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October 8, 2012

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

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
29th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

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:

I'm writing this letter in response to the proposed Basel III Notices of Proposed Rulemaking issued in June 2012 requiring all banking organizations to comply with Basel III pronouncements and standardized approach NPR.

I am president of a \$115 million ag bank located in a small rural community of 4,300 situated in the southeast corner of Nebraska. We are a typical rural community bank with 18 employees that work hard to run a safe and sound bank that is committed to helping our community grow and prosper. Our bank makes all types of loans, from ag operating, equipment and RE loans, to small business loans, home loans and consumer loans, but I am apprehensive about the effects Basel III will have on our ability to continue to support the economic development opportunities in our community.

I have no objection to the regulatory sector working to strengthen the quality and loss absorption safeguards in the banking industry. But I have some concerns with the capital requirements of Basel III as it pertains to the unrealized gains and losses on available for sale securities. I have been associated with our bank for over 35 years and we have always had a

Page 2

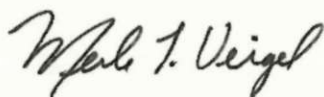
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sizable bond portfolio. Currently, our bond portfolio is \$50+ million and at the present time, during a period of historically low rates, we have approximately \$1,245,000 of unrealizable gains. Shock testing our portfolio indicates that a 300 basis point increase in interest rates would cause over a \$5 million change in the market value and dramatically decrease our capital under Basel III. As of 9-30-12 our Tier One Capital was 20.00% and our Risk-Based Capital was 20.93%. We have always believed in maintaining a strong capital position, however; based on a 300 basis point increase in interest rates, our Tier One Capital would drop to approximately 9.42% and Risk-Based Capital would drop to about 10.35%. While this is still considered adequate capital, it sure is headed in the wrong direction and would undoubtedly cause further regulatory inquiry, even though nothing changed other than the interest rate environment.

Furthermore, it is concerning how this adjustment to capital affects our bank's legal lending limit. As you know, a bank's lending limit goes up and down as capital goes up and down. In our small bank, we have a few customers who borrow close to our current legal lending limit. Under the above situation, the significant drop in capital of \$5 million would have the effect of lowering our legal lending limit by a huge amount, virtually cutting it in half. This would leave us at risk to losing customers to larger financial institutions and thereby reduce our income and our ability to replenish capital through retained earnings.

The ability to continue to serve our customers in the community depends on our bank maintaining a strong and steady capital position. It really concerns me if we would be able to accomplish this if Basel III is implemented as proposed, so I would hope that you give this whole matter very serious consideration before moving forward. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Merle L. Veigel".

Merle L. Veigel
President