

Dear Sirs,

On behalf on McHenry Savings Bank, I would like to make several comments with regard to the proposed New Basel Capital Accord.

First, regardless of the perception that only larger institutions (i.e. those with adequate available resources) might be in a favourable position to effectively implement the proposal, there are many small to mid-sized institutions such as McHenry Savings Bank that would not only benefit from an alternative to current risk-based capital measurement requirements, but would also desire to opt-in to such an alternative if it would prove beneficial. In addition, many smaller institutions may in fact possess the expertise at the management or director levels to both understand and take advantage of such a proposed methodology.

Second, the benefit of the proposal would be enhanced through an expansion of the buckets available to assess credit risk. The greater the flexibility of the measuring tool, the greater the benefit to institutions who enforce inherently sound business practices, such as mandating conservative loan-to-value ratios.

Finally, McHenry Savings Bank actively guides and monitors the effective leverage of its capital on a day-to-day basis. The proposal is viewed as a potentially viable option to the sometimes restrictive nature of current risk-based capital guidelines within which the bank is currently required to conduct its operations.

Thank you for the opportunity to comment on this important matter.

Kathleen E. Marinangel,

President and CEO

McHenry Savings Bank, McHenry, Illinois