Ephrata National Bank

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October 22, 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 OCC Docket ID OCC-2012-0008, 0009, and 0010

Ladies and Gentlemen:

Thank you for the opportunity to provide our comments on the Basel III proposals that were recently approved by the Board of Governors of the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

ENB Financial Corp is the bank holding company for Ephrata National Bank, a full service commercial bank with an asset size of $785 million. Ephrata National Bank was founded in 1881 and is headquartered in Ephrata, Pennsylvania, primarily serving Lancaster County area with eight full-service offices. Ephrata National's market area extends into Chester, Berks, and Lebanon Counties of Pennsylvania. The Corporation has over 225 employees. The corporation is publically traded with approximately 1,515 shareholders, traded on the OTCBB with the ticker symbol "ENBP". As a publically traded bank, the corporation is subject to all the SEC reporting obligations. The Corporation is well capitalized with a simple capital structure with only common stock, has performed well historically, with no losses in all years of existence, and did not elect to receive additional capital through the TARP.

Our Basel III comments can be quickly broken down into three major points as follows:

1) Undue impact to those Bank's under $10 Billion - The Basel III proposals, if passed in present form, would cause an undue impact to smaller community banks, primarily those under $10 billion, and especially those under $1 billion, as they would cause significant

changes to the risk-weighting of assets, the involved reporting, and therefore, change the banking model for these banks. This will involve changes to and increased cost in the bank's call reporting, asset liability software, profitability software, changes to asset liability, liquidity, and capital policies and measurements, in addition to changes in our SEC reporting. Just in terms of our finance area, the additional workload to alter all these forms of financial reporting with a finance staff of eight would cause the equivalent of one additional staff person. This does not address additional costs in our risk, compliance and lending functions. Note that this comes after an already higher burden on the financial staffs of publically traded banks that not only had to implement XBRL reporting in 2012, but just recently had to expand XBRL reporting to include the notes to the financial statements. As a public filer, the entire financial reporting process for ENB Financial Corp fully occupies the finance staff of our corporation for 45 days into the following quarter, leaving very little time for other value added internal financial reporting and items like the annual audit, the annual regulatory exam, the annual budget, etc. The Basel III requirements are an undue burden to banks our size.

2) <u>Unintended consequences</u> – The legislation would be a major game changer to banks that have long standing lending practices and niches in their markets. The legislation would force banks to set aside more capital, based on revised risk-weighting of assets, which will make it more difficult to extend credit in certain types of loans. The legislation would change profitability reporting on a product level, based on return on capital, and will force banks to leave certain forms of lending less profitable. This would be very harmful to consumers who have sought out community banks for their lending needs. In essence, it would force Banks to scale up to make certain acceptable returns on consumer and small business lending, or else leave those lines of business. We do not believe this was the intent of the original Basel III thought process, to push this all the way down to the community banks level. It would force community banks to evaluate loan services like a regional bank; however, community banks do not have that size and scale, as well as not having the resources at play like a regional bank.

3) <u>Better Solution</u> – The end goal of Basel III was higher capital levels to avoid bank failures. <u>This could simply be done with higher required capital levels agreed to by all the regulators</u>. Higher capital levels that cover the 250 basis points of cushion that are built into the Basel III legislation. In short, the Basel III proposal is an overly complex solution for the end goal as it relates to community banks. It also is not a cost effective solution. The same regulatory goal of protecting the financial assets of a bank and avoiding future bank failures can be achieved by simply agreeing to and imposing higher capital standards now. The long discussed higher capital levels of 8, 10, & 12 for Tier 1 to average assets, Tier 1 to risk-weighted assets, and Tier II – total capital to risk weighted assets respectively, has still not been written into law nearly four years after the financial crisis began. We are in support of these higher capital levels. In fact, our current capital levels far exceed even these new expected levels at 10.6, 17.4, and 18.7 respectively, and are growing. This is being done already in light of the environment. These are high levels of capital by any bank standards. Basel III legislation adds a great deal of regulatory burden for a bank like ours, while not materially changing the ultimate risk of bank failure, which is already being covered by higher capital numbers.

We truly appreciate being heard on this matter and thank you for the opportunity to reveal the consequences of this legislation on such a vital component of the U.S. banking system and economy as a whole. We enjoy speaking for the largest segment of our banks in terms of numbers, those banks of $1 billion of asset size or less, that often represent the bank of choice in cities and towns throughout the country.

Respectfully submitted

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