



Comptroller of the Currency
Administrator of National Banks

Western District Office
1225 17th Street, Suite 300
Denver, Colorado 80202
720-475-7650; Fax: 301-333-7010

October 14, 2005

**Conditional Approval #707
November 2005**

Daniel Prohaska
Chairman and CEO
Idaho Trust National Bank
300 Main Street, Suite 250
Boise, Idaho 83702

Re: Application for Expansion of Services
Idaho Trust National Bank
Coeur d'Alene, Idaho
OCC Control No.: 2005-WE-12-0203

Dear Mr. Prohaska:

The Office of the Comptroller of the Currency (OCC) has reviewed your request to amend the Bank's Articles of Association. We received your request on August 1, 2005.

At present, the Bank's Article Second limits the Bank's activities as follows:

“The business of the association shall be limited to the full fiduciary powers of national banks and the support of activities incidental to the exercise of those powers. The association may not expand or alter its business beyond that stated in this article without the prior approval of the Comptroller of the Currency.”

The Bank has requested the OCC's approval for the shareholder of the Bank to amend the Articles by striking the language noted above, and replacing it with the following amendment:

“The general business of the association shall be conducted at its main office and its branches.”

This amendment would have the effect of allowing the Bank to conduct a full range of commercial banking services.

The OCC hereby grants preliminary conditional approval of your request.

This preliminary conditional approval is granted based on a thorough evaluation of all information available to the OCC, including the representations and commitments made in the application and by the Bank's representatives. We also made our decision to grant preliminary conditional approval contingent upon the Bank receiving permission from the Federal Reserve for the Bank's parent company to become a bank holding company, and obtaining deposit insurance from the Federal Deposit Insurance Corporation (FDIC) prior to the amendment to the Articles becoming final. In addition, the Bank must receive any other required regulatory approvals.

The OCC has granted preliminary conditional approval only. Final approval and authorization for the Bank to conduct any commercial banking operations (other than fiduciary activities) will not be granted until all reopening requirements are met. Until final approval is granted, the OCC has the right to alter, suspend, or revoke this preliminary conditional approval should the OCC deem any interim development to warrant such action.

This preliminary conditional approval is subject to the following conditions:

1. The Bank: (i) shall give the Salt Lake City Field Office at least sixty (60) days prior written notice of the Bank's intent to significantly deviate or change from its business plan or operations¹ as submitted in your request, and as may be amended prior to commencement of commercial banking activities, and (ii) shall obtain the OCC's written determination of no objection before the Bank engages in any significant deviation or change from its business plan or operations. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice. For the first three years of operation, the Bank must also provide a copy of such notice to the FDIC's San Francisco Regional Office.
2. The individual serving as the chief commercial banking officer (Executive Vice President – Commercial Banking) must serve as a member of the board of directors of the Bank, as long as that individual holds the position as chief commercial banking officer.
3. For a period of two years following commencement of full commercial banking activities, the Bank must file and obtain the OCC's written determination of no objection prior to any new executive officer or director assuming such position.
4. The OCC requires that, prior to expanding as a full service commercial bank, the Bank engage an independent, external auditor to perform an audit according to generally acceptable auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the Bank as a whole. The OCC expects that such audits will be performed annually for at least three years following commencement of full commercial banking operations.

¹ If such deviation is the subject of an application filed with the OCC, no separate notice to the supervisory office is required.

These conditions are conditions “imposed in writing by the agency in connection with the granting of any application or other request” within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

In addition, the granting of the OCC’s final authorization to commence any commercial banking operations will be contingent on the Bank satisfying the following pre-commencement requirements:

1. The Bank must submit to the OCC for review and written determination of no objection its proposed EVP for Commercial Banking (i.e., chief lending officer and chief commercial banking officer), and its proposed chief financial officer.
2. The chief commercial banking officer must have formally reviewed the proposed business plan and provided any proposed changes of the plan to the Board and the OCC. The Board must review any recommended changes to the plan and incorporate them (as applicable) into the plan. The OCC must review and not object to the final business plan.
3. The Bank must add one additional outside director with recent commercial banking experience as an executive officer or director of a well-run insured commercial bank. The OCC must issue a written determination of no objection to this individual serving as a director of the Bank.
4. The Bank must have a security program in place that complies with the “Interagency Guidelines Establishing Standards for Safeguarding Customer Information” specified at 12 CFR 30, Appendix B.
5. The Bank must ensure its fidelity bond coverage is adequate, in light of the expansion of activities, in accordance with 12 CFR 7.2013.
6. Enclosed is a minimum policies and procedures checklist for new national banks. The Board of Directors must ensure that applicable policies and procedures are established and adopted before the Bank begins commercial banking operations.
7. The Bank must submit to the OCC for review and a written determination of no objection a complete description of the Bank’s final information systems and operations architecture as well as the information systems risk assessment and management plan. This should include a schematic drawing and discussion of the following items:

Vendor due diligence and contracts; electronic banking security mechanisms and policies; information systems personnel; internal controls; audit plans; and operating policies and procedures, including, but not limited to, vendor

management, weblinking, customer authentication and verification, and business resumption contingency plans.

8. The Bank must have performed an independent security review and test of its electronic banking platform. The Bank must have this review performed regardless of whether the platform is operated in-house or by one or more third-party service providers. If the Bank outsources the technology platform, it can rely on testing performed for the service provider to the extent that it satisfies the scope and requirements listed herein. The review must be conducted by an objective, qualified independent source (Reviewer). The scope should cover:
 - All access points, including the Internet, Intranet, or remote access.
 - The adequacy of physical and logical protection against unauthorized access including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access.

By written report, the Reviewer must confirm that the security measures, including the firewall, have been satisfactorily implemented and tested.

9. The sole shareholder of the Bank must amend the Bank's Articles of Association, which currently limit the bank's activities to trust related operations. The amendment to the Articles will not be effective until the OCC grants final authorization.
10. The Bank must file any relevant applications and receive all required approvals to relocate its main office to Boise, Idaho, and/or establish a full service branch banking office in Boise, as contemplated in the business plan.
11. A letter must be submitted to the district office at least 45 days before the Bank is scheduled to commence commercial banking activities, notifying the OCC that all conditions and requirements necessary to engage in the business of commercial banking have been met, requesting a pre-commencement examination, and providing the anticipated date for expansion of activities to commence.
12. The OCC must conduct a pre-commencement examination of the Bank and find that the Bank has met all the requirements and completed the steps necessary to engage in the business of commercial banking prior to the OCC issuing its final authorization to conduct commercial banking activities.

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If the Bank has not satisfied these conditions and requirements and commenced the business of commercial banking within 12 months from the date of our preliminary conditional approval, the approval expires. The OCC is opposed to granting extensions, except under the most extenuating circumstances and when the OCC determines that the delay is beyond the applicant's control. The Board is expected to proceed diligently, consistent with their application, for the Bank to commence commercial banking business as soon as possible.

This preliminary conditional approval, and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States (U.S.), any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

Please direct any questions concerning preliminary conditional approval to Senior Licensing Analyst Jim Bundy at (720) 475-7656.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

Sincerely,

/s/

Ellen Tanner Shepherd
Director for District Licensing

Enclosures: Minimum Policies and Procedures
Survey Letter