



Jonestown Bank & Trust Co.  
bankjbt.com

October 22, 2012

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation,  
550 17th Street, N.W.  
Washington, D.C. 20429

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Basel III Proposals

Dear Sirs and Madam:

We generally support the efforts to increase the capital levels of the banking industry. However, some of the proposals, we believe, will have a negative impact on Jonestown Bank & Trust Co. (JBT):

- Accumulated Other Comprehensive Income (AOCI) - This affects JBT two ways. The first being the comprehensive income from Available-for-Sale securities (AFS). JBT currently has a gain of around \$1 million in the investment portfolio and projections indicate that in rates up 400 basis points this gain turns into a \$2.6 million loss. This swing of \$3.6 million will reduce our capital ratios on average by 1%. This causes unnecessary volatility in the bank's capital levels from interest rate changes. JBT would have to maintain a self-imposed cushion for interest rate changes in addition to the regulatory buffer. Banks will consider moving their portfolio from an AFS classification to a Held-to-Maturity (HTM) classification to avoid fluctuations in AOCI. This change will negatively affect the liquidity positions of the banks. The second way it affects JBT is underfunded pension liabilities that are recorded in AOCI. Underfunded pension liabilities are heavily influenced by interest rate movements because of the discount rate used in the actuarial calculations. Again, we believe this adds to unnecessary volatility in required capital from changes in interest rates. A change of 3% in the discount rate can change our underfunded pension liability by \$1 million and therefore our capital ratios by 0.25%.

- Risk weighting changes for mortgages – Historically, JBT has had very low charge-offs from mortgages and we see no reason to increase the risk weighting on this product for community banks. The same is true for second mortgages. It will cause an increase in pricing on home equity lending products at JBT in order to maintain an adequate return on the increased capital required. We are unable to estimate the impact of these changes because not all of the information required is currently on our loan system. It would be a burden on JBT to update our system with the required information.

JBT and community banks in general do not have as great of access to the capital markets as larger banks enjoy. Requiring community banks to hold additional capital makes it difficult for them to attract shareholders willing to invest in banks with the lowered return on capital caused by the increased requirements. We do agree with the pundits that predict a decline in the number of community banks because of Basel III, while at the same time increasing the number of banks deemed too big to fail. Thank you for this opportunity to comment of these proposals.

Sincerely,

A handwritten signature in red ink that reads "C. William Roth". The signature is written in a cursive style with a large, stylized initial "C".

C. William Roth  
CFO