

October 17, 2012

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Mr. Feldman,

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am a 4th generation banker with 38 years at this bank that was founded by my great grandfather 119 years ago. I am very active in my community and banking organizations. I currently serve on the ICBA board directors and am on the board of directors of the Community Bankers of Wisconsin. I was named community banker of the year by CBW 5 years ago. We are a high performing bank and well respected in our community as a partner who develops lasting relationships. We avoid complex investments and only do what we understand. We retain capital. We exclusively serve customers in our community – a 25 mile radius of our only location. Most community banks operate this way and the existing risk based capital ratios derived from existing call report data provides an excellent measure of our risk profile.

I believe community banks should be allowed to continue using the current Basel I framework for computing their capital requirements. Basel III was designed to apply to the largest and internationally active banks and not community banks. Community banks did not engage in activities that severely depleted capital levels of the largest banks and created panic in the financial markets. We need tougher capital standards exclusively on the largest banks due to the risks they take and the impact of failure of these huge and complex institutions.

I know the new proposed risk weights will negatively impact us because 50% of our loan portfolio is in balloon 1-4 family residential loans. As we attempt to manage interest rate risk, Basel III will penalize us for a presumed increase in loan risk.

We are sub-chapter S bank and are concerned with the restrictions on capital distributions to our shareholders for payment of income tax. Of course you are aware of the timing differences we already deal with between regulatory income and income for tax purposes.

Finally and most importantly – this proposed regulation on top of our existing regulatory burden will force us to strongly consider selling the bank. I am not able to meet with my customers as I would like to due to all the time I spend making sure we are compliant and documenting what is expected of us. The result of this will be our community will suffer without local decisions, committed economic support, corporate donations and growth.

We all know too well the demise of community banks since 1980. If Basel III becomes applicable to community banks – this will certainly accelerate consolidation by putting the final nail in the coffin! Please exempt community banks from this proposal.

Respectfully submitted,



H B Pomeroy, President