MidWestOne Bank®

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May 31, 2022

James P. Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions; Comment Request (RIN 3064-ZA32)

Dear Mr. Sheesley,

Thank you for the opportunity to provide comments on the FDIC's Principles for Climate-Related Financial Risk Management for Large Financial Institutions. This letter is being sent on behalf of MidWestOne Bank (hereafter referred to as "the Bank").

MidWestOne Bank is an Iowa chartered bank founded on October 15, 1934. The Bank is focused on delivering relationship-based business and personal banking products and services. The Bank provides commercial, real estate, agricultural, credit card, and consumer loans. The Bank also provides deposit products including demand and interest checking accounts, savings accounts, money market accounts, and time deposits. Complementary to our loan and deposit products, the Bank provides additional products and services including treasury management, Zelle, online and mobile banking, debit cards, ATMs, and safe deposit boxes. The Bank offers its products and services primarily through its network of 56 full-service banking offices, located throughout central and eastern Iowa, the Minneapolis-St. Paul metropolitan area of Minnesota, western Wisconsin, Naples and Fort Myers, Florida, and Denver, Colorado. The Bank also offers comprehensive wealth management solutions for its customers through its trust department, which offers services including the administration of estates, personal trusts, and conservatorships and the management of real property, as well as investment services, including financial planning, investment advisory, and retail securities brokerage services. MidWestOne Bank is primarily regulated by the Federal Deposit Insurance Company (FDIC) and as of March 31, 2022, had total assets of $5.96 billion.

We understand that given the $100 billion threshold on the current statement of principles that they would not technically apply to the Bank. However, we are choosing to comment on these principles because the FDIC has indicated that this is the first iteration of guidelines that may ultimately apply to all FDIC banks. We appreciate the FDIC's recognition that these principles would impose significant burdens if applied to smaller banks. We believe that guidance should not be expanded to smaller institutions until climate risk is better quantified and understood and should be tailored to avoid unnecessary operational burdens.

The Bank is working on an Environmental, Social and Governance (ESG) risk assessment across all departments of the bank identifying enterprise-wide environmental impact which includes climate-related risk as the primary environmental risk factor. The reach of climate-related risk is very broad across the Bank and determining key metrics and data to track in this area will take an extended amount of time and resources to implement.

Climate-related risk is already incorporated into the Bank's existing risk-management frameworks. Banks base business decisions on current and historical market data, which provides information on the risk of a transaction. Accordingly, climate-related risks are naturally embedded into the risk identification and management process. These current risk management practices are effective and have enabled community banks to manage climate-related risk for decades. Compliance with an additional climate-related risk management framework would be costly and duplicative of current practices. The Bank currently manages climate-related risk through existing practices including branch location analysis, lending policies and procedures, concentration risk monitoring and adequate insurance requirements for both the Bank and loan customers to protect against natural disasters. These practices have proved to be effective as the Bank and its customers have endured droughts, hurricanes, floods, tornados, and a derecho.

Supervisory expectations should be flexible, allowing for significant modification as events occur, as the practice of climate risk identification develops, and the risks become more clearly defined. Regulation based on the assumptions and data behind today's definitions and understanding of climate-related financial risk would be premature. The FDIC should take a flexible, high-level approach that allows banks to assess their risks based on their unique circumstances.

Community banks are critical to thriving communities, providing financing to individuals, companies, and communities. To avoid economic disruption or harm, prudential regulators should not impose prescriptive regulatory requirements on climate-related risks. Doing so at this time of economic stress, particularly with respect to transition risks, could shape bank business decisions for regulatory reasons, rather than true safety and soundness concerns.

Sincerely,

Susan Moore

Executive Vice President and Chief Risk Officer

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