



October 12, 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 the opportunity to provide comment on the Basel III proposals 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. KS Bank is a \$300+ million state savings bank serving four counties in eastern North Carolina. We are an important part of the financial community serving customers in residential lending and providing deposit and loan products for small businesses. I believe the complex risk weighting framework under Basel III is too complicated and will create a regulatory burden that will significantly reduce our ability to meet our customers' needs. Our bank and other community banks did not create the problems of recent years and were not the originators of the highly leveraged activities that put the financial markets at great risk. Basel III was designed for international banks, not community banks.

Our bank has used trust preferred securities as a source of capital that would be very difficult, if not impossible to replace. While the Collins amendment would grandfather us at our current size, we believe that trust preferreds are an important source of capital. We would urge you to allow the full Collins amendment to apply for all community banks.

Additional areas of concern are capital conservation buffers and the inclusion of accumulated other comprehensive income adjustments. We are in the most severe economic times of my thirty-seven years in banking. Requiring community banks to build additional capital buffers during these tough times seems totally counterintuitive. Capital should be accumulated over time and not be a panic reaction to the current stressed environment. The inclusion of accumulated other comprehensive income for community banks is a burden that does not match the normal business model used by most. These adjustments will reduce capital balances whenever rates increase, even though our investment securities are not maintained as an active trading account. Community banks should continue to exclude accumulated other comprehensive income from capital.

**KS BANK, INC.**

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P.O. Box 661  
Smithfield, NC 27577

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Community banking has been the basic support for businesses and individuals to grow communities like ours across the country. Basel III applied to community banks will restrict that growth in the future. Please consider all of our customers in the decisions you make related to Basel III.

Respectively,

A handwritten signature in black ink, appearing to read "Harold T. Keen". The signature is fluid and cursive, with the first name "Harold" and last name "Keen" clearly distinguishable.

Harold T. Keen  
President/CEO

HTK/dwe