

Community Reinvestment Act (CRA) Policy

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Community Reinvestment Act (CRA) Policy

1. Overview & Purpose

The Community Reinvestment Act (CRA) was enacted to help ensure that banks meet the credit needs of their communities. Congress required each appropriate federal financial supervisory agency to assess an institution's record of helping to meet the credit needs of the local communities in which the financial institution is chartered, consistent with a safe and sound operation, and to take this record into account in the agency's evaluation of an application for a deposit facility by the institution.

The Community Reinvestment Act:

1. Establishes the framework and criteria by which a federal regulator assesses a bank's record of helping meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the bank; and
2. Provides that a bank's federal regulator takes that record into account in considering certain applications.

In addition, the importance of a bank's record of CRA performance also affects:

1. Applications for:
 - a. Establishing a domestic branch by a state member bank; and
 - b. Merger, consolidation, acquisition of assets, or assumption of liabilities requiring approval under the Bank Merger Act if the acquiring, assuming, or resulting bank is to be a state member bank.

BayCoast Bank is committed to serving the needs of the communities in which it does business. In pursuing this commitment, the Bank has established this Policy designed to comply with the CRA and its implementing regulation. The Bank believes that implementing this Policy is a good business practice that truly benefits the communities it serves.

2. Scope

BayCoast Bank will use its best efforts, within the scope of its resources and in a safe and sound manner, to meet the credit needs of, and provide banking services to, its entire community. Consideration shall be given to the needs of small businesses and to the needs of low- and moderate-income individuals.

3. Definitions

Terms specific to the Policy are listed and defined here, however, this should not be considered an exhaustive list of “important” definitions as it relates to CRA.

| Term | Definition |
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| Assessment Area | A geographic area delineated by the bank under the requirement of the Community Reinvestment Act. |
| Combined Statistical Areas (CSA) | A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two which are linked by economic ties. |
| Community Development | For loans, investments, and services to qualify as community development activities, their primary purpose must: <ol style="list-style-type: none"> 1) <i>Support affordable housing for low- and moderate-income individuals;</i> 2) <i>Target community services toward low- and moderate-income individuals;</i> 3) <i>Promote economic development by financing small businesses or farms;</i> 4) <i>Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or</i> 5) <i>Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.</i> |
| Community Development Loan | A loan that: <ol style="list-style-type: none"> 1) <i>Has its primary purpose as community development; and</i> 2) <i>Except in the case of a wholesale or limited purpose bank:</i> <ol style="list-style-type: none"> a) <i>Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan, and</i> b) <i>Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).</i> |
| Community Development Services | A service that: <ol style="list-style-type: none"> 1) <i>Has as its primary purpose community development; and</i> 2) <i>Is related to the provisions of financial services; and</i> 3) <i>Has not been considered in the evaluation of the bank's retail banking services.</i> |
| Distressed Middle-Income Non-Metropolitan Geographies | A non-metropolitan middle-income geography will be designated as “distressed” if it is in a county that meets one or more of the following triggers: <ol style="list-style-type: none"> 1) <i>An unemployment rate of at least 1.5 times the national average;</i> 2) <i>A poverty rate of 20 percent or more; or</i> 3) <i>A population loss of 10 percent or more between the previous most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.</i> |
| Low-Income | Individual income that is less than 50% of the area median income, or a median family income that is less than 50% in the case of geography. |

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| Metropolitan Division (MD) | County or group of counties within a combined statistical area that contains an urbanized area with a population of at least 2.5 million. An MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties. |
| Metropolitan Statistical Area (MSA) | Combined statistical areas associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county and counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through community. |
| Micropolitan Statistical Area | Combined statistical area associated with at least one urbanized area having a population of at least 10,000 but less than 50,000. |
| Moderate-Income | An individual that is at least 50% and less than 80% of the area median-income, or a median family income that is at least 50% and less than 80% in the case of geography. |
| Multi-family | Refers to a residential structure that contains five or more units. |
| Reasonable Expected Market Area (REMA) | The geographical area the regulatory agency believes a bank can serve based on the bank's distribution of applications and loan originations and its marketing and outreach efforts. |
| Small Business Loan | A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm residential properties or are classified as commercial and industrial loans. |
| Underserved Middle-Income Non-Metropolitan Geographies | A non-metropolitan middle-income geography will be designated as underserved if it meets criteria for: <ul style="list-style-type: none"> <i>1) Population size, density, and dispersion, including the area's population, is sufficiently small, thin, and</i> <i>2) Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.</i> |

4. Roles & Responsibilities

The following roles and responsibilities in implementing, complying with, governing, and ensuring provisions of the CRA are met are established by this Policy:

Board of Directors

The Board of Directors oversees the Bank's CRA Program and is proactively involved in the activities of the Bank and its subsidiaries.

Specifically, the Board of Directors is responsible for:

1. Reviewing and approving the Bank's CRA Policy on an annual basis.
2. Delegating authority to the CRA Committee to provide guidance and oversight to support the Bank's CRA Program.

CRA Committee

The purpose of the Bank's CRA Committee is to provide oversight of, and assistance to, the Board by reviewing the Bank's position, policies, and practices on CRA matters, including without limitation, community investment, affordable housing, education, and other public policy issues that reflect the Bank's values and impact the Bank's reputation.

The CRA Committee is responsible for:

1. CRA monitoring (annual reporting, etc.), reviewing CRA data, and making recommendations to the Board based on the Bank's data and regulatory guidance, including any exam feedback.
2. Recommending and overseeing the identification of CRA community involvement opportunities.
3. Acting as delegates of the Board of Directors and supporting management as needed during the CRA examination process.

In addition to its responsibilities, the CRA Committee also has the responsibility to (1) ensure financial support to the communities that the Bank serves; (2) oversee employee engagement relative to the Bank's CRA efforts; and (3) oversee and support the Bank's role as leader in providing financial education throughout the communities it serves.

President and Chief Executive Officer

The President and Chief Executive Officer has the ultimate leadership responsibility and ownership of the CRA Policy.

Specifically, the President and Chief Executive Officer is responsible for:

1. Maintaining a working knowledge of the Bank's CRA Program; and
2. Reviewing the written policies necessary to ensure effective adherence with applicable laws and regulations.

CRA Officer

The CRA Officer supervises the overall management of the Bank's CRA Program.

Specifically, the CRA Officer is responsible for:

1. Overseeing Bank-related CRA duties, programs, software systems, support materials and documentation, etc.;
2. Developing, implementing, and maintaining detailed CRA tracking and recordkeeping procedures;
3. Providing information and updates on the status of the Bank's performance in relation to the CRA Lending, Investment, and Service Tests at least quarterly to the CRA Committee and the Board.

4. Staying informed of CRA rules and regulations, including changes, and emerging issues, and updating Senior Management and the Board as appropriate.

Senior Management

Senior Management responsibilities relating to the Bank's CRA program include ensuring appropriate involvement, understanding, and support, which reinforces the Bank's CRA program and sets a culture and environment that promotes supportive behavior.

Senior Management is responsible for:

1. Establishing a system of effective internal reporting for effective CRA tracking and recordkeeping.
2. Defining roles and responsibilities of employees in a manner which promotes the CRA qualified products and services.

Compliance Department

The Compliance Department plays a key role in the Bank's CRA Program. Under the direction of the Bank's Compliance Officer, or his/her designee, the Compliance Department will provide appropriate involvement, understanding, and support of the Bank's CRA efforts.

Marketing Department

The Marketing Department is integral to the Bank's CRA Program. Under the direction of the Chief Marketing Officer, or his/her designee, the Marketing Department will provide appropriate involvement, understanding, and support for the Bank's CRA Program as it relates to marketing and advertising.

The Marketing Department will:

1. Promote the Bank's products and services that are designed to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the Bank.
2. Make available the information about the marketing efforts made within our Assessment Area and REMA.

Finance Department

Being a paramount department for all areas of the Bank, the Finance Department plays a pivotal role in the Bank's CRA Program. Under the direction of the Chief Financial Officer, or his/her designee, the Finance Department will provide appropriate involvement, understanding, and support for the Bank's CRA Program as it relates to Finance.

The Finance Department will:

- a. Provide information about CRA qualified investments, which include without limitation, Bonds to CRA Officer

Commercial Lending Department

As one of the primary areas of evaluation by the CRA examiners, the Commercial Lending Department is an essential part of the Bank's CRA Program. Under the direction of the Chief Lending Officer, or his/her designee, the Commercial Lending Department provides appropriate involvement, understanding, and support for the Bank's CRA Program through various lending initiatives, such as small business loans, SBA 504 loans, and PPP loans.

The Commercial Lending Department will:

1. Transmit the required FFIEC reporting which is also a part of the CRA examination.
2. Provide information about CRA qualified loans within the Assessment Area and REMA to the CRA Officer.
3. Provide information about CRA qualified Community Development Loans to the CRA Officer.
4. Provide information about any Small Business programs to the CRA Officer.
5. Provide information about any Affordable Housing Loans (AHL) provided through the Federal Home Loan Bank of Boston (FHLBB) to the CRA Officer.

Residential Lending and BayCoast Mortgage

Residential Lending is also one of the primary areas of evaluation by the CRA examiners which directly impacts the Bank's CRA Program. Residential Lending and BayCoast Mortgage will provide appropriate involvement, understanding, and support for the Bank's CRA Program through lending initiatives, including without limitation, Home Improvement Loans, Equity Lines & Loans, and Heat Loans.

The Residential Lending and BayCoast Mortgage will:

1. Transmit the required HMDA reporting which is also a part of the CRA examination.
2. Provide information about CRA qualified loans within the Assessment Area and REMA to the CRA Officer.
3. Provide information about CRA qualified State and/or Federal Loan Programs to the CRA Officer.
4. Provide information about CRA qualified BayCoast Mortgage Loan Programs to the CRA Officer.
5. Provide information about any loans purchased from non-profit organizations to the CRA Officer.

Community Banking Department/Retail Banking

Community Banking Department/Retail Banking is part of the Bank's presence in the community and has its own area of evaluation by the CRA examiners and is an integral piece of the Bank's CRA efforts. Under the direction of the Chief Community Banking Officer, or his/her designee, the Community Banking Department/Retail Banking will provide appropriate involvement, understanding, and support for the Bank's CRA Program, including without limitation, opening CRA qualified accounts and communicating various CRA-related programs, opportunities, or events with community members.

The Community Banking Department/Retail Banking will:

1. Provide information about the Wave Account and related processes to the CRA Officer.
2. Provide information about the School Banking Accounts to the CRA Officer.

Financial Literacy

Financial Literacy is one of the most impactful ways the Bank helps the community. Under the direction of the CRA Officer the Financial Literacy Officer will provide appropriate involvement, understanding and support for the Bank's CRA Program as it relates to financial literacy.

The Financial Literacy Officer will:

1. Provide information about the Credit for Life Program to the CRA Officer.
2. Provide information about the use of the FDIC Money Smart Program to the CRA Officer.
3. Provide information about the EverFi Program to the CRA Officer.
4. Provide information about financial literacy, volunteer participation and new financial literacy programs to the CRA Officer.

Corporate Giving

Corporate Giving has been a tried-and-true way of directly assisting the community with their needs. CRA examiners consider some of this giving as CRA-qualified and ask for information from community organizations to verify our understanding of their needs. Under the direction of the Community Engagement Department the Corporate Giving and Community Relations Specialist will provide appropriate involvement, understanding and support for the Bank's CRA Program as it relates to Corporate Giving.

The Corporate Giving and Community Relations Specialist will:

1. Provide information about CRA qualified Corporate Giving to the CRA Officer.

Bank Employees

As applicable, all Bank employees are responsible for compliance with this Policy and the CRA requirements relevant to their specific job function, including community involvement and volunteerism. Senior management and other Bank leadership, as applicable, are responsible for ensuring that activities under their control comply with this Policy.

5. Policy Statement/Requirements

It is the Bank's policy to comply with the applicable requirements of the CRA. To ensure compliance with this Policy, the Bank shall implement a program reasonably designed to ensure sufficient policies, procedures, training, monitoring, risk assessments, and management reporting and oversight.

This Policy will discuss the CRA requirements for each of the following:

- 5.1 Assessment Area
- 5.2 Community Outreach
- 5.3 Credit Offered
- 5.4 Ratio of Loans Inside and Outside of Assessment Areas
- 5.5 Distribution of Loans within the Assessment Areas
- 5.6 Community Development
- 5.7 Public File and Notice
- 5.8 Training
- 5.9 Complaints

5.1 Assessment Area

The Bank shall designate one or more Assessment Areas that:

- Consists of one or more Metropolitan Statistical Areas/Metropolitan Divisions ("MSAs/MDs") or contiguous political subdivisions (e.g., counties, cities, or towns):
- Includes the geographies where the Bank has its main office, branches, deposit-taking ATMs/ITMs, as well as the surrounding geographies in which the Bank originated or purchased a substantial portion of its loans:
- Consist only of whole census tracts:
- Consist of separate delineations for areas that extend substantially across MSA/MD or state boundaries unless the assessment area is in a multi-state MSA/MD:
- Do not reflect illegal discrimination: and
- Do not arbitrarily exclude any low- to moderate-income area(s) ("LMI area(s)"), with consideration of the Bank's size, branch structure, and financial condition.

The Bank may adjust its Assessment Areas that do not coincide with the boundaries of an MSA/MA or political subdivision, provided that the adjustments to the boundaries are made because the assessment area would otherwise be too large for the Bank to reasonably serve, have an unusual configuration, or include significant geographic barriers.

5.2 Community Outreach

The CRA Officer regularly meets with community leaders and partners with local non-profit groups to better assess the needs of the community. These community partnerships allow the Bank to identify opportunities to invest in the areas where it is needed most.

5.3 Credit Offered

The Bank believes that a properly administered lending policy, combined with prudent loan administration, will result in a strong loan portfolio. All loans are offered in a manner that is consistent with safe and sound banking practices. The Bank does not discriminate against credit applications on the basis of race, color, religion, national origin, disability, sex, marital status, familial status, gender identity, sexual orientation, genetic information, ancestry, or age (provided the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income is derived from public assistance programs or because the applicant resides in, or is affiliated with, what is considered to be a Majority Minority or LMI area.

5.4 Ratio of Loans Inside and Outside of Assessment Areas

Assessment area analysis will be conducted on an annual basis to review lending patterns inside and outside the assessment area as well as the Bank's Reasonable Expected Market Area (REMA). The analysis will measure application and originated lending volumes and dispersion rates of LMI and minority borrowers to ensure that the Bank is providing equal access to credit for all customers.

5.5 Distribution of Loans within the Assessment Area

The Bank shall strive to maintain a reasonable distribution of loans, both in number and dollar amount, among geographies and borrowers from different income levels. The CRA Officer shall evaluate the distribution of the Bank's loans and meet with business lines as needed to discuss results, market challenges, and CRA strategy at the quarterly CRA Committee meetings.

5.6 Community Development Loans, Investment, and Services

Community development loans, investments, and services are evaluated by determining:

1. The number and amount of community development loans;
2. The number and amount of qualified investments;

3. The extent to which the Bank provides CRA qualified community development services;
4. The Bank's responsiveness through such activities to community development lending, investment, and service needs; and
5. The Bank's use of innovative, flexible, or complex qualified investments and lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies.

Appropriate levels of each of these activities depend on the capacity and business strategy of the Bank, community needs, and number and types of opportunities for community development. The CRA Officer will work to track and evaluate community development activities quarterly and report the results to the CRA Committee.

5.7 Public File and Notice

The Bank shall have a CRA Notice is posted in the lobby of each branch, and BayCoast Bank's CRA Public File is made available to the public for inspection upon request:

1. At the BayCoast Bank main office location and, if an interstate bank, at one branch office in each state; and
2. At each branch:
 - a. A copy of the public section of the Bank's most recent CRA Performance Evaluation and list of services provided by the branch, and
 - b. Within five (5) calendar days of the request, all the information in the public file relating to the assessment area in which the branch is located.

The Bank will provide, upon request, in a form acceptable to the requesting party, all of the information in its public file. The Bank may charge a reasonable fee not to exceed the cost of copying and mailing (if applicable).

5.8 Training

Training will be provided to the Bank's Board of Directors and employees, as applicable, to ensure compliance with CRA, including without limitation:

1. The Board of Directors ensure that the Bank's CRA efforts are an important part of the Bank's overall strategy, that community needs are met, and that Bank policies and procedures align with the CRA-related initiatives and regulations.
2. Branch personnel understand the requirements for:
 - a. Posting the CRA Notice, and
 - b. Providing access to the CRA Public File.
3. Loan personnel understand the CRA and the Bank's CRA Policy and goals for achieving compliance with the CRA.

5.9 Complaints

Verbal or written complaint(s) that impact the Bank's CRA performance are to be immediately referred to the Bank's CRA Officer for proper handling and response. Any complaint affecting the Bank's CRA performance is a serious matter and it to be provided with prompt attention in accordance with Bank policies.

The CRA Officer will ensure that the Bank's FVP/Risk Management and Compliance Officer and Senior Management are also notified and copied on the response to any complaint.

The CRA Officer will also ensure that the complaint, written or oral, and response are included in the Bank's CRA Public File at all branch office locations.

6. Key Contact for Questions & Interpretation of Policy

Questions regarding this Policy or the interpretation of this Policy shall be directed to the Bank's CRA Officer.

7. Policy Compliance & Governance

Material changes to the Policy must be reported to the Risk Management Committee and the Compliance Committee.

8. Updates to the CRA Policy

This CRA Policy will be reviewed and updated at least on an annual basis and approved by the CRA Committee for recommendation to the Board of Directors for approval.

9. Revision History

| Revision Date | Version No. | Author | Description |
|---------------|-------------|----------------------------|----------------------------------|
| 1/31/2023 | 1.0 | Evelyn Ranone, CRA Officer | Original Policy Document |
| 5/4/2023 | 1.0 | Evelyn Ranone, CRA Officer | Draft Update of Policy Document |
| 5/4/2023 | 1.0 | Evelyn Ranone, CRA Officer | Policy Approved by CRA Committee |