

September 24, 2010

Mr. Russell Golden Technical Director Financial Accounting Standards Board

File Reference Number 1810-100, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

We appreciate the opportunity to comment on the above referenced exposure draft. While there are a number of issues with this ED, my comments are more specifically directed toward the practicality, benefit, expense, and pitfalls which will be incurred to comply with the proposal as it relates to financial assets.

At our bank, loans comprise the largest sector of financial assets and are held for the contract terms with no intent to sell. Under this proposal, these loans would be recorded on the balance sheet at fair value. Using this concept the traditional business model of customizing loans to meet the needs of our clients may be altered as to alleviate market risk. That is, making fixed-rate longer-term loans in a low interest rate environment would be replaced with variable rate loans or fixed rate loans with a shorter duration. We believe that implementing this proposal will have a significant impact on small business lending.

It is noteworthy to mention the impact that the adoption of this proposal will have on consumer lending. Of significance are those financial institutions that hold 30-year fixed rate mortgages. They likely would decline providing a conduit for home owners to "lock in" rates for an extended period of time. This in itself will exert downward pressure on the current real estate market that is already experiencing a glut in supply and further exacerbates the economic recovery. Furthermore, we feel the economics of a transaction should drive business decisions and products offered rather than the accounting and reporting of a transaction.

Furthermore, the methodology in determining fair value among banks for whole loans within their portfolios will vary from institution to institution resulting in less comparability, transparency, and more confusion among readers of the financial statements. Most of a bank's loan portfolio would require modeling using Level 3 inputs as there is no readily determinable market for these loans. In order to understand the reported fair value, one would have to digest the assumptions surrounding the interest rate, credit terms and conditions, and the competiveness in pricing the loans at inception. A number of these assumptions will be based on management's judgment.

Determining a fair value for financial instruments, both assets and liabilities, on an individual or transactional basis is inconsistent with our business model. Our business model is based on buildings

relationships with our customers through cross-selling multi-faceted business products, not individual transactions. The terms (rate, duration, etc) offered on our products are directly impacted by other business conducted by the customer with us. To value the components of a relationship individually as transactions is inconsistent with our internal processes and will not provide an accurate reflection of the economic value of a banking relationship.

Cost in implementing fair value accounting for financial assets and liabilities will rise. We expect costs to increase related to personnel, audit, and other third party expenses. In conjunction with the additional expenses, the complexity of determining fair value will result in less timeliness in issuing our press release which is counterintuitive to the FASB's goal of providing fair value information to investors on a more timely basis.

Fair value accounting will distort capital levels and ratios in financial institutions. It appears the theory behind recently issued accounting guidance, including interpretative guidance, directed toward the assets, liabilities and operations of financial institutions has not fully contemplated the impact of such guidance on financial institution's shareholders' equity and the corresponding capital ratios. Furthermore, it seems asinine for capital levels, whether measured by regulatory standards or tangible equity, to be determined based on assumptions used for fair valuing assets that do not have an active market. Investors must meander through the assumptions to determine whether or not an entity's capital really is as the value indicates. One would think that this exercise is an effort in futility that provides absolutely no benefit to management, to regulators, or to investors.

In talking with fellow bankers, institutional investors, and sell side analysts, we found no support for this ED. Both investors and analysts have issues with the variability of the assumptions used to determine fair value when an active market does not exist. As one investment banking analyst stated, "It is going to be a nightmare." No doubt, this is without question, one of the most far-reaching, controversial, and biased initiatives that the FASB has undertaken which has, to a degree, alienated the convergence with the IASB standards.

We support and recommend the mixed measurement model that consists of 1) amortized cost for use when a bank's business model is to hold those financial assets for collection or payment of contractual cash flows, and 2) fair value for those financial instruments held for sale. Financial institutions should be permitted to deploy their business models in their respective markets and the accounting should be conducive to such application of those models.

We strongly believe that the adoption of this ED will not provide the benefits or transparency that the FASB anticipates. The issue is very complex, subjective and does not match the banking models of traditional banks. Furthermore, providing fair values of instruments that rely largely on management's assumptions because the instruments do not have an active market provides no value to the reader of the financial statements. Thank you for your consideration of our comments.

Sincerely,

Stuart R. Johnson

Senior Executive Vice President

Chief Financial Officer