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October 19, 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"

Re: Basel III Capital and Risk-Weighting Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comments on the Basel III proposals that were recently issued for public comment by your agencies. We specifically appreciate the opportunity to discuss our concern about the impact of these proposals on our bank and our customers.

Citizens Bank serves the Town of Byhalia, MS. and surrounding rural communities. We have nearly \$70,000,000 in assets and total bank equity capital of \$7,703,000 as of June 30, 2012. Our bank has grown by being a part of our community and by offering products and service tailored to meet our customer needs. These products have allowed our citizens to improve conditions in our communities and many house holds within our area. However, we fear that the proposed capital and risk weighting rules will have a significant and negative impact on our bank. The customers and the communities we serve in our area depend on community banks like Citizens Bank to provide the necessary products to meet their everyday needs.

Like most community banks, our assets include a concentration of residential mortgages that do not meet the definition of Category 1 loans that large, institutional banks typically have on their balance sheets. 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 term 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 \$12 million of

these or similar loans on our balance sheet, which constitutes 39% of our total loans. Our Tier 1 Risk Based Capital at June 30, 2012, would drop on a proforma basis by 287 basis points, and our Total Risk Based Capital by 343 basis points, under the proposed rules. If the proposed rules are adopted, our banks risk weighted capital would decrease and more personnel time would have to be needed to comply with this complex calculation. As with most small banks in rural communities, we have limited access to raising significant capital and the bank will lose revenue if we are forced to move away from certain products and services.

For the same reasons, the increase in risk weighting of HVCRE will stifle much of the local commercial loan 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, convenience stores, and other businesses. If the proposed rules are adopted, our risk-weighted capital could decrease further.

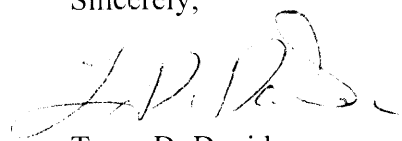
Finally, the addition of AOCI to the capital calculation adds unnecessary volatility to capital planning. If interest rates rise our unrealized loss on a sale of securities will increase. This will cause our bank capital to reduce and depending on how much interest rates increase depends on how significant this unrealized loss could be.

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

- Exempting banks under \$10 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 AOCI;
- 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.

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 and all of the community banks.

Sincerely,



Tracy D. Davidson
CEO