

(INCORPORATED 1889)

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

Norwalk, Connecticut 06856

Letter of Comment No:

File Reference: EITF03-1A

RICHARD L. CLEMENTS, PRESIDENT RONALD D. SVOBODA, SR. VICE PRESIDENT ROBERT K. CLEMENTS, VICE PRESIDENT

DONNA L. MASON, CASHIER

RE: Proposed FASB Staff Position,

Dear Mr. Smith:

The American Exchange Bank wishes to comment on the proposed Staff Position, issued on September 15, 2004 by the Financial Accounting Standards Board (FSP 03-1-a) We are a \$32 million asset bank near Lincoln, NE.

- 1. I oppose the proposal to require an offset to earnings for the decrease in securities values which result from changes of market interest rates.
- 2. Such earnings changes would seriously impair this Bank's annual earnings, causing severe limitations on dividend payment ability and related debt service obligations of the Bank's holding company. The reported earnings would not reflect actual bank operation results.
- 3. If adopted, this rule would make it nearly impossible to purchase securities with longer maturities that might drop in market value. The result will be increased interest rate risk and decreased net interest margins for this Bank.
- 4. The change in market value of AFS securities is already reflected in our capital and is reported quarterly on call reports.
- 5. Non-publicly traded Banks such as ours do not pose a risk to the investing public who rely on earnings statements of publicly traded Banks. Privately owned banks should not be subject to this rule.
- 6. An "intent to hold" rule is inconsistent with AFS securities and would limit the bank's ability to manage its liquidity and interest rate risk.

Thank you for considering our concerns. You may contact me at the above address.

Very truly yours,

Richard L. Clements, President