WEALTH MANAGEMENT

October 18, 2012

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

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

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219

RE: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. I am Executive Vice President of a $750 million metropolitan bank located in Omaha, Nebraska. We are a traditional community bank that cares deeply about our customers and our employees. I would describe our bank as plain vanilla. We work hard to maintain high marks in safety and soundness, compliance and the related regulatory requirements. The 185 employees of our bank are committed to helping our community grow. Without our bank providing home loans, second mortgages, small business loans and commercial real estate loans, our community would suffer. I am highly concerned about the effects that Basel III will have on our ability to continue supporting the economic development opportunities in our area.

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My first area of concern has to do with the provision requiring all banks to mark to market their available for sale securities. Our Bank has a very conservative investment philosophy. Our bond portfolio totals approximately $195 million and is made up primarily of fully-backed government agencies. These investments have little, if any, risk of loss but are subject to interest rate risk, which we manage very closely. At the present time, due to a period of historically low rates, we have a positive market value adjustment of our bond portfolio of approximately $6.1 million. Shock testing our portfolio indicates a 400 point increase in interest rates would create an over $12 million change in the market value adjustment and dramatically decrease our capital under Basel III. As of September 30, 2012, our Tier One Capital to risk rated assets was 14.7%. We have always believed in maintaining strong capital, but with a 400% increase in interest rates, our Tier One Capital would drop significantly. Even though we would be deemed to still have adequate capital, this is headed in the wrong direction and would be cause for further regulatory scrutiny and reduced lending. This adjustment to capital is made even though nothing changed other than the interest rate environment. Over the course of history, we have generally held our bonds to maturity.

An additional concern is how capital relates to our legal lending limit. Generally stated, a bank's lending limit goes up and down as capital goes up and down. In smaller banks such as ours, we have many customers who borrow close to our current legal lending limit. Under the scenario explained above, a significant drop in capital would reflect in a significantly reduced legal lending limit. This would leave us vulnerable to losing customers as larger financial institutions come in and work to take our customers away as we are working to replenish our capital through retained earnings.

My next concern has to do with commercial real estate loans. Almost across the board we have significantly higher risk based capital standards. This will severely damage access to capital for this industry and make it largely unacceptable for us to participate in these markets. Yet in our market, real estate has performed well through this great recession, giving our bank grave concern on why our capital standard would be changed for everyone regardless of geographic location of the bank or the specific experience that a bank had in these markets!

My next concern deals with the increased risk weighting on delinquent loans. As we all know, when recessions hit, we have increases in problem assets. Our problem assets increased significantly during the last recession and while we were very well capitalized and had strong loan loss reserves, we would expect a significant reduction in regulatory capital based on a big increase in non-performing loans. The proposal of increasing the risk weighting on past-due loans has the double effect for most banks of decreasing capital while at the same time we are holding large amounts in our loan loss reserve. I want to be clear that I feel that managing the loan loss reserve is the more prudent and effective way of handling this situation.

My final concern addressing Basel III is the overall complexity required to interpret and follow the rules. Most of us in small banks do not have staff or computer systems that can generate the granularity needed

to report under Basel III. Even if the effect of Basel III over time does not require significant change in capital, it will certainly require additional expense on the part of our Bank and the banking industry.

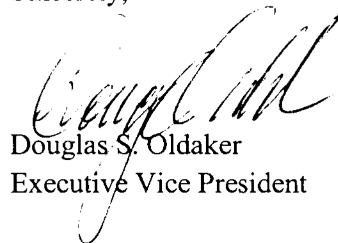
Our ability as a bank to help our economy grow and to support the community of Omaha is dependent upon the capital of the bank. We have always maintained a high level of capital, thereby giving us the opportunity to help our community grow. We have seen significant growth in the Omaha area over the last 25 years. I am proud of the fact that our Bank has been a participant in a lot of this growth. If our Bank is not allowed to continue these activities, our community suffers. This will be the story across all of America. It will continue to drive more business to the largest banks who have access to the capital markets and can adjust based on the ebbs and flows of the economy. This is clearly an unintended consequence of additional regulation. We do not do anything to avoid our responsibility to operate a safe and sound bank and we do not encourage anything to allow the largest banks to continue to skirt this obligation.

If we would have entered this last recession with 2x the capital in the largest banks in America, they would have reflected similar capital to asset percentages as the smallest banks in America and we would not have had a problem. The largest banks would have started with twice as much capital as they ultimately had and the net effect would have been a much lesser impact on the industry and our country as the crisis moved forward.

My hope is that you will strongly consider starting over on the capital requirements for community banks. Basel III can have the long-term effect of devastating community banks like ours across America, driving business into a more concentrated model that increases the systemic risk to our country.

I appreciate the opportunity to share my thoughts with you on this extremely important matter.

Sincerely,



Douglas S. Oldaker
Executive Vice President

DSO/sdr