



Financial Center
3100 Woburn Street
Bellingham, WA 98226
(360) 715-4200
FAX: (360) 715-4209

Business Banking Group
(360) 715-4255
FAX: 715-4252
Customer Service: (800) 584-8859
www.peoplesbank-wa.com

September 15, 2010

Mr. Russell Golden, Technical Director
Financial Accounting Standards Board
File Reference No. 1810-100
401 Merritt 7, P. O. Box 5116
Norwalk, CT 06856-5116

Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden,

Thank you for the opportunity to comment on the exposure draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* ("the proposal"). We are writing to communicate our concerns about the mark to market portion of this proposal. Peoples Bank is a \$1.1 billion community bank with twenty four branches in the northwest quadrant of Washington State.

The mark to market portion of this proposal would result in a significant revision to the accounting practices of community banks, and we do not believe this would add to the clarity or usefulness of our financial statements. The majority of our assets and liabilities do not have readily determinable market prices and the valuation of these assets and liabilities would rely on multiple assumptions made by management. Because of these subjective assumptions, valuation methods would vary dramatically from bank to bank, causing financial statements to be both less consistent and less clear.

We hold the vast majority of our loans and deposits until maturity and manage our balance sheet accordingly. Market value accounting would distract management from a long-term focus because of concerns about capital. Short-term fluctuations in market prices could put a bank in a capital position that will not allow it to grow, reducing the availability of credit to customers. It is likely that all banks would experience the same general pressure concurrently, which could result in a broad reduction in business expansion.

Mr. Russell Golden
Financial Accounting Standards Board
Page 2

We feel that the present accounting rules, which allow us to carry our assets and liabilities at book value, result in the clearest presentation possible when a bank's intent is to hold those assets to maturity. In addition, under the current rules, we already provide information about market value in the notes for use by those who might find this information beneficial.

We are also concerned about the costs associated with adopting this proposal. Our bank would need to devote a substantial amount of time to implementing this standard and would also need to pay additional fees for auditing. We feel that this would be a waste of resources that could be used much more productively in meeting the needs of our community.

Our current financial statements can easily be compared to other banks' financial statements. As investors, we also do not believe that mark to market accounting would help us to understand other banks' financial statements. In fact, we would look for underlying amortized cost values for our analysis. We feel that the information that is currently reported in the Call Report provides a very useful framework for analyzing bank performance and risk, and feel confident that this report is filed consistently across the banking industry.

Based on the above, we recommend that you drop the mark to market valuation proposal.

Thank you for your consideration.

Sincerely,



Lisa Holleman
Senior Vice President
Chief Financial Officer



Rachel Strachan, CPA
Assistant Vice President
Controller