



FIRST BETHANY BANK & TRUST

P.O. Box 218 • Bethany OK 73008-0218 • www.FirstBethany.com

October 12, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve
20th Street & Constitution Avenue NW
Washington, D.C. 20551

Office of the Comptroller of the Currency
250 E Street SW
Mail Stop 2-3
Washington, D.C. 20219

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

RE: Comments on Basel III Capital Requirements

Dear Ladies and Gentlemen:

First Bethany Bank was chartered in 1904 and is a \$185 million bank located in Bethany, Oklahoma with a Subchapter S election. I am both a shareholder and director of First Bethany Bank and after reviewing the Basel III capital requirements, I am seriously concerned there may be times I would not receive dividends from the bank due to the impact of the capital conservation buffer and our election as a Subchapter S. If the bank has earnings but it is below the capital conservation buffer, I would not receive any dividends to pay the taxes on my portion of the bank earnings. This appears to be an unfair disadvantage when banks with a C Corporation election will pay taxes as a normal business expense. As a director, I am concerned the bank may have to re-evaluate its business model to take into consideration the impact the capital conservation buffer will have on the operations of the bank. This could equate to reductions in loans, which will have an adverse economic impact on our community at a time when the overall economy is just beginning to rebound from the recession.

Due to the lack of loan demand in our area, the bank's securities portfolio is much larger than it has been historically. I am concerned that if Basel III is enacted when rates increase it will have a negative impact on the Tier 1 capital ratio of our bank due to the comprehensive income approach of recognizing available-for-sale gains or losses. These losses will not be recognized unless sold, but they will be deducted from the capital of the bank. Each month the losses or gains change based upon the current market conditions, which will add volatility to the capital ratio of the bank. The volatility will not be a reflection of the true financial strength of the bank's balance sheet but rather a reflection of the gains and losses in the securities portfolio. This will be confusing and misleading to our customers and shareholders.

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There are many new regulations affecting First Bethany Bank as well as all community banks that make it more and more difficult to provide loans and banking services to our community. Basel III would add additional regulations that could adversely affect our community, our bank, our shareholders, and the ability of the bank to attract new shareholders. Therefore, I would request you carve out an exemption from Basel III for all banks below \$10 billion in assets.

Respectfully,



John W. Bumpus MD
Director First Bethany Bank