GUARANTY
BANK & TRUST

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FDIC

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Principles for Climate-Related Financial Risk Management for Large Financial Institutions

COMMENT

Thank you for allowing me to comment on the above-listed FIL. I currently serve on the ABA's Climate Risk Task Force and we have been meeting regularly to discuss this issue and its potential impact on the overall economy in general and more specifically its potential impact on banking. This is certainly a timely issue and I'm glad to see that the FDIC is weighing in. While the focus of this FIL is directed primarily to the larger financial institutions of over $100 billion in total consolidated assets, I believe it is important that smaller community financial institutions weigh in on this issue at the outset in order for our voice to be heard and our concerns be addressed in this critical formulation stage.

Before weighing in on how climate related financial risk should be addressed, I think it's worth mentioning that the whole topic of "climate change" itself is one that is not completely settled as "immutable science". While data can and has been gathered that there has been an uptick in weather-related events, there is no concrete proof that mankind or the fossil-fuel industry are the culprits. What we may be experiencing is the normal fluctuations in climate that perhaps have been experienced since the world existed.

Our current administration in Washington has directed that climate change be one of the primary focuses of basically every governmental agency and we are definitely seeing the "green agenda" working its way through the system. This raises concern and suspicion that this topic has more to do with a political agenda than it does concrete science.

We are a small community bank in Northeast Louisiana with average total assets of $345 million. We do not make loans to any of the big oil companies directly but we do a good amount of lending to fossil-fuel related businesses such as convenience stores and to individuals who are employed in one way or another by the fossil-fuel industry. Regulatory efforts to handicap banks from making these types of loans will not only hurt our bank, but have a tremendously detrimental effect on our local economies.

In one of our ABA calls, it was mentioned by someone that most of the transitioning that will take place will be as a result of market factors and not necessarily regulatory requirement. I thought that was a good point to make. Our industry has witnessed fairly significant shifts in business activity throughout history due to a variety of factors including technological advances and changes in consumer behaviors and trends. I would be confident that we could once again successfully navigate changes brought about by climate change without the need for extensive regulatory requirements, rules, accounting standards, etc. Let bankers be bankers.

When it comes to investments in alternative sources of energy, I do not believe that anyone would be opposed to such. But in my opinion, our technology has not matured to the point that we could run our country on the present sources of alternative energy that we have such as solar, wind, or battery. The fear is that the government, in an effort to pick winners and losers, will put our economy and our country in serious jeopardy by pushing too quickly to turn from our traditional energy sources. It will take time to develop the next generation of renewables that can sufficiently handle the expected demand.

FDIC is requesting comment on specific questions listed in the Statement of Principles.

Question 1: The complexity of what is being proposed regarding measuring, monitoring, and controlling risks associated with climate change can really only be attempted by the largest of our financial institutions. It will not only be very difficult, requiring expertise that we certainly don't have on hand, but it will also be very expensive. This will no doubt be a boom for "climate consultants" who believe that their particular system will be the cure all. It is a daily struggle now to comply with all of the regulations that we are currently under. Tacking on the enormous task of figuring out climate risk just seems impossible at this point.

Question 2: Future guidance will obviously be necessary as the only things being mentioned at this stage are very esoteric in nature and do not offer any concrete methodologies for even how a small bank is to begin to start addressing the issues involved. From the conversations that I have been witness to, it is difficult for someone who is not involved in climate-related matters on a daily basis to even understand the terminology. Future guidance will need to be at a level that would not require a doctorate to understand.

Question 3: I find it very difficult to understand what it will look like to "incorporate these draft principles" into our risk management system. What are the questions that we need to ask of our borrowers? Where do we go to find reliable climate data? What do we do with the data?

Question 4: Community banks will need particular risk management practices that are sensible and easily established. Again, there are no established methodologies and there are insufficient human resources available in our markets currently to assist us with developing these risk management practices.

I have no responses for Questions 5, 6, and 7 as we are not currently incorporating climate into our risk management process.

Thank you,

[redacted]

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President & COO