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Comptroller of the Currency  
Administrator of National Banks

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Central District Office  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, Illinois 60605

September 17, 2004

**Conditional Approval #651  
October 2004**

Mr. Douglas M. Kratz  
Chairman of the Board  
National Bancshares, Inc.  
852 Middle Road, Space #101  
Bettendorf, Iowa 52722

Re: Application to charter a de novo bank with the title of "THE National Bank", Edina, Minnesota and request to waive the residency requirements for the proposed directors (CAIS Control Numbers 04-CE-01-007 and 04-CE-12-256)

Dear Mr. Kratz:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of THE National Bank (hereinafter "Bank") along with your request for the OCC to waive the residency requirements for the proposed directors under 12 U.S.C. 72. On September 17, 2004, the OCC granted preliminary conditional approval of your charter application after a determination that your proposal met certain regulatory and policy requirements. We also granted waivers for the residency requirement established by 12 U.S.C. 72 for the following individuals.

Edmund F. Conroy  
John D. DeDoncker  
Perry B. Hansen  
Douglas M. Kratz  
Francis P. McCarthy  
Peter G. Pohlmann  
Robert A. Wolfe

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 with the understanding that the Bank will apply for Federal Reserve membership and will obtain deposit insurance from the Federal Deposit Insurance Corporation (FDIC).

Page Two  
September 17, 2004  
Mr. Douglas M. Kratz  
Chairman of the Board  
National Bancshares, Inc.

The OCC has granted preliminary conditional approval only. Final approval and authorization for the Bank to open will not be granted until all preopening 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 condition(s):

The Bank: (i) shall give the Peoria 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 operations 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.

For the first three years of operation, the Bank also must provide a copy of such notice to the FDIC's Chicago Regional Office.

These conditions of approval are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

Final approval will not be granted until and unless the Federal Reserve acts favorably on your application to acquire the Bank.

The OCC poses no objection to the following person(s) serving as executive officer(s), directors, and/or organizers as proposed in the application:

<u>Name</u>	<u>Title</u>
Douglas M. Kratz	Organizer, Chairman of the Board and Chief Executive Officer
Donald P. Ackerman	President and Chief Operating Officer
Francis L. Lambert	Vice President, Operations
David W. Lundy, Jr.	Vice President, Commercial Loan Officer
Edmund F. Conroy	Organizer and Director
John D. DeDoncker	Organizer and Director
Perry B. Hansen	Organizer and Director
Francis P. McCarthy	Organizer and Director
Peter G. Pohlmann	Organizer and Director
Robert A. Wolfe	Organizer and Director

Prior to the Bank's opening, the Bank must obtain the OCC's prior written determination of no objection for any additional organizers or executive officers, or directors appointed or elected before the person assumes the position. For a two-year period after the Bank commences business, the Bank must file an Interagency Biographical and Financial Report with the OCC and receive a letter of no objection from the OCC prior to any new executive officer or director assuming such position.

Page Three  
September 17, 2004  
Mr. Douglas M. Kratz  
Chairman of the Board  
National Bancshares, Inc.

The "Corporate Organization" booklet in the *Comptroller's Licensing Manual* provides guidance for organizing your bank. The booklet is located at the OCC's web site: [www.occ.treas.gov/corpbook/group1/public/pdf/corporg.pdf](http://www.occ.treas.gov/corpbook/group1/public/pdf/corporg.pdf). The booklet contains all of the steps you must take to receive your charter.

As detailed in the booklet, you may establish the corporate existence of and begin organizing the Bank as soon as you adopt and forward Articles of Association and the Organization Certificate to me in this office for our review and acceptance. As a "body corporate" or legal entity, you may begin taking those steps necessary for obtaining final approval. The bank may not begin the business of banking until it fulfills all requirements for a bank in organization and the OCC grants final approval.

After reading the instructions for the organization of a new national bank, it is suggested that the spokesperson or other designated representative consult with me at (312) 360-8863 to discuss the organization process. The OCC believes that such a meeting can contribute to a more efficient and effective organization process and help avoid common mistakes that have delayed or prevented other banks from opening.

Enclosed are the standard requirements and minimum policies and procedures for new national banks. The Bank must meet the standard requirements before it is allowed to commence business and the Board of Directors must ensure that the applicable policies and procedures are established and adopted before the Bank begins operation.

In addition to the standard requirements for all new national banks, the following special requirements must be satisfied prior to the Bank's request for a preopening examination and before the OCC will grant final charter approval:

1. The Bank must submit to the Peoria Field Office for review, and prior written determination of no supervisory 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.

2. 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:

Page Four  
September 17, 2004  
Mr. Douglas M. Kratz  
Chairman of the Board  
National Bancshares, Inc.

- 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.

For additional guidance, see “The Internet and the National Bank Charter” booklet of the *Comptroller’s Licensing Manual*, sections “Risk Considerations – Information System Security” and “Appendix A: Sample Business Guidelines – Records, Systems, and Controls.” The booklet is located at the Electronic Banking section of the OCC’s web site: [www.occ.treas.gov/netbank/letters.htm](http://www.occ.treas.gov/netbank/letters.htm).

3. 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.

Under separate cover, the OCC will send to you an appropriate set of OCC handbooks, manuals, issuances, and selected other publications. This information does not include the Comptroller’s Licensing Manual, which is available only in electronic form at our web site: [www.occ.treas.gov/corpapps/corpapplic.htm](http://www.occ.treas.gov/corpapps/corpapplic.htm).

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.

Direct any questions concerning this preliminary conditional approval to me at (312) 360-8863.

Sincerely,

/s/ *David J. Rogers*

David J. Rogers  
Licensing Manager

Enclosures: Standard Requirements  
Minimum Policies and Procedures