



# DAKOTA PRAIRIE BANK

YOUR LAND. YOUR COMMUNITY. YOUR BANK.

October 22, 2012

Robert E Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429  
RIN 3064-AD95

RE: Basel III Capital Standards

Dear Mr. Feldman,

This letter is written in response to the proposal Basel II notices and the proposal rule making issue in June 2012.

Before I begin I want to thank you for this opportunity to provide comments on the Proposal of Basel III.

Dakota Prairie Bank is a 3<sup>rd</sup> generation bank, which first opened its doors to serve the Community in June, 1906. We are a 60 million bank with three locations serving communities in size ranging from 150 people to 15,000 people. Our bank presently has more than 9% tier 1 capital, a risk based capital of more than 12 % and our loan loss ratio exceeds 1.40% of our total loans.

I didn't have a problem re-evaluating a proposed increase in minimum capital requirements. I know firsthand the importance of having enough capital.

Back in the 90's our bank experienced deterioration in our loan portfolio to the point where significant amount had to be charged off. It was because of our strong capital position at that time, that helped us survive and I feel made what our bank is today.

My concerns with this proposal and how it may affect our bank is the three fold.

1.) Our bank's loan portfolio is made up of over 65% of our total loans. If there would be significant changes in the risk rating factors, I'm concerned of what it might do to our stability to generate additional Ag loans. This has always been our bread/butter!

#### FORT PIERRE OFFICE

PO Box 790  
Fort Pierre, SD 57532  
605.223.2337  
fax 605.223.2304

#### PRESHO OFFICE

PO Box 190  
Presho, SD 57568  
605.895.2595  
fax 605.895.2228

#### DRAPER OFFICE

PO Box 158  
Draper, SD 57531  
605.669.2401  
fax 605.669.2770

Member  
FDIC



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2.) In 2010, our bank expanded into a more diverse community with regards to the types of loans we would offer to remain competitive.

They being small business loans & 1-4 family home loans, I have great concern with some of these factors that we offer our ability to serve our community.

It's been very disturbing to me to hear from banks, who represent small communities, say they no longer will provide home loans due to this proposal Basel III and its components.

3.) Strategically, Our bank within the next 5 year would like to pursue an acquisition of another financial institution. Would this proposal become a reality I'm concerned how it may limit us from growing and diversifying.

In closing- I'm not opposed to increasing the minimum capital requirements. I understand that each bank has different risk profiles and should have sufficient capital to control the safeguard needed. I thought Basel III was meant, for large complex banking structures, not smaller community banks.

The implementation of Basel III would significantly and negatively alter the way community banks serve their communities.

While growing up both, my grandfather and my father always told me, "There will always be a need for the small family owned banks serving rural communities." Finally- I'm concerned that as a 3<sup>rd</sup> generation banker and my son who is intent on becoming a banker can carry on this tradition.

Thank you for this opportunity to respond.

Sincerely,

Stephen K Hayes  
President/CEO  
SH/JS

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fax 605.223.2304

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PO Box 190  
Presho, SD 57568  
605.895.2595  
fax 605.895.2228

#### DRAPER OFFICE

PO Box 158  
Draper, SD 57531  
605.669.2461  
fax 605.669.2770. Member FDIC