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

From: Tim Kenny [mailto:tkenny@southwesternbank.c
Sent: Thursday, November 04, 2004 11:02 AM
To: John Richter
Cc: David R. Schaefer; Maureen Carollo
Subject: EITF 03-1

Please accept this as Southwestern Bank's comment regarding EITF 03-1. The proposal drafted on March 31, 2004 provides guidance related to interpretation and implementation of FASB 115. In my opinion, the proposal should not be implemented due to the earnings volatility that would result from this change. Market values fluctuate continuously and are very volatile in regard to current market conditions. A loss recognized on an investment one month may change to a gain position the following month and the trend could continue depending on the current market environment. The fact that this volatility would be flowing directly to the bottom line has serious implications for banks with sizeable investment portfolios.

The AFS portion of a bank's portfolio was designed for liquidity purposes to allow banks to sell investments as needed to accommodate for loan growth or deposit runoff. The unrealized gain/loss reported on the balance sheet was designed to keep management and shareholders informed of the potential impact if the entire AFS portfolio was utilized for liquidity purposes. There are no advantages to be realized from this new proposal. Banks will be reluctant to sell an AFS investment at a loss for fear of the ramifications on the entire AFS portfolio. The tremendous volatility in market prices would only cause confusion for management, shareholders, and customers as the bottom line may be inflated or deflated in any given month depending on current investment pricing. I think that the current reporting for AFS investments is adequate and provides the information necessary for management and directors to make decisions regarding the investment portfolio. Southwestern Bank's vote would be to reject the new proposal and to continue to limit impairment of securities to creditworthiness rather than changes in market interest rates.

Sincerely,

Tim Kenny

CFO

Southwestern Bank

Oklahoma City, OK