

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

AND

LOUISIANA OFFICE OF FINANCIAL INSTITUTIONS  
BATON ROUGE, LOUISIANA

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In the Matter of	)	
	)	CONSENT ORDER
	)	
ST. LANDRY BANK AND TRUST	)	
COMPANY	)	FDIC-22-0005b
OPELOUSAS, LOUISIANA	)	
	)	OFI-2022-01
(INSURED STATE NONMEMBER BANK)	)	

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The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for ST. LANDRY BANK AND TRUST COMPANY, OPELOUSAS, LOUISIANA (“Bank”), under 12 U.S.C. § 1813(q).

The Louisiana Office of Financial Institutions (“OFI”) is the state regulator for the Bank pursuant to Louisiana law, including the Louisiana Banking Law (“LBL”), LA. REV. STAT. ANN. §§ 6:1, 6:101.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation to the Issuance of a Consent Order” (“Stipulation”), dated March 8th, 2022, that is accepted by the FDIC and the OFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to deficiencies in management and Board oversight, earnings performance, capital support, interest rate risk management, and asset quality, to the issuance of this Consent Order (“Order”) by the FDIC and the OFI.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and LA. REV. STAT. ANN. §§ 6:121, 6:121.1, 6:122 have been satisfied, the FDIC and the OFI hereby orders that:

**BOARD OVERSIGHT**

1. (a) Within thirty (30) days after the effective date of this ORDER, the Bank's board of directors shall increase its participation in the affairs of the Bank by assuming full responsibility for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all the Bank's activities. The board's participation in the Bank's affairs shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the board:

- (1) Reports of income and expenses;
- (2) Strategies to improve earnings performance, capital levels, and interest rate risk ("IRR") exposure;
- (3) Effects of local, regional, and national economic trends, including but not limited to market interest rates, unemployment rates, loan demand, and housing trends;
- (4) New, overdue, renewed, insider, charged-off, delinquent, nonaccrued, and recovered loans;
- (5) Investment strategies and activities and the risk implications thereof;
- (6) Operating policies;
- (7) Exceptions to operating policy limits and action plans to address them;  
and
- (8) Individual committee actions.

(b) The Bank's board of directors' minutes shall document the board's reviews and approvals, including the names of any dissenting directors.

### **MANAGEMENT**

2. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and the Commissioner. The consultant shall develop a written analysis and assessment of the Bank's management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and the Commissioner with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum, should include:

- (1) A description of the work to be performed under the contract or engagement letter;
- (2) The responsibilities of the consultant;
- (3) An identification of the professional standards covering the work to be performed;
- (4) Identification of the specific procedures to be used when carrying out the work to be performed;
- (5) The qualifications of the employee(s) who are to perform the work;
- (6) The time frame for completion of the work;
- (7) Any restrictions on the use of the reported findings; and
- (8) A provision for unrestricted examiner access to work papers.

(c) The Management Plan shall be developed within one-hundred eighty (180) days after the effective date of this ORDER. The Management Plan shall include, at a minimum:

- (1) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (2) Assessment of effectiveness of executive officers serving in multiple roles;
- (3) Assessment of compensating controls governing executive officers with excessive influence over the affairs of the Bank;
- (4) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (5) Evaluation of all Bank officers to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition; and
- (6) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer positions identified in the Management Plan.

(d) The Management Plan shall be submitted to the Regional Director and the Commissioner for review and comment upon its completion. Within thirty (30) days from the receipt of any comments from the Regional Director and the Commissioner, and after the adoption of any recommended changes, the Bank shall approve the Management Plan and record its approval in the minutes of the board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan and/or any subsequent modification.

### **APPARENT VIOLATIONS OF LAWS AND REGULATIONS**

3. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Joint FDIC/OFI Report of Examination dated July 12, 2021 (“Report”).

(b) Within ninety (90) days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

### **STRATEGIC PLAN**

4. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall prepare and adopt a comprehensive strategic plan. The strategic plan required by this paragraph shall contain an assessment of the Bank’s current financial condition and market area and a description of the operating assumptions that form the basis for major projected income and expense components. The written strategic plan shall address, at a minimum:

- (1) Assessments of the Bank’s strengths, weaknesses, opportunities, and threats;
- (2) Strategies for pricing policies and asset/liability management;
- (3) Assignment of responsible individuals who will implement each strategy
- (4) Goals for reducing problem loans;
- (5) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings;
- (6) Impact of local, regional, and national economic conditions and competitive factors, including market interest rates, loan demand, unemployment rates, and housing trends; and

(7) Formulation of a mission statement and the development of a strategy to carry out that mission.

(b) The Bank shall submit the strategic plan to the Regional Director and the Commissioner for review and comment. After consideration of all such comments, the Bank shall approve the plan, the approval of which shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement and follow the strategic plan.

(c) Within thirty (30) days after the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank's board of directors' meeting at which such evaluation is undertaken.

(d) The strategic plan required by this ORDER shall be revised and submitted to the Regional Director and the Commissioner for review and comment thirty (30) days after the end of each calendar year for which this ORDER is in effect. Within thirty (30) days after receipt of all such comments from the Regional Director and the Commissioner and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement the revised plan.

#### **INTERNAL AUDIT PROGRAM**

5. (a) Within ninety (90) days after the effective date of this ORDER, the Bank's board of directors shall revise its internal audit program to address the deficiencies detailed in the Report of Examination. The internal audit program should include, at a minimum:

- (1) A comprehensive audit risk assessment that outlines varying levels of risk associated with each area of the Bank's operations that correspond to audit frequencies;
- (2) A comprehensive audit schedule based on the audit risk assessment that includes all audits performed internally and externally;
- (3) A detailed and complete audit tracking report that includes all audit and regulatory findings, which should be tracked and reported to the board of directors until completion; and
- (4) Audit engagement letters signed by an independent director, member of the Audit Committee, or Internal Audit Clerk.

#### **MANAGEMENT TRAINING**

6. (a) Within ninety (90) days after the effective date of this ORDER, the Bank's board of directors shall and management team shall receive training regarding the following areas of the Bank's operations:

- (1) Investment strategy and investment risk management practices, including pre-purchase and ongoing analysis, risk selection, risk mitigation, and related earnings, capital, and interest rate risk implications;
- (2) Interest rate risk management, including development and documentation of appropriate model assumptions, independent review, and back-testing; and
- (3) Credit risk management, including monitoring and reporting of loan policy exceptions, prudent loan workouts, and allowance for loan and lease losses ("ALLL").

## **PROFIT PLAN**

7. (a) Within ninety (90) days after the effective date of this ORDER, and within the first thirty (30) days of each calendar year thereafter, the board of directors shall develop a written profit plan consisting of goals and strategies for improving the earnings of the Bank for each calendar year. The written profit plan shall include, at a minimum:

- (1) Identification of the major areas in, and means by, which the board of directors will seek to improve the Bank's operating performance;
- (2) Realistic, comprehensive, and accurate budgets;
- (3) Requirements for the board of directors' approval of the budget annually;
- (4) A budget review process for the board of directors to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and
- (5) A description of the operating assumptions that form the basis for and support major projected income and expense components, including but not limited to management's anticipated level and volatility of market interest rates, local economic conditions, funding strategies, asset mix, pricing strategies, growth plans, interest rate risk, and maturity mismatches.

(b) The plan should not permit the accrual for or payment of bonuses to executive officers without the prior written approval of the FDIC and OFI.

(c) Such written profit plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. Within thirty (30) days after the receipt of any comment from the Regional Director and the Commissioner, the



Bank's board of directors shall approve the written profit plan which approval shall be recorded in the minutes of the Bank's board of directors. Thereafter, the Bank, its directors, officers, and employees shall follow the written profit plan and/or any subsequent modification.

### **CAPITAL PLAN**

8. (a) Within thirty (30) days after the effective date of this ORDER, the Bank shall submit a written capital plan to the Regional Director and the Commissioner to increase its Tier 1 Leverage Capital ratio equal to or greater than 9.00 percent of the Bank's Average Total Assets and to achieve and maintain its Total Risk-Based Capital ratio equal to or greater than 12.00 percent of the Bank's Total Risk Weighted Assets. The capital plan should include, at a minimum:

- (1) Identification and assessment of material risks to capital;
- (2) Risk tolerance limits for various stages of capital adequacy and related monitoring and corrective action requirements;
- (3) Contingency plans for capital levels, particularly during periods of stress or growth
- (4) Consideration of business strategies and forward-looking capital needs;
- (5) Projected short- and long-term capital needs in relation to business strategies; and
- (6) Discussion of regulatory capital requirements.

(b) After the Regional Director and the Commissioner respond to the capital plan, the Bank's board of directors shall adopt the capital plan, including any modifications or amendments requested by the Regional Director and the Commissioner. Thereafter, the Bank shall immediately initiate measures detailed in the capital plan, to the extent such measures have not previously been initiated, to effect compliance with the plan within sixty (60) days after the

Regional Director and the Commissioner respond to the capital plan.

(c) Such increase in Tier 1 Capital and any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The direct contribution of cash subsequent to July 12, 2021, by the directors and/or shareholders of the Bank or by the Bank's holding company; or
- (3) Receipt of an income tax refund or the capitalization subsequent to July 12, 2021, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (4) Any other method approved by the Regional Director and the Commissioner.

(d) If any such capital ratios are less than required by the ORDER, as determined at an examination by the FDIC or the State, the Bank shall, within thirty (30) days after receipt of a written notice of the capital deficiency from the Regional Director or the Commissioner, present to the Regional Director and the Commissioner a new capital plan to increase the Bank's Tier 1 Capital of the Bank or to take such other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director and the Commissioner respond to the new capital plan, the Bank's board of directors shall adopt the new capital plan, including any modifications or amendments requested by the Regional Director and the Commissioner.

(e) Thereafter, the Bank shall immediately initiate measures detailed in the plan, to the extent such measures have not previously been initiated, to increase its Tier 1 Capital

by an amount sufficient to bring all the Bank's capital ratios to the percentages required by this ORDER within thirty (30) days after the Regional Director and the Commissioner respond to the new capital plan.

(f) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's board of directors shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan, and in any event, not less than twenty (20) days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Commissioner for prior approval.

(g) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection

with the sale of the Bank securities. The written notice required by this paragraph shall be furnished within ten (10) days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(h) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 324 of the FDIC Rules and Regulations, 12 C.F.R. Part 324.

### **DIVIDEND RESTRICTIONS**

9. (a) As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

(b) The Bank shall not make any payment, directly or indirectly, to or for the benefit of the Bank's holding company or any other Bank affiliate, without the prior written consent of the Regional Director and the Commissioner.

### **GROWTH RESTRICTION**

10. (a) While this ORDER is in effect, the Bank shall not increase its Total Assets by more than five (5) percent during any consecutive six-month period without providing, at least thirty (30) days prior to its implementation, a growth plan to the Regional Director and the Commissioner. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written consent of the Regional Director and the Commissioner. In no event shall the Bank increase its Total Assets by more than five (5) percent annually.

## **INTEREST RATE RISK MANAGEMENT**

11. (a) Within sixty (60) days after the effective date of the ORDER, the Bank shall develop, adopt, and implement an interest rate risk policy and procedures that shall include, at a minimum:

- (1) Strategies to reduce the Bank's IRR exposure, including specific triggers for management action and steps management should initiate to address IRR exposure;
- (2) Accurate IRR model assumptions, the appropriateness of which must be documented;
- (3) Measures designed to control the nature and amount of interest rate risk the Bank takes including those that specify risk limits and defines lines of responsibilities and authority for managing risk;
- (4) A system for monitoring and reporting risk exposures and addressing exposures outside of established risk limits; and
- (5) A system of internal controls, review, and audit to ensure the integrity of the overall risk management process, including annual independent back-tests of IRR model results.

## **INVESTMENT POLICY**

12. (a) Within sixty (60) days after the effective date of this ORDER, the Bank's board of directors shall revise the Bank's investment policy to provide effective guidelines and control over the Bank's investment portfolio. At a minimum, the Bank's investment policy should address the following:

- (1) Develop specific hedging goals as part of an overall effort to lessen interest rate risk and incorporate revisions to interest rate risk management;
  - (2) Include current and planned investment strategies;
  - (3) Identify position limits and authorized investment traders;
  - (4) Require performance review of investment portfolio;
  - (5) Require discussion and documentation of exceptions to investment policy guidelines, including permissible maturities, average lives, and portfolio volume; and
  - (6) Provide details regarding other-than-temporary impairment.
- (b) The policy should also be consistent with the Federal Financial Institutions

Examination Council's instructions for Consolidated Reports of Condition and Income, generally accepted accounting principles, and the Bank's loan, liquidity, and asset/liability management policies.

(c) The Bank shall submit the policy to the Regional Director and the Commissioner for review. Within thirty (30) days after their response, the policy, including any modifications or amendments requested by the Regional Director and the Commissioner, shall be adopted by the Bank's board of directors. The Bank shall immediately initiate measures detailed in the policy, as amended or modified, to the extent such measures have not been initiated. Any discussion of the policy, its modifications or amendments shall be stated in the Bank's board of directors' meeting minutes.

- (d) The policy should be reviewed and updated annually.

### **INVESTMENT COMMITTEE**

13. (a) Within thirty (30) days after the effective date of this ORDER, the Bank shall appoint members to an Investment Committee. The Investment Committee shall take an active role in monitoring the Bank's investment portfolio and associated risks and report monthly to the Bank's board of directors concerning the Bank's investment portfolio. The Investment Committee shall record written minutes of the discussions during its meetings.

### **LENDING POLICY**

14. (a) Within sixty (60) days after the effective date of this ORDER, the Bank's board of directors shall revise the Bank's lending policy to provide effective guidelines and control over the Bank's loan portfolio. At a minimum, the Bank's loan policy should address the following:

- (1) Requirements to obtain and maintain current financial information from borrowers at the time of underwriting, renewing, extending, or modifying loans, including global debt obligations;
- (2) Methods through which to track borrowers' property tax payments;
- (3) Prudent real estate appraisal and evaluation guidelines;
- (4) Effective loan workout criteria to maximize recovery potential;
- (5) Requirements for board review of problem loan analyses;
- (6) Guidelines for accounting for other real estate ("ORE") and financed sales of ORE;
- (7) Requirements to report exceptions to the loan policy to the board regularly; and
- (8) Strategies to reduce the volume of exceptions to the loan policy.

## **ALLOWANCE FOR LOAN AND LEASE LOSSES**

15. (a) Within sixty (60) days after the effective date of this ORDER, management shall improve the Bank's ALLL methodology to include the following:

- (1) Accurate and updated historical loss rates utilized in the Accounting Standards Codification ("ASC") 450 analysis;
- (2) Enhanced documentation of qualitative factor adjustments applied to historical loss rates used in the ASC 450 analysis, including current assessments of each qualitative factor and its impact to the historical loss factor; and
- (3) Enhanced documentation of impairment calculations used in the ASC 310 analysis, including documentation of the impairment measurement method used.

(b) Within sixty (60) days after the effective date of this ORDER, the Bank's board of directors engage an independent party to complete a review of the Bank's ALLL calculation. Thereafter, the board shall engage an independent party to review the ALLL calculation annually.

## **PROGRESS REPORTS**

16. (a) Within forty-five (45) days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Commissioner written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Each progress report shall detail actions take to address every provision of this ORDER. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and



the Regional Director and the Commissioner have released, in writing, the Bank from making further reports. Each progress report shall detail actions take to address every provision of this ORDER.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, OFI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and OFI.

Issued this 6th day of April, 2022.

                    
/s/  
Serena L. Owens  
Deputy Regional Director  
Federal Deposit Insurance Corporation

                    
/s/  
Stanley M. Dameron  
Commissioner  
Office of Financial Institutions