



MICHAEL W. ESTES, PRESIDENT

October 4, 2012

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

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

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 issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Let me first state I really do not have time to do this, but the requirements of Basel III could have such a dramatic impact on our small bank, that I feel it necessary to make the time to share my concerns.

I am president of a small community bank in central Illinois. Like all community bankers, I wear many hats. I tell my directors and clients that I really don't work for the bank or our community anymore; I work for the government and the regulators. Basel III is just one more example of this.

I am certainly not trying to portray myself as an expert on Basel III, but from what I have read and researched, this was designed to apply to the largest internationally active banks. Fisher National Bank does not fall into that category. We have never engaged in highly leveraged activities that could severely deplete our capital, nor do we intend to. I recognize financial institutions that do engage in those types of transactions need to have tougher capital standards in order to prevent a meltdown of the financial markets like the one we experienced just a few short years ago. The success or failure of Fisher National Bank does not impact the international

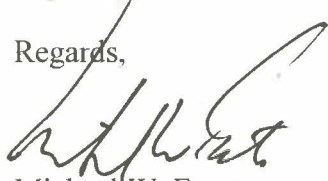
banking community or the U.S. economy and we should not be held to the same standards as those that do.

Another disturbing component of Basel III is the inclusion of accumulated other comprehensive income (AOCI) in regulatory capital balances. In our current situation this would enhance our capital levels. But I think everyone can agree that interest rates have no place to go but up and when this happens, the AOCI will have the opposite effect on capital levels, which according to the regulation, could cause us to raise capital and/or suspend dividends. We are a Sub-S bank that depends on dividends in order for our shareholders to satisfy their tax obligation. If we were required to suspend dividends (tax distributions) our shareholders will be confused and understandably upset. I intend to use the calculator you have provided which hopefully will enable us to see the impact of this regulation, but it will take some time to accurately complete this and I wanted to make sure you have this letter prior to the deadline date. When our calculations are complete, I intend to send another letter with the results.

The capital conservation buffers and the new risk weights are also a concern. We build our capital through retained earnings. While our earnings are strong this year, we anticipate margins shrinking, not if, but when rates increase. This will make it more difficult to increase capital. The proposed risk weight framework seems very complex and difficult to calculate. Increasing the risk weights for residential balloon loans may cause us to reconsider offering this type of product to our clients. For those not able to qualify for a long term loan in the secondary market, their dream of home ownership may not be achievable. Is this the intent of Basel III?

In conclusion, at the very least there needs to be more time allowed to fully understand the potential impact of this regulation. Many bankers, me included, were under the misconception Basel III only applies to banks in excess of \$500 million in assets. Banks need more time and opportunity to do the calculation and determine the impact. As I noted above, Fisher National Bank's success or failure does not impact the world economy. But our success does impact the communities we serve. Basel III appears to be one more hurdle that impairs our ability to serve our clients, our communities and provide the much needed capital small businesses require in order to grow and to create the jobs which are so desperately needed at this time in our history. I respectfully request that you reconsider Basel III and exempt community banks from the onerous requirements.

Regards,



Michael W. Estes
President