TrustTexas Bank

It's Who We Are.

October 18, 2012

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:

TrustTexas Bank is a small mutual state savings bank in Cuero, Texas with $231 million in assets and $28 million in capital. Our tier 1 leverage ratio is 12.12% and our tier 1 risk-based capital ratio is 20.25%. We have 5 branches and 62 employees, mostly in rural DeWitt County. We are very concerned about the new proposed changes for measuring capital not because we are worried our capital would drop too low, but because of the complexity of calculating it.

Today, I can look at my trial balance and calculate our capital amount and ratios very easily. With the proposed changes, I will have to pull different reports from my loan system so I can categorize which mortgage loans are past due, what is their LTV, are they are fully amortizing or including a balloon payment, etc. in order to determine their risk rating. In addition, I have to net out the unrealized gains and losses in Available for Sale securities. We have historically classified all of our investments as Held to Maturity but recently classified $12.5 million as Available for Sale to maintain extra liquidity. Our unrealized loss on these few securities fluctuated from $(86 thousand) in June to $(2 thousand) in July. These gain and losses are calculated by a third party that performs our bond accounting. We changed vendors and saw how each arrived at a different loss for the same bonds. How can this really add any value to our capital calculation?

In a small bank like ours, capital does not need to be qualified. The primary assets we hold which carry any risk are loans whose risk is quantified in the Allowance for Loan Loss. As a mutually owned financial institution, we do not have any outsiders other than regulators interested in our financial statements. Through existing quarterly call reports and frequent examinations, they are adequately enabled to assess the risk or quality of our capital.

Community banks like ours should not have to do all of this extra research and number crunching just to come up with some new figure when we do not even know any party that would benefit from it.

Sincerely,

Bryan K. Haun

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Chief Financial Officer

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Member FDIC
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