West Alabama Bank

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October 17, 2012

Mr. 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

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

West Alabama Bank & Trust is a $543 million state-chartered community bank established in 1944. The bank has thirteen locations serving Pickens, Lamar, Fayette, Choctaw, Sumter, Bibb, Perry and Tuscaloosa counties. We take pride in supporting our communities and are committed to providing excellent customer service to each one of our customers. I have concern about the effects of Basal III on our abilities to offer superior products to customers. Without our bank providing home loans, agriculture loans, small business loans, and consumer loans to our customers, our communities will not have the resources for economic development to keep these areas thriving.

Our board of directors and management are aware of the importance of keeping capital above minimum required levels and it is our goal to maintain a well-capitalized institution. While Basel III capital requirements may be appropriate for the larger domestic and international banks, the same set of rules should not be applied to community banks which operate very differently. Community banks had little to do with the recent economic downturn in the market due to the reckless lending in the sub-prime real estate market.

Of great concern within the proposal is the requirement of inclusion of unrealized gains and losses in Tier 1 Common Equity. Market fluctuations in benchmark interest rates as opposed to changes in credit risk would add a significant amount of volatility to capital ratios. Our investment committee is very conservative in purchasing securities that we hold in our portfolio. Our portfolio consist of government backed agencies and well-rated municipal securities with little risk of loss of principal. As of 9/30/12, with rates shocked up 300 bps our unrealized loss would increase 13.72% or $25 million which would have a huge impact on our capital ratios. Banks should not have to mark these fluctuations to market interest rates if plans are to hold these securities until maturity. Our bank would be forced to hold securities in the Held to

Maturity category which would limit liquidity. We also utilize the investment portfolio to manage interest rate risk and moving securities to the HTM classification would impede the ability to shortening or lengthen duration when necessary. It is already difficult to find investments with yields adequate to produce income to compensate for the low loan demand which is a result of increased regulations and a flat economy. We disagree that the inclusion in the AFS adjustment within capital is necessary, but if implemented we would ask that there be exclusions of credit worthy securities.

Our bank's holding company holds Trust Preferred Securities that are currently an eligible component of capital. Basel III as proposed would require that we deduct trust preferred securities from Tier 1 capital based on the phase out schedule. This source of capital is an important component to our capital and if excluded would cause and decrease in our capital ratios. We encourage the agencies to remain consistent with the exemption of the Collins amendment and allow for the grandfathering of existing trust preferred instruments for institutions under $15 billon.

Another great concern is the requirement of categorizing mortgage loans based on a set of risk-weighting criteria that would lead to an increase in interest rates charged on mortgage loans in order to justify the higher capital requirements. This would negatively impact the customer's ability to purchase a residence, invest in real estate, or start a new business which would further suppress economic recovery and growth.

The overall complexity of the Basel III proposal would require banks to hire additional staff and purchase computer models which would become additional expense to the already over regulated banking industry. Our bank has already spent over $1,000 to accountants per request of our state regulators to estimate the effects on our bank's capital ratios if Basel III proposal is passed as written. The results were as follows:

Basel III Capital Ratios
As of 6/30/12 (unaudited)

Capital Ratios:	**BASEL III**	**Current**
Leverage	10.07%	9.84%
Common Equity Tier 1 Ratio	12.64%	N/A
Tier 1 Capital Ratio	12.64%	15.34%
Total Capital Ratio	13.72%	16.59%
Capital Amounts:		
Common Equity Tier 1	57,013	
Tier 1 Capital	57,013	55,688
Total Capital	61,860	60,230
Risk Weighted Assets	450,983	363,056

Therefore, we urge the agencies to exempt community banks from the Basel III proposal and allow them to operate under the current capital framework so that they can continue to serve communities as they have for generations.

Respectfully submitted,

William R. Finney
President & CEO
West Alabama Bank & Trust

Nancy Turner
Sr. VP & CFO
West Alabama Bank & Trust