

September 28, 2010

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"

Dear Mr. Golden:

On behalf of Bangor Savings Bank, we appreciate the opportunity to comment on the FASB's Exposure Draft (ED), "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities," which is to our memory the most significant and impactful proposal affecting our industry in FASB's history. Bangor Savings Bank is a Maine-chartered banking institution based in Bangor, Maine since 1852 with \$2.3 billion in total assets, and we are writing in our various capacities at the Bank (Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and Controller) to express our comments and opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

First and foremost we are strongly opposed to the ED's requirement that all financial instruments – most particularly loans and deposits – be reported at fair value (market value) on the balance sheet.

We believe current GAAP accounting already contemplates and permits sufficiently transparent valuation methodologies and guidance for recognizing the proper carrying basis for a bank's assets and liabilities relative to its banking business model and/or sporadic sales activities. Requiring a bank to account for all of its loans and deposits using the ED's proposed "fair value/market value" valuation methodologies will bear no reality to its underlying business model and will serve no meaningful purpose to its customers, shareholders, community stakeholders or any other third party users of its financial statements.

This point is further exacerbated by the fact that the ED's proposed approach to measuring the "fair value/market value" of the vast majority of a bank's loans and deposits would have to be limited to Level 3 based valuation methodologies due to the lack of quotes for them in active markets, dissimilarities of such instruments between banks and the geographic markets they serve and/or the lack of observable (and mutually acceptable) modeling inputs. And, Level 3 valuations are inherently and obviously the least reliable within FASB's own hierarchy. Which is why we believe that valuing and accounting for a bank's largest categories of assets and liabilities in a manner that

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could depend to such potentially varying degrees on the possible differing judgments and individual subjectivities of management, valuation consultants and independent auditors is highly opaque and fraught with whole new levels of financial reporting risks.

As such, we fail to see how adoption of the fair value portion of the ED will improve financial statement transparency and provide end users with a more consistent basis for comparing the financial statements of different financial institutions. In fact, we think the outcomes would be just the contrary. And, quite candidly, we consider FASB's proposed approach to fair value accounting by way of such a disproportionate dependency on the prospective use of Level 3 based valuations to be highly perplexing and disconcerting.

Finally, the costs and resources that banks would need to incur to comply with this new requirement would be significant. Banks would not only have to engage consultants to assist management with estimating and supporting our "fair value/market value" valuation methodologies but our independent auditors' fees will invariably increase due to the additional time and risks required to conduct their audits and prepare their attestations in conformity with the new requirements.

For the reasons stated above, we respectfully requests that the entire fair value section of the exposure draft be dropped.

II. COMMENTS ON LOAN IMPAIRMENT

We support the Board's efforts to revisit the methodologies used to estimate loan loss provisions. However, we have serious concerns about how such changes can be implemented by banks like ours. Specifically, we do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the ED's proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. As such, we respectfully recommend maintaining the current method.

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III. COMMENTS ON HEDGE ACCOUNTING

We support the change of the requirement that a hedge be "reasonably effective" (as opposed to being "highly effective"). However, it is very important that the term "reasonably effective" be better defined. In addition, the "shortcut" and the "critical terms match" methods should be maintained. Collectively, this would make it easier for banks like ours to implement and benefit from hedge accounting without incurring undue costs to comply with the hedge accounting rules.

Thank you for considering our comments.

Sincerely

James J. Conlon

President and Chief Executive Officer

Bangor Savings Bank

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EVP and Chief Financial Officer

Bangor Savings Bank

Christopher J. Nelson, CFA SVP and Chief Investment Officer

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