FIRST BETHANY BANK & TRUST

P.O. Box 218 • Bethany OK 73008-0218 • www.FirstBethany.com

Jane Haskin
President & CEO
405-789-1110

October 12, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve
20th Street & Constitution Avenue NW
Washington, D.C. 20551

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

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

RE: Comments on Basel III Capital Requirements

Dear Ladies and Gentlemen:

First Bethany Bank was chartered in 1904 and is a $185 million bank located in Bethany, Oklahoma with a Subchapter S election. Most of our shareholders have owned stock in the bank for many years and depend on the dividends they receive for their financial support. After reviewing the Basel III capital requirements, we are seriously concerned we would not be allowed to pay even minimum dividends to our shareholders for their tax liability on the bank's earnings if our bank's capital fell below the required conservation buffer. However, banks with a C corporate election would be allowed to pay taxes as a part of the normal operations of their bank without regard to their capital levels. This puts Subchapter S banks at a competitive disadvantage and would require us to reduce the amount of loans we make in our community.

The impact of available-for-sale gains or losses on Tier 1 capital is also of great concern to our bank. The foundation of First Bethany Bank is a solid base of core deposits. We have two ways to invest those deposits. One is loans and the other is conservative investments in securities. During the recent recession, our loan volume has declined and as a result, our securities portfolio has increased. By using the comprehensive income approach, the capital of the bank could be viewed as volatile by calculations not based on the financial strength of the banks' balance sheet, but on the amount of unrecognized gains or losses in the investment portfolio. When interest rates increase, the investment portfolio will have an increase in the unrealized losses, which will have an adverse impact on our capital.

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As a community bank, we have home equity loans in our portfolio which have performed well throughout the financial crisis with no charge offs. These loans have been identified as a high-risk category in Basel III and classified as Category 2 mortgages with 100% risk weighting. Based upon our experience with this type of loan, this risk weighting is excessive. The proposed increased capital requirements for this type of loan plus all of the new underwriting standards being proposed by the Consumer Financial Protection Bureau will determine if we will continue to make these loans in the future.

I applaud your attempt to formulate standards to evaluate the risk in large complex banks, but these standards simply do not work for small community banks. I would therefore respectfully request you exempt all banks under $10 billion from the Basel III requirements.

Respectfully,

Jane Haskin

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President

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