First Sentry Bank
YOUR TOWN...YOUR BANK™

October 22, 2012

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

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

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for this final opportunity to provide comment on the Basel III proposals[1] that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. First Sentry Bank's president and CEO, Geoffrey S. Sheils, submitted a comment letter last week addressing all of our concerns, but I want to reiterate three of the proposals I find particularly troubling.

First, I consider the proposed elimination of trust preferred securities ("Trups") as Tier I capital unfair to smaller community banks of our size. Our $9 million of Trups have allowed First Sentry Bank to grow our loan portfolio in a responsible manner, which in turn has allowed our local community to expand over the past decade. Without these Trups, First Sentry and our local community would not have enjoyed this expansion. At the very least, we would have been required to obtain additional shareholders at significant costs (SEC registration) and dilution to our current shareholders, almost all of whom are local citizens with ownership percentages of significantly less than 5%. We are truly a community bank serving our local community in so many ways. At a minimum, Trups should be grandfathered in for those of us that have used Trups in a responsible manner.

Second, I consider the proposed changes to the risk weighting of assets troubling for community banks, especially the additional risk weighting of balloon residential mortgages that we utilize to

[1] The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions; Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

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reduce our interest rate risk. These balloon mortgages fit the profiles of our customers that want a fixed rate mortgage but don't want an ARM product. We will be penalized with additional risk weightings for these balloon mortgages that actually reduce our interest rate risk, and which we have found to be no more risky than other mortgage products. We do not want to take on the excessive interest rate risk of originating and owning 30-year fixed rate mortgages. It doesn't make sense for First Sentry Bank, especially with mortgage rates at historic lows. You, our regulators, are insisting that we control interest rate risk at this unprecedented time in the history of our national economy, but yet you want to penalize us for avoiding the additional interest rate risk that would come from originating these long-term fixed rate mortgages. Please reconsider the changes to the risk weighting of assets. This will only increase the costs of doing business for community banks while not providing any useful information to you that isn't already available under current reporting standards.

Third, please eliminate the proposal to include unrealized gains and losses in the capital ratios of community banks. This will only increase the volatility of our capital ratios without providing any useful information to you, our regulators. Community banks are already conservative with their investment portfolios and we will continue to be so. We maintain our investment portfolio primarily for liquidity and pledging purposes but as loan demand has weakened, we have been able to utilize our investments to supplement earnings, using stable deposits to fund additional investments. Now you propose to make us rethink our strategy by forcing us to reclass our investments into held-to-maturity, thereby eliminating the liquidity value of our investment portfolio, or you force us to forgo earnings by making us invest in only short-term securities, thereby eliminating an important source of safe and reliable revenue for community banks during this time of diminished loan demand. We intend to hold all of our investments until they mature and we do not take unnecessary risks with our investment portfolio. An other than temporary impairment ("OTTI") lets you and our investors know if we have any unsafe investments that require a loss be recorded, but requiring community banks to add and deduct unrealized gains and losses from our capital ratios will only add to the volatility of our capital ratios without providing you or our investors and customers with any additional information.

Please reconsider the Base III proposals for community banks. They will only hurt us and our communities.

Sincerely yours,

Richard D. Hardy

Richard D. Hardy
Senior Vice President and CFO

cc: John D. Rockefeller, IV, United States Senator, West Virginia
Joe Manchin, III, United States Senator, West Virginia
Nick J. Rahall, II, Congressman, West Virginia