Northern Missouri Bancshares

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October 18, 2012

"Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action"

Re: FDIC
RIN 3064-AD95

To Whom It May Concern:

We, the directors of a two-bank rural Missouri holding company, appreciate the opportunity to voice our enormous concerns over the BASEL III capital rule adoption proposed by the banking regulators.

Our history is of operating a strong, profitable agriculture bank which has weathered several downturns in the general economy. Our emphasis on being a long-term stable bank has served our customers and communities well.

The proposed BASEL III capital requirement affects us in the following ways:

1. Limits our use of ALLL in the capital to 1.25% when we have a strong 2.0% ALLL. This is an impediment to having a strong reserve above 1.25%. This could create an under-recognition and funding of the ALLL.

2. Prudent liquidity management tells us to maintain a high quality investment portfolio for future funding. In the current zero interest rate monetary policy, we would be heavily penalized by having an investment portfolio in a rising rate scenario by deducting mark to market value losses to capital calculation. By being prudent managers of liquidity, we will be penalized in capital.

3. Dividend restriction by strict hard numbers takes the local regulators' knowledge of our bank's operation and management out of the equation. This is detrimental to a company that wants to grow. Acquisitions or growth would be stifled by not allowing dividends of any level to stockholders and debt repayments in the holding company. Our debt is structured over a 10-year amortization. Growth and expansion will be slowed when bank stock lenders cannot be comfortable that even with strong earnings a dividend capability for even two quarters is not available due to the BASEL III proposal. A stock loan is our secondary expansion tool for capital behind retained earnings.

Raising capital from stockholders will be more difficult under the proposal with the dividend restriction and the reduced ROE due to higher capital requirements. Compound the ROE by the additional costs of compliance of this proposal and raising capital in non-listed private companies will be impossible.

In our holding company, we have expanded our holdings by investing in a second bank in another market of our state. We know that with our growth expectations through branching and acquisitions, we will be managing capital keenly. After just completing a stock offering our plans are to supplement capital with a bank stock loan. As stated before, the restriction of dividends will greatly jeopardize our ability to grow and follow through on solid plans already made.

BASEL III proposals in the United States banking system with thousands of community banks which are privately held do not mix. Community banks do not have the ability to acquire capital as large companies that are publicly traded.

The result of the above explained issues of BASEL III is that community banking will be decimated and so will the communities we serve.

The threshold for BASEL III must be raised to $15 billion in assets or not adopted at all by the regulators and addressed after more study of the effects to the community banks.

Sincerely,

David Stuffle   Fred Minear

Tom E Clurney   Dale Hauck

Diana L. Bennett   William Fleshman