From: Robert Berryhill [mailto:RBerryhi@fnbbastrop.com]
Sent: Wednesday, August 29, 2012 3:32 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

First National Bank of Bastrop has approximately $400 million in assets and at this time has approximately $132 million in AFS securities. How should our bank deal with this proposal, especially when interest rates rise again? Will we have to create an additional capital buffer as a cushion during value fluctuations? **If so, we are taking resources from customer needs and bank growth.** Should we limit our investments in longer duration assets? How will this affect local governments and the housing markets? This proposal could cause a number of banks to sell all or part of their AFS portfolios. Have federal regulators considered what impact this will have on the markets for those securities? We are concerned about how this proposal might impact our asset liability function and our liquidity and contingency funding plans.
We are a community bank and, as such, should not be thrown into the “mark-to-market” frenzy that has consumed other segments of the financial services industry.
The most likely result of this proposal **will be an increase in employee time to monitor our AFS portfolio.** This may also require us to **purchase software to stay in compliance**. **Both would lead to less time and service for our customers.**
I have worked in the community banking industry for many years as Chief Financial Officer including duties as investment officer. Many times I have seen wide fluctuations in the values of bank investment portfolios. In a bank our size, a market gain of 3 million can turn into an unrealized market loss of 3 million in a matter of a year or less depending on market conditions – this can happen with very conservative investments. I hope you can see how including investment securities unrealized gain or loss in common equity tier 1 would make it extremely volatile. These fluctuations would undoubtedly cause community banks to build a capital buffer in order to avoid the imposition of restrictions. It is easy to see how that would cause banks to slow their growth and restrict their ability to help customers as a result.
It seems to me this proposal was never intended for a country with strong local independent community banks. I also don’t understand why the United States of America should be pressured to adopt standards that don’t fit us! These proposals will surely have negative unintended consequences far beyond what you will receive in comment letters from people like me.
Sincerely,

Robert E. Berryhill
Executive Vice President and CFO
First National Bank of Bastrop

Robert E. Berryhill
Exec. V P and CFO
First National Bank of Bastrop
P O Drawer F
Bastrop, TX 78602
512-321-2561
512-321-1577 Fax
