ESTABLISHED 1896

THE PEOPLES BANK

MEMBER FDIC

"Where PEOPLE come first"

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October 16, 2012

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve Sys
20th Street and Constitution Avenue
N.W. Washington, D.C. 20551
regs.comments@federalreserve.gov
Subject: "Basel III Docket No. 1442"

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219
regs.comments@occ.treas.gov
Subject: "Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010"

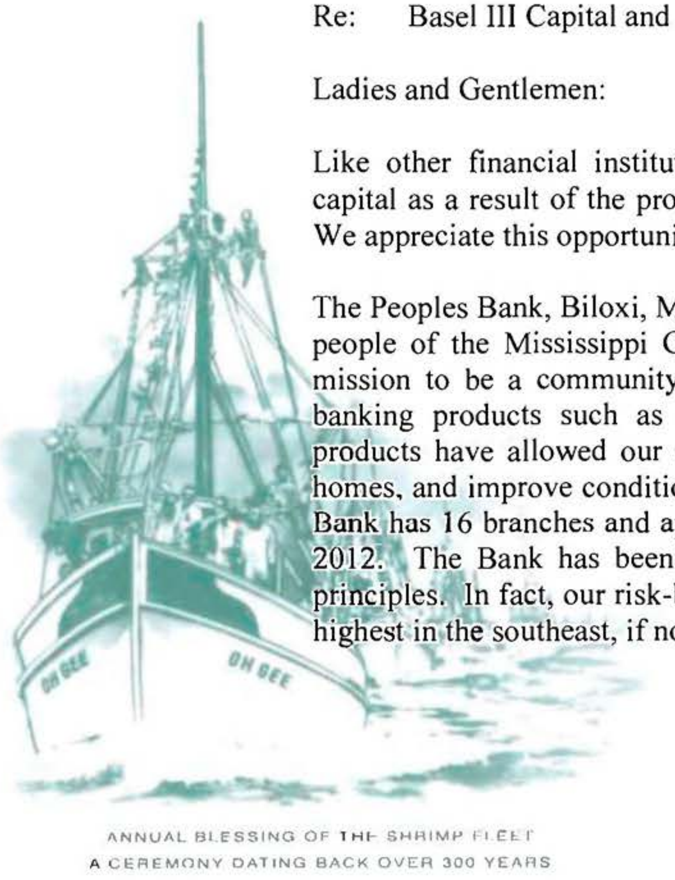
Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429
comments@FDIC.gov
Subject: "Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"

Re: Basel III Capital and Risk-Weighting Proposals

Ladies and Gentlemen:

Like other financial institutions, we have followed the developments relating to capital as a result of the proposed Basel III and Standardized Approach regulations. We appreciate this opportunity to provide our comments on these proposed rules.

The Peoples Bank, Biloxi, Mississippi (the "Bank") was founded in 1896 to serve the people of the Mississippi Gulf Coast. For more than 116 years, it has been our mission to be a community bank that provides offering our customers affordable banking products such as residential mortgages and commercial loans. These products have allowed our customers to start their own businesses, buy their own homes, and improve conditions in the six southernmost counties in Mississippi. The Bank has 16 branches and approximately $816 million in assets as of September 30, 2012. The Bank has been managed using the most prudent and conservative of principles. In fact, our risk-based capital ratios using the current rules are among the highest in the southeast, if not the entire country.



ANNUAL BLESSING OF THE SHRIMP FLEET
A CEREMONY DATING BACK OVER 300 YEARS

Like most community banks, our assets include residential mortgages that, for valid safety and soundness reasons, do not meet the definition of Category 1 loans that large, institutional banks typically have on their balance sheets. Many of our customers do not want or do not qualify for a Category 1 mortgage due to various reasons, such as no conforming appraisal due to lack of comparables, size of the loan, or credit history. Additionally, it is not prudent for our bank to carry long term mortgage loans. Instead we believe that our customers are better served with our shorter terms balloon loans that generally renew to fully amortize the loan.

Under the proposed risk-weighting rules, the increase in risk weighting of these loans may triple in some cases from 50% to 150%. We currently have approximately $67,810,000 of these or similar loans on our balance sheet, which constitute nearly 8% of our total assets. For the same reasons, the increase in risk weighting of High Volatility Commercial Real Estate ("HVCRE") will stifle much of the local commercial development that is vital to our small towns. Members of the community come to our Bank for loans that will allow them to buy the real estate to start their own restaurants, motels, retail and other businesses. If the proposed rules are adopted, we may be forced to discontinue these loans and shut out would-be business owners. Also, the blanket inclusion of nonaccrual and loans past due more than 90 days without any consideration of collateral at 150% is too restrictive. Non-performing loans should most certainly be measured and monitored, but the proposed risk weight fails to incorporate the fair value of collateral as determined by management, which results in overstating the potential loss and therefore the potential risk to capital.

Our Tier 1 Risk Based Capital at June 30, 2012, would drop on a proforma basis by 211 basis points, and our Total Risk Based Capital by 226 basis points, under the proposed rules. If the proposed rules are adopted, we may be faced with the decision to protect capital and forego these loans entirely. The citizens of our communities could be forced to look elsewhere for such products. Their choices will be limited to large institutions – who likely won't be willing to extend credit to these borrowers – or other lending institutions that often only give loans with truly punitive terms and conditions.

As you are aware, the recent financial crisis was for the most part not caused by community banks such as ours. We have remained strong through these difficult times because of our willingness to serve our communities and trust in our customers. Yet, the impact of the proposed rules will be borne disproportionately by community banks which lack the resources to implement these excessively cumbersome and complicated rules.

Hurricane Katrina dealt a severe blow to the Mississippi Gulf Coast and we are still dealing with those challenges seven years later. The Great Recession that began in December 2007 and continues today savaged our real estate loans and asset quality. The BP oil spill in 2010 also negatively impacted our area. Through all these challenges, the Bank has served our communities, remained strong and prospered. We believe that these new capital requirements are a burden that community banks like ours should not have to bear.

If the proposed rules are finalized, we ask that you consider adopting the following:

- Exempting banks under $15 billion in total assets from the Basel III minimum capital and risk weighting rules, or, at a minimum, exempting such banks from the proposed rules as they pertain to residential mortgages, commercial real estate, and Accumulated Other Comprehensive Income;

- Allow existing assets to be grandfathered in using the current risk weighting rules; or

- Revising the risk-weighting and capital rules to more accurately reflect the risks imposed by institutions such as ours and the realities of our operations.

What we do not need is another set of capital rules to apply to the 8,000 community banks that did not cause the problem. These new capital rules will divert time and management effort from running the Bank and will benefit no one. If capital is the issue, require all banks to increase tier 1 capital by 2% and give them five years to do it.

Again, we sincerely appreciate the opportunity to comment on these proposed rules. We hope that you will seriously consider our comments and the effect that these rules will have on our local communities.

Sincerely yours,

Chevis C. Swetman
President and CEO