Bankers Trust ®

It's our name . . . and our promise.

Suku Radia
CEO and President
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October 15, 2012

Ms. Jennifer J. Johnson, Secretary
Board of Governors, Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

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

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for providing us the opportunity to comment on the BASEL III capital proposals issued recently by the federal banking agencies.

Bankers Trust Company is a $2.8 billion community bank located in Des Moines, Iowa. We were founded in 1917 and have steadily grown by focusing on the needs of the community. We are committed to continuing to serve our community by making sound lending decisions, offering attractive but prudent deposit products, and strengthening the bank's financial health by working with regulatory bodies to ensure continued success. Several provisions within the BASEL III capital proposals do not, however, advance these goals. These provisions of concern are outlined below:

The inclusion of Accumulated Other Comprehensive Income (AOCI) within the common equity tier one calculation

We manage a rather conservative $450 million investment portfolio. We have not sustained any investment losses in over 15 years. Our portfolio has a current unrealized gain of $15 million. But we all know rates will inevitably rise. If they rise quickly, as we have seen in past economic recoveries, virtually every bank with an investment portfolio will see these gains turn to losses. A 300 basis point rate shock on our portfolio would result in a $17 million after-tax loss. That is almost equal to a full year's net income for Bankers Trust. If this provision is not removed, many banks will need to shorten the duration on their investment portfolios decreasing yield and reducing the market for longer-term investments such as bank-qualified municipal bonds.

Additionally, allowing AOCI to flow through the capital accounts may have an effect on our bank's lending limit. Currently, the State of Iowa calculates our lending limit based on Capital, Surplus, Undivided Profits and the Allowance of Loans and Lease Loss. By introducing this change, it would require that our bank calculate the lending limit daily and depending on the market, could have an adverse effect by effectively reducing our lending limit, thereby making less credit available to our community.

The use of loan-to-value ratios in the risk-weighting provisions applied to residential mortgages

Bankers Trust currently holds $270 million in residential mortgages. We have sound underwriting and have had minimal losses in spite of the economic slowdown. The provisions within the BASEL III proposal to review **every** residential loan will require an enormous amount of time. Complying with these provisions will require changes in our technology and likely an increase in staffing levels. Further, the regulatory burden on these types of loans may result in community banks reducing their residential mortgage portfolios. This would result in fewer choices to the consumer and an increased concentration of residential mortgages to the larger banks.

The addition of another definition of capital

We strongly oppose adding another capital definition. This will put state-chartered banks in conflict with capital requirements imposed by state banking authorities, over complicate what should be a rather simple calculation and would make it difficult for the public to determine the financial soundness of their bank. This violates what regulators and consumers want to see in terms of transparency. We agree with the comments FDIC Director Thomas Hoenig made in his speech on September 14, 2012, in keeping the capital rule "simple, understandable and enforceable."

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Finally, we believe the cumulative effect of each of the items discussed above will introduce an unwanted level of complexity, further confuse the public and create an additional layer of regulatory review that is not warranted.

Thank you for your consideration of these issues. While we are very troubled with many components of this proposed legislation, we are optimistic the final capital rules will produce a stronger banking system without the burdensome regulations and unreasonable capital provisions noted in this letter.

Sincerely,

SR/mjh