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October 11, 2012

FDIC

RE: Basel III proposals

Dear Regulators:

In reviewing the proposal for Basel III capital to be implemented for Banks of all sizes, I felt I needed to express my concerns as to how this appears to negatively impact our small Community Bank of \$125,000,000.00.

We are and have always been a very well capitalized bank with a strong foundation in our rural community. We have sound policies in place to serve our community and to accommodate the need of the community. We, like most community banks, did not engage in the behavior that has contributed to the crisis in the economy. This proposed change in capital policy will certainly hinder the bank's ability to continue to serve our community. The cost of implementing this will create unnecessary expense for the community bank in new software programs, additional cost for consultant fees and auditing and limit our ability, due to the excessive capital standards.

As a result of the complexity of the proposal, we feel we need more time to look at how this will affect the risk-based capital structure. How this is going to affect our local balloon mortgages and home equity borrowings and how this is going to affect our risk based capital with a 3 or 4% rate shock on the unrealized gains/losses on the investment portfolio.

We at Citizens Bank & Trust recommend that we along with other small community banks be provided the option to continue to use the current Basel I risk-base, so as to not limit the products that we are able to offer to both businesses and consumers. This way we will not have to shy away from business lines and products that are profitable for the bank and that are good for our community and help promote our economy.

Please reconsider this proposal designed for the large banks and exempt small community banks on the Basel III Capital standards

Thank you,

A handwritten signature in cursive script that reads "Larry E Hurlburt". The signature is written in black ink and is positioned above the printed name and title.

Larry E Hurlburt, Pres.  
Citizens Bank & Trust Co