



South Georgia Banking Company

MEMBER FDIC

P.O. Box 2619 • Ashburn, Georgia 31714 • (229) 567-9686 phone

October 17, 2012

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Docket No. R-1430; RIN No. 7100-AD87
Docket No. R-1442; RIN No. 7100-AD87

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
FDIC RIN 3064-AD95
FDIC RIN 3064-AD96

RE: Basel III Capital Proposals

Dear Sir or Madam:

Thank you for the opportunity to comment and express our concern on the Basel III proposals that were recently approved by the various supervisory agencies.

South Georgia Banking Company is a small community bank of some \$340 million in assets that has offices in 5 different communities across 4 counties in south Georgia. Like most community banks, we are the life blood of the communities that we serve. We support the local sports teams and other organizations in the school system. We contribute to the local food banks and other assistance programs. Our staff members are officers and members in the local civic organizations and on the local chamber of commerce board of directors. We truly do have an impact on the lives of the people in our communities. The large regional and national banks do not provide this kind of service to the communities we serve.

The Basel III proposals were not intended for the small community banks, but were intended for the large sophisticated financial organizations that are competing with similar institutions on a global basis. I am surprised that our regulators have included community banks as part of this regulation. The capital proposals, while they may be necessary for the large complex banks, impose a costly and unnecessary burden on the community bank.

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We understand the importance of maintaining an adequate level of capital. Capital is the key to maintaining a safe and sound bank. Requiring adequate levels of capital is good for all banks and for the economy of the United States as a whole. Our concern is the new complex capital rules will be overly burdensome. We do not believe it is necessary to change the way capital is measured to insure adequate capital levels at all banks. We feel community banks should be exempt from these proposals and allowed to continue to measure capital according to the present methodology.

Everyone knows that community banks did not participate in nor profit from the behavior of the “Wall Street Banks” that ultimately created this financial mess. Now the regulators are attempting to correct the past problems with additional burdens on the innocent banks. If these proposals are enacted as proposed, many of the community banks will find it easier to be bought by a larger institution than to comply with the regulatory overkill.

The collection and reporting of information on the various asset categories required by the proposed rules are almost impossible using our current systems. The additional cost associated with gathering this information does not benefit the bank or its customers. This alone should be enough to exempt the community banks.

To be specific, if the Accumulated Other Comprehensive Income is allowed to be included as part of our capital, as of 06-30-2012 our capital ratios would increase. Below are the ratios as they are:

	Current Rules	Basel III Only	Basel III & Standardized
Leverage Ratio	9.57%	10.06%	10.06%
Common Equity Tier 1 Ratio	n/a	17.45%	18.02%
Tier 1 Capital Ratio	16.61%	17.45%	18.02%
Total Capital Ratio	17.87%	18.71%	19.32%

This is all well and good as long as rates remain at historic lows. However when rates start moving up we lose capital because of the unrealized losses in our security portfolio. Using our 06-30-2012 figures and applying a 300 basis point increase in rates our Accumulated Other Comprehensive Income would go from an unrealized gain of 1,637,000 to an unrealized loss of 2,249,000. Below are the ratios assuming this rate increase:

	Current Rules	Basel III Only	Basel III & Standardized
Leverage Ratio	9.57%	8.91%	8.91%
Common Equity Tier 1 Ratio	n/a	15.46%	15.96%
Tier 1 Capital Ratio	16.61%	15.46%	15.96%
Total Capital Ratio	17.87%	16.71%	17.25%

As our security portfolio continues to re-price at the lower rates, any upward movement of rates in the future will have a larger impact than the numbers above. Also any increase above the 300 basis points will also negatively impact our ratios.

We could comment on some of the other areas of the proposed rules, but we believe our intent has been established. The regulators have tried to apply the “one size fits all” approach to the capital inadequacy problem. Community banks operate very differently than the large regional and national banks. We understand the importance of maintaining adequate capital in order to have a safe and sound bank. We do not need a new series of regulatory burdens in addition to what already exists today. Community Banks should be allowed to continue using the current Basel I risk weighting as they have and will continue to serve banks, customers, and regulators very well.

Thank you for the opportunity to make a comment on the proposals.

Sincerely,

A handwritten signature in cursive script that reads "Terry Alston". The signature is written in dark ink and is positioned above the printed name.

Terry Alston, CFO
South Georgia Banking Company