



Supervisory Condition Letter #2018-03
April 2018

March 7, 2018

Board of Directors
First Citizens Bank of Polson, N.A.
213 First Street West
Polson, MT 59860

Re: Notification of Conditional No Supervisory Objection to the Revised 2017 Strategic and Capital Plans – First Citizens Bank of Polson

Dear Board of Directors:

The Office of the Comptroller of the Currency (OCC) is in receipt of the revised November 2017 Strategic and Capital Plans (collectively, Plan) submitted January 8, 2018 from President Rick Skates on behalf of First Citizens Bank of Polson (Bank), in accordance with the requirements of Articles II and III of the Consent Order dated November 9, 2010 (Order). The OCC has no supervisory objection (NSO) to the revised 2017 Plan, subject to the following conditions:

- The Board shall adopt and the Bank shall implement the Plan at the next Board meeting following receipt of this notice of NSO. The Board shall ensure adherence to the Plan going forward. The Board shall review and update the Plan at least annually or more frequently if necessary or if requested by the Director for Special Supervision (Director).
- If the Board determines that the Bank is not in compliance with the loan, credit administration, and risk management policies and procedures, the Board shall instruct management to immediately cease lending activities until proper risk management practices are implemented to ensure compliance.
- In 2018 and 2019, the total of the Bank's new loans and repurchased participations shall not increase by more than \$2 million per year until the Board corrects the deficiencies in Asset Quality and Credit Administration described in Reports of Examination and the Order, and receives a prior written determination of NSO from the Director. Growth levels for future years must be addressed in updated Strategic Plans provided to the Director for NSO.
- The Bank shall not originate any agricultural, USDA Farm Service Agency, or Small Business Administration loans until a risk assessment, to include new lending activities, has been completed, the Bank has addressed staffing deficiencies in the lending and credit administration

areas, and appropriate policies and procedures have been developed and provided to the OCC for review and non-objection.

- At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Plan and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly reports to the Director with a copy to the Assistant Deputy Comptroller within ten (10) days of completion of its review.
- Effectively immediately, the Bank may not significantly deviate from the revised 2017 Plan or materially change the revised 2017 Plan without the Director's prior written determination of NSO. The Bank must provide the OCC at least sixty (60) days advance, written notice of its intent to deviate significantly from the Plan or materially change the Plan, along with an assessment of the impact of such changes on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Plan. Changes that may constitute a significant deviation from the Plan include, but are not limited to, a change in the Bank's products and services, marketing strategies, marketing partners, underwriting practices or standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, funding strategy, or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. A determination of a material impact on the Bank's operations or financial performance may include a single change or changes in aggregate.

The conditions of this NSO are conditions "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

This NSO shall not be construed as a granting of the approval required under 12 CFR 5.46(g)(1)(ii)(A) to increase the Bank's permanent capital. An application must be submitted in accordance with 5.46(i)(1) and OCC approval must be obtained prior to any increase in the Bank's permanent capital. If you have any questions regarding this requirement or the application, please contact Stephanie Moss, Senior Licensing Analyst, at (202) 649-7243 or stephanie.moss@occ.treas.gov.

This letter does not amend, suspend, waive, or terminate any provisions of the Order. Further, this letter and the activities and communications by OCC employees in connection with the Bank's request, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable laws and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

This letter shall immediately be provided to each member of the Board, and this letter shall be reviewed and discussed at the next meeting of the Board. The Board's discussion of this letter shall be included in the minutes of the next meeting of the Board.

Should you have any questions, please feel free to contact either Problem Bank Specialist Ramah Chansen or myself at (202) 649-6450.

Sincerely,

/s

Julie A. Thieman
Director for Special Supervision