



Letter of Comment No: 116  
File Reference: EITF03-1A

October 29, 2004

Mr. Lawrence Smith  
Director and Chairman of the Emerging Issues Task Force  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, Connecticut 06856

***Re: Proposed FASB Staff Position, EITF Issue 03-1-a, Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"***

Dear Mr. Smith,

Union Bankshares Corporation appreciates the opportunity to comment on the proposed Staff Position, issued on September 15, 2004 by the Financial Accounting Standards Board (FSP 03-1-a). Union Bankshares is one of the largest community banking organizations based in Virginia, serving the Central, Rappahannock, Williamsburg, and Northern Neck regions of the state. We operate four community banks, two mortgage companies, and a full service investment brokerage.

Each of the community banks in the Union Bankshares family have classified all of their investment securities as Available for Sale ("AFS") to provide maximum balance sheet flexibility in managing interest rate risk and liquidity needs. That means we might choose to sell an investment security in order to fund a customer loan request, offset the interest rate risk of a new loan, or both. Alternative means of managing these risks, including derivative products, are less accessible to community banks and would have costs associated with starting alternative risk management programs. When we need to sell an AFS investment to meet a customer need, the choice of the appropriate investment is based on the customer's banking need. We can not express an intent to hold each security in our AFS portfolio because we do not know which security will provide the most effective risk offset to future customer requests. We feel that requiring an "intent to hold" restricts prudent risk management, while we maintain that we have the important "ability to hold" each of our AFS investments.

Union Bankshares provides tables of market risk data relative to income and economic value of equity at risk to changes in interest rates, on Forms 10-Q and 10-K, which incorporate all of the company's interest bearing assets and liabilities. We think this is a superior form of disclosure to investors about the risks in our business and think that disclosing only a portion of any potential impairment (or writeup) through our income statement would be misleading and confusing to the users of our financial statements.

In conclusion, we believe that writing down potentially impaired securities on the balance sheet of a banking company is not consistent with prudent risk management and is too narrow a disclosure to be meaningful in the context of the interest rate risk in all bank asset and liability products.

Again, we thank you for the opportunity to comment on this proposal and appreciate your consideration of our views.

Sincerely,

Roy L. Andrew  
Financial Analyst  
Union Bankshares Corporation