FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

OREGON DIVISION OF FINANCIAL REGULATION

SALEM, OREGON

In the Matter of: OREGON COAST BANK NEWPORT, OREGON (INSURED STATE NONMEMBER BANK)	CONSENT ORDER FDIC-16-0142b

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Oregon Coast Bank, Newport, Oregon ("Bank") under Section 3(q) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1813(q)(3). The Oregon Division of Financial Regulation ("ODFR") is the appropriate State banking agency for the Bank under Title 53 of the Oregon Revised Statutes ("ORS").

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 ______________, 2016, that is accepted by the FDIC and the ODFR. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound practices or violations of law, to the issuance of this Consent Order ("Order") by the FDIC and the ODFR pursuant to Section 8(b)(1) of the FDI Act, and Section 706.580 of the ORS.

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 Section 706.580 of the ORS have been satisfied, the FDIC and the ODFR hereby order that:

1. Within 90 days of the effective date of this Order, the Bank shall comply in all material respects with the Bank Secrecy Act, 31 U.S.C. §§ 5311-5314, 5316-5332, 12 U.S.C. § 1829b, 12 U.S.C. §§ 1951-1959 and 12 U.S.C. § 1818(s), and its implementing regulations, 31 C.F.R. Chapter X (effective March 1, 2011), section 326.8 and Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8 and 12 C.F.R. Part 353 (collectively referred to as the "Bank Secrecy Act" or "BSA").

2. Within 120 days of the effective date of this Order, the Bank shall revise and implement a written BSA compliance program, as required by the applicable provisions of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, designed to, among other things, ensure and maintain compliance by the Bank with the BSA. The program shall ensure that clear and comprehensive BSA compliance reports are provided to the Bank's Board on a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Administrator of the Oregon Division of Financial Regulation ("Administrator") as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall:

(a) Establish a system of internal controls to ensure compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all suspicious transactions to ensure that they are properly reported to law enforcement and supervisory authorities when appropriate.

(b) Provide for independent testing of compliance with the BSA, all applicable rules and regulations related to the BSA, and the reporting of suspicious transactions required to be reported pursuant to Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353. The independent testing shall be conducted on an annual basis and in accordance with the procedures described in the Federal Financial Institutions Examination Council ("FFIEC") Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") Examination Manual 2010. The independent testing, at a minimum, should address the following:

(i) overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures and processes;

(ii) BSA/AML risk assessment;

(iii) BSA reporting and recordkeeping requirements;

(iv) Customer Identification Program ("CIP") implementation;

(v) adequacy of customer due diligence ("CDD") policies, procedures, and processes and whether they comply with internal requirements;

(vi) personnel adherence to the Bank's BSA/AML policies, procedures, and processes;

(vii) appropriate transaction testing, with particular emphasis on high-risk operations (products, service, customers, and geographic locations);

(viii) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;

(ix) integrity and accuracy of management information systems ("MIS") used in the BSA/AML compliance program;

(x) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations; and

(xi) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared Suspicious Activity Reports ("SARs") to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy.

(c) Provide for written reports to be prepared which document the testing results and provide recommendations for improvement. Such reports shall be presented directly to the Bank's Board;

(d) Ensure that the Bank's BSA compliance program is managed by a qualified BSA officer who has the required authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's BSA program requirements and BSA-related regulations, including without limitation:

(i) the identification, and timely, accurate and complete reporting to law enforcement and supervisory authorities, of unusual or suspicious activity perpetrated against or involving the Bank; and

(ii) monitoring the Bank's compliance with the BSA program and ensuring that full and complete corrective action is taken with respect to previously identified violations and deficiencies.

(e) Provide and document training by competent staff and/or independent contractors of all Board members and all appropriate personnel, including, without limitation, senior management, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel, in all aspects of regulatory and internal policies and procedures related to the BSA, with a specific concentration on accurate recordkeeping, form completion and the detection and reporting of suspicious activity. Training shall be updated on a regular basis to ensure that all personnel are provided with the most current and up to date information.

3. Within 90 days from the effective date of this Order, the Bank shall revise the BSA risk assessment, which includes information on control structure, as well as the volume of high-risk customers, activities, products and services. The Risk Assessment shall first identify the inherent risks for each of the products and services, and other evaluated factors, then by applying the mitigating factors, determine the residual risk. The assessment should be used as a tool to identify risks and effectively plan for continued and anticipated risk going forward.

4. Within 90 days from the effective date of this Order, the Bank shall revise and implement policies and procedures to ensure that SARs are filed within 30 days of identifying a suspect or unusual and suspicious activity (or a total of 60 days if a suspect is unknown or once per quarter for ongoing transactions). Such policies and procedures must also ensure that timely identification of suspicious activity occurs; that timely investigation into unusual activity is undertaken; that related accounts are considered and discussed in the SAR filing; and that the Bank maintains adequate written explanations and documentation to support a decision not to file a SAR as a result of any investigation of a suspect or unusual and suspicious activity.

5. Within 90 days from the effective date of this Order, the Bank shall revise and implement CDD policies and procedures to ensure at a minimum that:

(a) Bank personnel complete the CDD form in an accurate and consistent manner, and obtain sufficient information from customers to determine a baseline of normal account activity;

(b) Bank personnel have sufficient training, experience and technological resources to identify high-risk customers that require enhanced due diligence; and

(c) Bank personnel have sufficient training, experience and technological resources to identify and report suspicious activities;

6. Within 90 days from the effective date of this Order, the Bank shall revise and implement CIP policies and procedures to ensure at a minimum that:

(a) all appropriate lending personnel are trained to comply with the Bank's CIP requirements; and

(b) such lending personnel are held accountable for failure to comply with the Bank's CIP requirements.

7. Within 120 days of the effective date of this Order, the Bank shall correct all violations of law, as more fully set forth in the FDIC's Report of Examination dated April 4, 2016. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

8. Within 90 days from the effective date of this Order, the Board shall review the appropriateness of the Bank's allowance for loan and lease losses ("ALLL") and establish a comprehensive policy for determining an appropriate level of the ALLL, including documenting its analysis according to the standards set forth in the July 25, 2001 Interagency Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Associations. For the purpose of this determination, an appropriate ALLL shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review shall be completed in order that the findings of the Board with respect to the ALLL are properly reported

in the quarterly Reports of Condition and Income. The review shall focus on the accounting standards set forth in the Financial Accounting Standards Board Accounting Standards Codification ("ASC") 450 (formerly known as FAS 5) and ASC 310-40 (formerly known as FAS 114), the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and nonaccrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the Bank's ALLL and its implementation shall be satisfactory to the Regional Director and the Administrator as determined at subsequent examinations and/or visitations.

9. Within 90 days from the effective date of this Order, the Bank shall develop an internal control risk assessment that shall be reviewed and approved by the Bank's audit committee at least annually. The assessment shall identify the inherent risk and allow for the establishment of mitigating controls, and then assign a residual risk for each area of the Bank. The Bank shall establish an internal audit plan based on the results of the risk assessment, which shall include the timing and frequency of planned audit work as well as the individuals or entity responsible for such work.

10. Within 30 days of the end of the first quarter, following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Administrator detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports shall

include a copy of the Bank's Report of Condition and the Bank's Report of Income. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director and the Administrator have released the Bank in writing from making further reports.

11. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of the ORDER in conjunction with the Bank’s next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank’s next shareholder meeting. The description shall fully describe the Order in all material respects. The description and any accompanying communication, statement or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice or statement.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the ODFR, 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 ODFR.

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 ODFR.

Issued pursuant to delegated authority

Dated this 12th day of September, 2016.

/s/	/s/
Kathy L. Moe	Laura N. Cali
Acting Regional Director	Administrator
Division of Risk Management Supervision	Oregon Division of Financial Regulation
San Francisco Region	
Federal Deposit Insurance Corporation	