for the quarters ended June 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Second Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
Interest Bearing Liabilities						
Savings	\$319,273	\$352,229	1.50%	1.31%		
First Rate	126,946	134,937	1.63%	1.55%		
First Investment Time	178,136	183,324	2.70%	2.51%		
	134,630	131,478	3.92%	2.86%		
Federal Funds Purchased	11	0	5.23%	-%		
Repurchase Agreements	526,062	408,360	4.48%	4.25%		
Other Debt	3,471	3,978	6.56%	6.70%		
Total Interest Bearing Liabilities	\$1,288,529	\$1,214,306	3.16%	2.69%	0.35%	0.12%

Interest expense for the quarters ended June 30, 2007 and 2006 was \$10.2 million and \$8.1 million, respectively, for an increase of \$2.0 million or 25%. Interest expense increases follow directly an increase in the interest rates paid for the total average aggregate interest bearing liabilities of 47 basis points, from 2.69% in 2006 to 3.16% in 2007. Total average aggregate outstanding interest bearing liabilities increased \$74.2 million from \$1.214 billion at June 30, 2006 to \$1.289 billion in 2007.

FIRST NATIONAL BANK ALASKA
FORM 10-Q
PART 1

MATERIAL CHANGES IN QUARTERLY RESULTS OF OPERATION, continued

The following table provides comparative average balances of interest earning assets, respective yields on a tax equivalent basis, and change analysis for the six month periods ended June 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Second Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
Earning Assets						
Loans-Taxable	\$1,132,588	\$1,124,174	8.92%	8.72%		
Loans-Nontaxable	16,951	13,159	8.15%	8.83%		
Investment Securities-Taxable	804,883	834,891	4.63%	3.67%		
Investment Securities-Nontaxable	43,574	22,450	5.75%	5.88%		
Federal Funds Sold	88,963	71,772	5.31%	4.81%		
Total Earning Assets	\$2,086,959	\$2,066,446	7.04%	6.52%	0.47%	0.05%

Interest and loan fee income for the six months ended June 30, 2007 and 2006 was \$75.6 million and \$70.0 million, respectively, for an increase of \$5.6 million or 8.0%. The tax equivalent yield on the average earning assets increased 52 basis points, from 6.52% in 2006 to 7.04% in 2007. Total average earning assets increased \$20.5 million, from \$2.066 billion at June 30, 2006 to \$2.087 billion as of June 30, 2007. Average loan levels increased \$12.2 million year over year, while average investment securities decreased \$8.9 million for the same period. The increasing volume of lending levels, along with their higher average yields and improving rates on investment securities provided improvements to interest and loan fee income in 2007.

The following table provides comparative average balances of interest bearing liabilities, respective yields, and change analysis for the six months ended June 30, 2007 and 2006:

<i>Dollars in thousands</i>	Average Second Quarter Balances		Average Yield		Change Due to	
	2007	2006	2007	2006	Rate	Volume
Interest Bearing Liabilities						
Savings	\$322,689	\$356,632	1.50%	1.29%		
First Rate	127,704	136,198	1.65%	1.48%		
First Investment Time	176,591	183,247	2.71%	2.40%		
	132,643	132,387	3.84%	2.75%		
Federal Funds Purchased	221	13	5.47%	-%		
Repurchase Agreements	498,473	392,344	4.51%	4.10%		
Other Debt	3,460	3,962	6.71%	6.74%		
Total Interest Bearing Liabilities	\$1,261,781	\$1,204,783	3.14%	2.57%	0.47%	0.10%

Interest expense for the six months ended June 30, 2007 and 2006 was \$19.6 million and \$15.4 million, respectively, for an increase of \$4.3 million or 27.7%. Interest expense increases follow directly an increase in the interest rates paid for the total average aggregate interest bearing liabilities of 57 basis points, from 2.57% in 2006 to 3.14% in 2007. Total average aggregate outstanding interest bearing liabilities increased \$57.0 million from \$1.205 billion at June 30, 2006 to \$1.262 billion in 2007.

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

MATERIAL CHANGES IN RESULTS OF OPERATION, continued

Provision for Loan Losses

The allowance for loan losses increased to \$17.5 million as of June 30, 2007, a \$4.0 million increase over the March 31, 2007 level and \$4.5 million over the December 31, 2006 reserve level. The allowance adjustment reflects increasing levels of classified and non-accrual loans recorded in the second quarter of 2007. The allowance for loan losses as a percentage of loans was 1.47% at June 30, 2007, 1.18% at March 31, 2007 and 1.09% as of December 31, 2006, respectively. Non-accrual loans totaled \$48.7 million, \$33.8 million and \$29.7 million as of June 30, 2007, March 31, 2007 and December 31, 2006, respectively. Non-accrual loans were \$16.1 million as of June 30, 2006. Non-accrual loans have increased substantially in the current period over previous levels. The Bank considers associated collateral and risk of loss in determining allowance for loan loss reserves and believes it maintains an allowance for loan losses adequate to cover the current estimate of probable losses.

Loan charge-offs, net of loan recoveries, were \$(97,000) and \$198,000 for the three and six months ended June 30, 2007, respectively.

Noninterest Income and Expenses

Noninterest income for the quarters ended June 30, 2007 and 2006 was \$8.9 million and \$8.5 million, respectively. Gains in Bankcard fee income accounted for \$0.4 million of the increase, however small improvements in all noninterest income categories were recorded with the exception of service charges which continued to show expected decreases, notably fees related to non sufficient funds.

Noninterest expense for the quarters ended June 30, 2007 and 2006 was \$20.8 million and \$20.0 million, respectively. Salaries and employee benefits increased \$0.7 million, or 7.2%, as wage inflation and medical costs increased at anticipated levels. Other noninterest expense categories were again held to consistent quarterly levels through prudent expense management.

Provision for Income Taxes

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

<i>Dollars in thousands</i>	Six month periods ended June and full year ended December		
	June 30, 2007	December 31, 2006	June 30, 2006
Income before taxes	\$28,069	\$65,516	\$30,658
Provision for income taxes	<u>10,156</u>	<u>23,344</u>	<u>10,570</u>
Net Income	\$17,913	\$42,172	\$20,088
Effective combined tax rate	36.2%	35.6%	34.5%

The effective tax rate reflected in the provision for income taxes for the six months ended June 30, 2007 is at an expected level and is slightly higher than the 2006 annual rate and the comparative six months in 2006 as 2006 was positively impacted by one-time adjustments in deferred taxes and resolution of outstanding state tax issues.

**FIRST NATIONAL BANK ALASKA
FORM 10-Q
PART 1**

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Bank believes that there have not been any material changes in quantitative and qualitative information about market risk since the year ended December 31, 2006.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The Bank's Principal Executive Officer and Principal Financial Officer have reviewed and evaluated the effectiveness of the Bank's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-14 (c) and 15d-14 (c) as of a date within ninety days before the filing date of this quarterly report (the "Evaluation Date"). 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.

Changes in internal controls. There were no significant changes in the Bank's internal controls or in other factors that could significantly affect those controls subsequent to the Evaluation Date.

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

ITEM 1. LEGAL PROCEEDINGS

From time to time in the normal course of business, various claims are asserted against the Bank. Management is of the opinion that ultimate resolution of matters presently known to exist will have no material effect on the Bank's financial statements.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
(19)	Annual Report to Shareholders for the year ended December 31, 2006
(31.1)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(32.2)	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Page number references are to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

<u>Exhibit Number</u>	<u>Exhibit</u>	<u>Page(s)</u>
(3) (i)	Articles of Association, as amended.....	17-18
(3) (ii)	Amended and Restated Bylaws.....	19-24
(3) (iii)	Special Shareholders Meeting.....	25

SIGNATURES

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

FIRST NATIONAL BANK ALASKA

/ s / D.H Cuddy

05/04/07

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

Date

/ s / Jason L. Roth

05/03/07

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

Date

/ s / Michele M. Schuh

05/03/07

Michele M. Schuh
Comptroller
(Principal Accounting Officer)

Date

EXHIBIT 31.1

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

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

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

EXHIBIT 31.1 - CERTIFICATION *(continued)*

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

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

/ s / D.H. Cuddy

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

05/04/07

Date

EXHIBIT 31.1

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

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

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

EXHIBIT 31.2 - CERTIFICATION *(continued)*

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

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

/ s / Jason L. Roth

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

05/03/07

Date

EXHIBIT 32.1

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

In connection with the First National Bank Alaska's ("Bank") Quarterly Report on Form 10-Q ("Report") for the period ending June 30, 2007, I, D.H. Cuddy, Chairman and President, certify, that:

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

/s / D.H. Cuddy

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

05/04/07

Date

EXHIBIT 32.2

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

In connection with the First National Bank Alaska's ("Bank") Quarterly Report on Form 10-Q ("Report") for the period ending June 30,2007, I, Jason L. Roth, Senior Vice President, certify, that:

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

/ s / Jason L. Roth

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

05/07/07

Date