CENTURY BANK OF GEORGIA

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

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 Proposal and the Standardized Approach Proposal (together, the "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.

Century Bank of Georgia is a small community bank in Georgia. When considering the degree of financial crisis Georgia banks have experienced during this recent downturn, we believe we are uniquely positioned to comment on the Proposals. For us to better respond to any future risks arising from financial downturns, we understand the need for revisions and updates to current regulations. However, we also believe the Proposals will have unintended consequences with a disparate impact on community banks and the communities we serve.

It is likely that the Proposals will present consequences of a level which are not fully understood. Therefore, we believe the regulatory agencies should withdraw the Proposals in order to study the potential impacts of the components of the Proposals.

We believe the most effective and appropriate regulation is implemented through an understanding of the risk profile of each bank and by those bankers and individuals familiar with the institution. We believe the complexity of the mortgage risk weights

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based on loan-to-value ratios will create a regulatory burden for community banks. Furthermore, we do not believe that these types of ratios are complete and appropriate measures of risk. We believe more emphasis should be place on principled and qualitative measures of risks which are monitored by bank management and experienced regulators.

We believe that the risk weighting requirements regarding balloon payments will have an unanticipated and unnecessary impact on smaller community bank balance sheets. This proposed risk weighting penalizes community banks that are attempting to mitigate interest rate risk. By issuing a loan with a balloon payment, the bank has the ability to review the credit and change terms at the time of maturity. Most importantly, this structure allows us to shorten the durations of the asset, matching to the durations of our liabilities, a concept which is critical in managing interest rate risk.

Considering the penalties in the Proposals which are set forth on the above types of loans, community banks such as ours have only three alternatives. The first of which is to accept interest rate risk by making mortgage loans with longer durations so they can be fully amortizing. This was a significant factor is the recent banking crisis so I cannot imagine that this would be a better alternative. Second, we could enter into a derivative transaction or rely more heavily on "non-core" sources of funding to manage interest rate risk on the liability side of the balance sheet. This too does not seem to be a viable alternative given the regulatory criticism of smaller banks using non-core funding. Nor does it seem practical for a smaller community bank to engage into a complex derivative transaction.

The last alternative would be to stop making residential mortgage loans to be held on the bank's balance sheet. This, in our opinion, is the worst alternative of the three. Without small community banks lending to the communities and markets they are familiar with, consumers will not be able to purchase homes.

Regarding the LTV measures as set forth in the Proposals, we believe the risk weights applied to various buckets are excessive. The value of the collateral is only one factor in underwriting a loan. In many cases, marginal collateral is offset by an otherwise strong position of the borrower's credit, capacity, capital and character. Georgia is experiencing an unusually high number of foreclosures which is due in large part to the number of bank closures and the clearing process of the loans. This process has resulted in downward pressures on real estate values, which may be overstated in appraisals.

We also believe that the increased risk weighting for loans determined to be "Highly Volatility Commercial Real Estate" loans relies too heavily on real estate appraisals to determine the risk weighting. Community banks in Georgia were among the hardest hit by falling real estate values and the quickly contracting real estate development sector. While we understand the need to closely monitor poorly managed and excessive concentrations in commercial real estate loans, particularly those related to acquisition, development and construction, we believe the proposal relies too heavily on the equity injected into the project as a sole determinant of risk.

The Standardized Approach Proposal requires banks to apply a risk weighting of 150% to those loans which are past due 90 days or more or are on non-accrual. We believe this risk is accounted for on the balance sheets and capital ratios under accounting rules. We are required to perform impairment analyses on those loans which are past due 90 days or more or on non-accrual and based on the results, appropriate accounting entries are made to provision expense and the Allowance for Loan Losses. Under the Proposals, the risk weighting of these loans results in a duplication of the risk assessment, or a "double-counting".

In regards to the inclusion of Accumulated Other Comprehensive Income in the calculation of Common Equity Tier 1 Capital, we are concerned about the volatility that would be introduced to community bank balance sheets. We believe that the inclusion of unrealized gains and losses creates volatility in the bank's capital base that may never be realized. Many available for sale securities are held in that category to strengthen liquidity and provide resources for balance sheet management. We believe the volatily that would be added to the bank's balance sheets is contrary to the objectives of sound regulation. This proposed change causes the capital levels of banks to be more sensitive to changes in interest rates.

The Proposals require a phase-out from Tier 1 Capital of the proceeds from the issuance of trust preferred securities. Small community banks such as ours have far less access to capital markets than those banks above $15 billion. We believe the legislative intent as expressed in Dodd-Frank to exclude those banks with less than $15 billion in assets should be respected.

We also believe that the full deduction of Deferred Tax Assets is an overreaction and there are circumstances where an institution should be allowed to include the value of its covered DTA's in its capital. Under regulatory accounting rules, banks are projecting the amount of these DTAs which are utilized over a twelve month period.

In closing, we believe many of the changes set forth in the Proposals were due to the financial crisis resulting for the most part from abuses stemming from non-bank lenders and loan originators. We also believe the Proposals represent a "one size fits most" approach to banking regulation and should be modified for community banks.

We thank you for the opportunity to comment on the Proposals and ask that you consider our comments in adoption of the final rules.

Sincerely,

Rhonda C. Massengill

Rhonda C. Massengill
Chief Financial Officer