Dennis A. Dysart Executive Vice President

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October 29, 2004

Letter of Comment No: 190 File Reference: EITF03-1A

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

n 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. Lawrence,

First Bank certainly appreciates the opportunity to comment on the proposed FASB Staff Position that was issued on September 15, 2004 by the Financial Accounting Standards Board (FSP 03-1-a). First Bank is a community bank located in the Shenandoah Valley in Virginia about 75 miles west of Washington, DC. We operate nine (9) retail branch locations in a rural marketplace, managing nearly \$400 million in assets. We are genuinely concerned about the Staff Position from the standpoint of producing accurate financial statements for our shareholders and the marketplace in general.

Since the implementation of FASB 115, First Bank has managed an investment portfolio that has been designated as 100% Available for Sale. We have been proactive from the standpoint of monitoring investment gains and losses and reporting them as an unrealized component of our equity position as required. The AFS designation allows our company to manage the portfolio to meet the ALM, liquidity and core earnings needs of our company as appropriate. On occasion, we transact investment swaps (sales and subsequent repurchases of more suitable assets) in order to meet the aforementioned needs. However, our understanding of the Staff Position is that such sales may actually "taint" our other similar investments in the portfolio, thereby requiring an immediate write-down of those assets via the income statement. Such a position does not consider the fact changes in market value of a given investment due to changes in interest rates are normally temporary in nature. Other factors such as credit ratings, interest payment history, and the ability to repay should also be considered as part of the analysis in determining whether the debt security is other-than-temporarily impaired. Furthermore, I am confident that First Bank has properly

Page 2, Mr. Lawrence Smith Letter October 29, 2004

positioned liquidity sources within its balance sheet structure that will allow us to hold the security to maturity. Obviously, we will receive full principal repayment at maturity, irrespective of interim, temporary changes in market value due to market rates. Furthermore, requiring companies to consider "intent-to-hold" within the AFS portfolio designation is completely contradictory and inconsistent with AFS.

Lastly, we believe it is extremely critical to consider the impact that a rising rate environment has on the market value of fixed-rate liabilities on the opposite side of the balance sheet. While realizing that short-term changes in interest rates will negatively impact the value of fixed-rate investment assets, it will certainly positively impact the market value of fixed-rate liabilities (both Certificates of Deposit and Other Borrowings). From the bank's perspective, a fixed-rate 36-month CD at 3.25% will obviously maintain a market value that is greater than book value as rates would increase in current market above the contract rate. This below market yield, created simply by changes in interest rates, will create a gain in the liability structure in similar fashion as the loss would be created with an investment asset. An argument could certainly be made than temporary losses in investment assets would be offset by the corresponding gains on liabilities. For this reason, as well as the fact that most changes in market value due to changes in rates are temporary, First Bank does not support the current FASB Staff Position.

Again, we appreciate the opportunity to comment on this proposal. Thank you for considering our position and feel free to contact either Mr. M. Shane Bell or Mr. Dennis A. Dysart at the phone number listed above if you would like to discuss our comments and position.

Sincerely,

/s/

/s/

Dennis A. Dysart Executive Vice President

M. Shane Bell Senior Vice President & CFO

cc: Harry S. Smith, President