



PRESS RELEASE

THE IMPACT OF PROPOSED BASEL III CAPITAL RULES ON COMMUNITY BANKS REVIEWED BY CBR & VTD

San Juan Capistrano, CA, July 12, 2012 – (BUSINESS WIRE) – [CB Resource, Inc.](#) (CBR) in partnership with [Vavrinek, Trine, Day & Co., LLP](#) (VTD) today published the first in a series of articles reviewing the impact of the recently proposed Basel III Capital Requirements on Community Banks. The article can be viewed in the July issue of the [CB Journal](#), a publication of CB Resource, Inc.

Key highlights of the article:

Basel III Objective	Key Provisions and Community Bank Impact
Increase Regulatory Capital Quantity	<ul style="list-style-type: none">• Increased minimum regulatory capital percentages for selected existing regulatory capital categories.
Increase Regulatory Capital Quality	<ul style="list-style-type: none">• Introduction of a new Common Equity Tier 1 (“CET1”) category that will essentially require a higher percentage of Tier 1 regulatory capital be comprised of common stock.• Stricter definitions of what is included in regulatory capital.• New deductions and percentage limitations on certain so-called “threshold items”.
Promote Regulatory Capital Conservation	<ul style="list-style-type: none">• Introduction of a “Capital Conservation Buffer” which serves to restrict certain activities (i.e. dividends and executive bonuses) unless a certain buffer is maintained over and above the Capital Adequacy minimums.
Improve Regulatory Capital Risk-Sensitivity	<ul style="list-style-type: none">• Increased risk-weightings and credit conversion factors assigned to certain categories of loans, unfunded loan commitments and mortgage-backed securities.

“This article provides an initial summary of how the proposed Basel III Capital Rules may impact a community bank’s operating environment,” stated [Jeff Rigsby](#), President and CEO of CB Resource, Inc. He continued, “As pointed out in the article, the impact to community banks may be significant and includes, generally higher capital requirements, a reduced ability to leverage capital thereby reducing shareholder rates of return, capital levels will be more directly tied to relative credit risk exposure, increased volatility of regulatory capital relating to changes in interest rates and deteriorating asset quality, limits on dividends and discretionary executive bonus payouts if capital is not adequately conserved, increased administrative burden and costs, and additional pressure on community banks to consolidate as a result of all the above.”

“Upon review of the Notices of Proposed Rulemaking (NPRs), we felt that providing a series of insightful summaries about the impact of Basel III on community banks would be very useful for our community bank executives.” said [Kent Fisher](#), Partner at Vavrinek, Trine, Day & Co., LLP.

For your copy of the July CB Journal visit our website at: <http://cb-resource.com/targeted-info/cb-journal/>

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About CB Resource, Inc.

CB Resource Inc., is a national firm committed to providing community bank senior executives and their boards with the best [information](#), [tools](#), and [advisory services](#), designed to advance bank performance and yield maximum shareholder and customer value.

About Vavrinek, Trine, Day & Co., LLP.

Vavrinek, Trine, Day & Co., LLP has been a leading provider of audit, tax and management advisory services (including outsourced internal audit and SOX compliance services) for the financial institutions market for over 30 years. Our professionals understand the unique needs of public and private financial institutions. We have extensive experience with the FDIC, DFI, OCC, FRB and SEC and we are registered with the PCAOB.

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