

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS

OLYMPIA, WASHINGTON

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In the Matter of:)	
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CONNECT COMMUNITY BANK)	CONSENT ORDER
RAYMOND, WASHINGTON)	
)	FDIC-25-0148b
(INSURED STATE NONMEMBER BANK))	
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_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Connect Community Bank, Raymond, Washington (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q). The Washington Department of Financial Institutions (“WDFI”) is the appropriate State banking agency for the Bank under Title 32 of the Revised Code of Washington (“RCW”).

The Bank, by and through its duly elected and acting Board of Trustees (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated May 12, 2026, 2026, that is accepted by the FDIC and the WDFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to Board and senior management oversight, capital adequacy, liquidity, earnings and interest rate risk, to the issuance of this Consent Order (“Order”) by the FDIC and the WDFI pursuant to Section 8(b)(1) of the FDI Act, and RCW § 32.04.250.

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), and RCW § 32.04.250 have been satisfied, the FDIC and the WDFI hereby order that:

QUALIFIED MANAGEMENT

1. Within sixty (60) days from the effective date of this Order, the Bank shall employ and thereafter retain a qualified Chief Financial Officer, Controller, or equivalent, with the education, experience, and expertise necessary to oversee the Bank's financial management functions. The Board shall ensure this officer or party has the policymaking authority and resources necessary to administer and oversee the Bank's financial management activities including financial reporting, budgeting and financial planning, expense monitoring and controls, liquidity and funds management, asset-liability management, capital planning and controls, internal accounting controls, and ensuring the preparation and provision of accurate and timely financial reporting to the Board. The Board shall provide written notification to the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Director of the Washington Department of Financial Institutions Division of Banks ("Director") prior to the appointment or engagement, including a description of the officer's or party's qualifications, experience, authority, and scope of responsibilities, in accordance with paragraph (3) below.

2. The Bank shall have and retain management with the qualifications and experience commensurate with their duties and responsibilities at the Bank. Management for the purposes of this Order shall be defined as any executive who participates or has authority to participate in major policymaking functions. The qualifications of management shall be assessed on its ability to:

- (a) comply with the requirements of this Order;

- (b) operate the Bank in a safe and sound manner;
- (c) comply with applicable laws and regulations; and
- (d) restore all aspects of the Bank to a safe and sound condition, including capital adequacy, earnings, liquidity, and interest rate risk.

3. During the life of this Order, the Bank shall notify the Regional Director and the Director in writing of the resignation or termination of any of the Bank's Board members or senior executive officers, as defined within Subpart F of Part 303 of the FDIC Rules and Regulations. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of Section 32 of the FDI Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100–303.104, and the same requirements of the State of Washington for prior notification and approval.

BOARD PARTICIPATION

4. The Board must immediately increase its supervision, direction, and oversight of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all the Bank's activities. This supervision, direction, and oversight shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; liquidity and funds managements activities; operating policies; individual committee actions; expense-control initiatives and progress toward measurable overhead reductions; interest rate risk reports, including compliance with Board-approved limits and corrective actions for any breaches; capital planning; capital adequacy projections and specific capital-strengthening initiatives; and,

all significant policy exceptions, including exceptions to limits, thresholds, or tolerance across all operational and risk-management areas. The Board minutes shall document these reviews, discussions, and approvals. The minutes shall specifically describe: (1) any identified exceptions or limit breaches; (2) the corrective actions taken or directed; (3) progress on expense-reduction and capital building measures; and (4) the names of any dissenting Board members.

CAPITAL

5. (a) Within one-hundred and twenty (120) days from the effective date of this Order, unless extended in writing by the Regional Director and Director, the Bank shall achieve and thereafter maintain its Tier1 capital in such an amount to ensure that the Bank's "Leverage ratio" equals or exceeds 8 percent, as defined in Section 324.10(a)(2) of the FDIC's Rules and Regulations, 12 C.F.R. § 324.10(a)(2) .

(b) Within sixty (60) days from the effective date of this Order, the Bank shall formulate an acceptable written capital plan ("Capital Plan"), subject to the review and approval of the Regional Director and the Director that details the manner in which the Bank will achieve and maintain a "Leverage ratio" that equals or exceeds 8 percent. The Capital Plan shall address, at a minimum, targeted capital level ratios, potential sources of additional capital, timeframes for raising capital from such sources, and the description of any triggering events or condition that would cause the implementation of contingency aspects of the Capital Plan.

(c) The level of capital to be maintained during the life of this Order shall be in addition to a fully funded allowance for credit losses, the adequacy of which shall be satisfactory to the Regional Director and the Director as determined at subsequent examinations and/or visitations.

(d) For the purposes of this Order, all terms relating to capital shall have the meanings and be calculated in accordance with the applicable FDIC's Rules and Regulations concerning Capital Adequacy (currently at 12 C.F.R. Part 324).

LIQUIDITY/FUNDS MANAGEMENT

6. Within ninety (90) days from the effective date of this Order, the Board shall develop and implement a comprehensive asset/liability management policy. The policy and its implementation shall be in a form and manner acceptable to the FDIC and WDFI as determined at subsequent examinations or visitations. The policy shall establish standards consistent with prudent banking operations by giving specific consideration to the following:

(a) **Liquidity Cash Flow Forecasting:** Management should re-evaluate key inputs and assumptions for the cash flow forecasting tool to ensure that the outputs can be relied upon to manage and monitor the Bank's current liquidity and risk. The underlying assumptions should be reasonable, appropriate, and adequately documented. Cash flow forecasts shall align with established liquidity limits, and results shall be reported to the Board at least monthly, and at each regularly scheduled Board meeting.

(b) **Liquidity Stress Testing:** Management shall ensure that stress scenarios reflect the institution's actual risk profile, including potential large deposit outflows, deposit concentration risk, loss of borrowing capacity, and deterioration in financial condition. Stress tests shall be used to identify potential liquidity exposures and provide meaningful information on how the balance sheet may change during a stress event. Based on the results of these stress scenarios, management shall develop realistic and feasible action plans that identify appropriate funding strategies, specify the sequence of funding sources to be used for each scenario,

incorporate minimum on-balance-sheet liquidity needs, and outline the operational steps needed to execute those actions.

EARNINGS, PROFIT PLAN & BUDGET

7. (a) Within ninety (90) days from the effective date of this Order, the Bank shall develop and implement a written expense and profit plan covering a three-year projection period. The profit plan must be expressly tied to the Bank's Board-approved Strategic Plan and strategic objectives, and must demonstrate how projected earnings reflect those objectives, including targeted market segments, product lines, risk tolerances, balance-sheet composition, capital preservation and augmentation, and liquidity posture. The plan and its implementation shall be in a form and manner acceptable to the FDIC and WDFI as determined at subsequent examinations or visitations. The plan shall establish specific strategies and remedial measures to improve the profitability of the Bank. At a minimum, the plan shall address the following items:

- (i) The major areas in which the Board will seek to improve the Bank's operating performance;
- (ii) a plan to control overhead and other expenses;
- (iii) a written budget for the ensuing twelve (12) months period which incorporates realistic and comprehensive assumptions (Annual Budget).
- (iv) a budget review process which compares actual income and expenses with projections; and
- (v) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) Thereafter, the Bank shall formulate such a written expense and profitability plan within thirty (30) days of the beginning of each subsequent fiscal year and submit it to the FDIC and WDFI for review and comment.

INTEREST RATE RISK

8. (a) Within sixty (60) days from the effective date of this Order, the Board shall review and update the Bank's interest rate risk ("IRR") policies, procedures, and management information systems ("MIS"). The updated framework shall ensure that IRR policy exceptions and breaches are promptly identified, documented, and escalated to the Board with supporting analysis from management.

(i) Each exception or breach shall be accompanied by a written corrective action plan that identifies root causes, sets measurable milestones, assigns responsible parties, and includes defined timelines for completion.

(ii) The Board's acceptance of any exception or breach, and any related corrective action plan, shall be documented in the Board minutes, including the rationale for acceptance and any associated risk-mitigation measures.

(iii) At least quarterly, the Board shall review the status and effectiveness of all outstanding IRR exceptions and corrective actions and shall ensure recurring or unremediated exceptions are re-evaluated for financial impact.

(iv) MIS shall be enhanced to provide timely, accurate, and auditable identification, tracking, and reporting of IRR exposures, exceptions, and remediation progress.

(b) The Board shall ensure full and ongoing implementation of the updated policies, procedures, and MIS and shall confirm compliance with this provision in the minutes of its meetings.

PROGRESS REPORTS

9. Within thirty (30) days of the end of the first quarter following the effective date of this Order, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Director. Progress reports should address each provision of the Order and detail the form, manner, results, and dates of actions taken. The Board shall review and certify the accuracy of the reports prior to submission. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director and the Director have released the Bank in writing from making further reports.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the WDFI, 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, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the WDFI.

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 the WDFI.

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Issued pursuant to delegated authority.

Dated this 13th day of May, 2026.

/s/

Perissa Ali Clark
Acting Deputy Regional Director
Division of Risk Management Supervision
San Francisco Region
Federal Deposit Insurance Corporation

/s/

Matt Harvey
Director of Banks
Washington Department of Financial
Institutions