Peoples Bank

Mississippi's Main Street Bank
Member FDIC

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October 4, 2012

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"

To Whom It May Concern:

Thank you for the opportunity to provide comments on the Basel III proposals that were recently issued for public comment by your agencies.

I am a shareholder and executive officer of Peoples Bank, Mendenhall, MS, which serves the towns/cities of Mendenhall, Magee, Collins, and Puckett, MS and surrounding communities. We have nearly $230 million in assets. While Peoples Bank is WELL above the capital minimums outlined in the proposed rules, I am strongly opposed to the implementation of the BASEL III requirements on small community banks like Peoples Bank.

I would like to address three major areas of concern which will inappropriately have a negative impact our bank:

> First, the inclusion of unrealized gains and losses in the numerator of all capital ratios is a bad idea. In our bank, our loan portfolio is extremely short term and we therefore have a longer term bond portfolio. With this longer term bond portfolio we accept that this could result in an unrealized loss, because we know that in a rising rate environment where market value decline will occur in our bond portfolio we will be positively re-pricing our loan portfolio and mitigating this risk. So in short, exposing one small piece of our balance sheet to market fluctuation is bad math and a poor view of how community banks function and where risk lies.

Second, the Tier 1 Risk Based Capital Ratio as calculated by Basel III is broken. I am referring specifically to increasing the risk weighting of past due and non-accrual loans. We fund our capital to cover problem assets with our Allowance for Loan and Lease Losses (ALLL). ALLL is disallowed from Tier 1 Capital. It is held in Tier 2 Capital. So in the numerator I am being penalized for not having enough capital to cover a base of risk adjusted capital which is being negatively impacted by my problem asset, while at the same time my problem asset reserve account is being disallowed from the ratio.

Third, it is inappropriate to elevate the risk weighting on the mortgages that are made and held on the books by community banks, deemed Category 2 Residential Mortgage Loans. We consider our home mortgage portfolio to be the least risky non-government guaranteed portion of our balance sheet. It is a widely held tenant in banking that a loan secured by some ones mortgage is always safer than a loan secured by anything else. But in the event that our portfolio did begin to exhibit a greater degree of risk, that risk gets funded through our ALLL. Both FAS 114 and FAS 5 are designed to capture this risk in our Tier 2 Capital Account via ALLL. Our regulators, both State of Mississippi and FDIC, spend the bulk of their examinations in our bank reviewing our loan files and then determining that our ALLL is properly graded.

While I disagree with much more in Basel III and I do not believe that it was thoughtfully designed with people in Mendenhall, MS in mind, I don't want to water down my comments and have my more important points go unheard.

If you would like to discuss this further please contact me directly at P.O. Box 7, Mendenhall, MS 39114. My phone number is (601) 847-2210. I look forward to seeing these needed changes made.

Thank you and God Bless,

John Rankin – VP
Peoples Bank