

POWERLINE OWNER OCCUPIED WITH FIXED RATE OPTION

Kitsap Bank
Loan Center
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IMPORTANT TERMS OF OUR POWERLINE OWNER OCCUPIED WITH FIXED RATE OPTION

This disclosure contains important information about our Powerline Owner Occupied with Fixed Rate Option (the "Plan" or the "Credit Line"). You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS. All of the terms of the Plan described herein are subject to change. If any of these terms change (other than the ANNUAL PERCENTAGE RATE) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you paid to us or anyone else in connection with your application.

SECURITY INTEREST. We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS. Under this Plan, we have the following rights:

Termination and Acceleration. We can terminate the Plan and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happens:

- (a) You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
- (b) You do not meet the repayment terms of the Plan.
- (c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- (a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- (b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.
- (c) You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- (d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.
- (e) The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
- (f) We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum annual percentage rate under the Plan is reached.

Change in Terms. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

Fees and Charges. In order to open and maintain an account, you must pay certain fees and charges.

Late Charge. Your payment will be late if it is not received by us within **9 days after the "Payment Due Date" shown on your periodic statement**. If your payment is late we may charge you 5.000% of the unpaid amount of the payment or \$10.00, whichever is greater.

PROPERTY INSURANCE. You must carry insurance on the property that secures the Plan.

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: The draw period will extend for 120 months (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: up to 240 months. Your Regular Payment will equal the amount of your accrued FINANCE CHARGES ("First Payment Stream"). You will make 120 of these payments. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment. The Minimum Payment during the First Payment Stream will not reduce the principal that is outstanding on your Credit Line.

After completion of the First Payment Stream, your Regular Payment will be based on your outstanding balance as shown below or \$100.00, whichever is greater ("Second Payment Stream"). Your payments will be due monthly.

POWERLINE OWNER OCCUPIED WITH FIXED RATE OPTION (Continued)

<u>Range of Balances</u>	<u>Number of Payments</u>	<u>Amortization Period</u>
All Balances	240	240 payments

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges.

A change in the ANNUAL PERCENTAGE RATE can cause the balance to be repaid more quickly or more slowly. When rates decrease, less interest is due, so more of the payment repays the principal balance. When rates increase, more interest is due, so less of the payment repays the principal balance. If this happens, we may adjust your payment as follows: your payment may be increased by the amount necessary to repay the balance by the end of this payment stream. Each time the ANNUAL PERCENTAGE RATE changes, we will review the effect the change has on your Credit Line Account to see if your payment is sufficient to pay the balance by the Maturity Date. If it is not, your payment will be increased by an amount necessary to repay the balance by the Maturity Date.

MINIMUM PAYMENT EXAMPLE. If you made only the minimum payment and took no other credit advances, it would take 25 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 8.750%. During that period, you would make 120 monthly payments ranging from \$67.12 to \$74.32. Then you would make 180 monthly payments ranging from \$85.07 to \$100.00.

TRANSACTION REQUIREMENTS. The following transaction limitations will apply to the use of your Credit Line:

Credit Line PowerLine Access Check, Telephone Request, Request By Mail, In Person Request, Overdraft and On-Line Request Limitations. There are no transaction limitations for the writing of PowerLine Access Checks, requesting an advance by telephone, requesting an advance by mail, requesting an advance in person, overdrawing a designated deposit account or accessing by other methods.

TAX DEDUCTIBILITY. You should consult a tax advisor regarding the deductibility of interest and charges for the Plan.

VARIABLE RATE FEATURE. The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the Prime rate as published in the Wall Street Journal. Information about the Index is available or published in the Wall Street Journal. We will use the most recent Index value available to us as of the date of any annual percentage rate adjustment.

ANNUAL PERCENTAGE RATE. To determine the Periodic Rate that will apply to your First Payment Stream, we add a margin to the value of the Index, then divide the value by 365 days. To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the ANNUAL PERCENTAGE RATE for your First Payment Stream. To determine the Periodic Rate that will apply to your Second Payment Stream, we add a margin to the value of the Index, then divide the value by 365 days. To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the ANNUAL PERCENTAGE RATE for your Second Payment Stream. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

Please ask us for the current Index value, margin, discount and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

Conversion Option. After the **Draw Period** ends, the Plan contains an option to convert the ANNUAL PERCENTAGE RATE under the Plan from a variable rate with annual percentage rate limits to a fixed rate as determined below. The following information is representative of conversion option features recently offered by us:

ANNUAL PERCENTAGE RATE Increase. Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.

Conversion Periods. You can exercise the option to convert to a fixed rate only during the following period or periods: You can exercise the Conversion Option and convert the remaining outstanding balance on the variable rate line portion of your account to a fixed rate only after your Draw Period has ended by telling us you want to exercise the Conversion Option; this will start the repayment period. During the repayment period you will repay the outstanding balance with minimum payments of \$100.00 or the fully amortized principal and interest payments, whichever is greater for the remaining term up to 240 months.

Conversion Fees. You will be required to pay the following fees at the time of conversion to a fixed rate: You may be required to pay a fee at the time of starting the repayment period. The fees are finance charges and will have the effect of increasing your APR.

Rate Determination. The fixed rate will be determined as follows: The fixed interest rate will be the standard rate quoted by us at the time of the repayment period based upon the Index plus a margin.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change monthly on the day after the statement date. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 18.000% per annum at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLE.

Draw Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached immediately or prior to the 1st payment.

Repayment Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$154.36. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment during the repayment period.

PREPAYMENT. You may prepay all or any amount owing under the Plan at any time without penalty.

HISTORICAL EXAMPLE. The example below shows how the ANNUAL PERCENTAGE RATE and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the Index from 2010 to 2024. The Index values are from the following reference period: January of each year. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

The table assumes that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during the year. It does not necessarily indicate how the Index or your payments would change in the future.

POWERLINE OWNER OCCUPIED WITH FIXED RATE OPTION (Continued)

INDEX TABLE

Year (January of each year)		Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
Draw Period	2010.....	3.250...	0.250	3.500	29.73
	2011.....	3.250...	0.250	3.500	29.73
	2012.....	3.250...	0.250	3.500	29.73
	2013.....	3.250...	0.250	3.500	29.73
	2014.....	3.250...	0.250	3.500	29.73
	2015.....	3.250...	0.250	3.500	29.73
	2016.....	3.500...	0.250	3.750	31.85
	2017.....	3.750...	0.250	4.000	33.97
	2018.....	4.500...	0.250	4.750	40.34
	2019.....	5.500...	0.250	5.750	48.84
Repayment Period	2020.....	4.750...	0.250	5.000	100.00
	2021.....	3.250...	0.250	3.500	100.00
	2022.....	3.250...	0.250	3.500	100.00
	2023.....	7.500...	0.250	7.750	100.00
	2024.....	8.500...	0.250	8.750	100.00

(1) This is a margin we have used recently; your margin may be different.

THIRD PARTY FEES AND TERMINATION CHARGES. The Bank will pay typical initial third party fees such as but not limited to appraisals, credit reports, flood determinations, title and recording. In the event an appraisal is needed to evaluate your loan request, the cost for the appraisal must be paid up front before the appraisal order is placed. The appraisal fee will then be credited back at the time of loan closing. Where appraisal services are rendered and the loan is not originated; the appraisal fee is not refunded. If this Line of Credit is terminated on or before the 36th month from the Credit Agreement date you will be required to repay all fees and charges initially paid by the Bank. Third party fees and charges generally total between \$611.00 and \$6,106.00 and the Bank will provide you with an itemization of these fees upon closing. You may terminate your Line of Credit by paying the balance in full and requesting us to reconvey the Deed of Trust that secures the Credit Line. You may pay your Credit Line to a zero balance and not pay this fee if you intend to keep the credit line active.

ADDITIONAL LENDER FEES. You must also pay certain fees and charges for researching an account, receiving photocopies, exceeding the credit limit, NSF and stop payment handling. These fees are based on our standard fee schedule, which we revise from time to time. You may request a copy of our most recent fees schedule at any time or visit us online at www.kitsapbank.com to access the most recent fee schedule. Any revisions to those fees will be binding upon you if we give you notice of a change in fees in the manner required by law.

OTHER REQUIREMENTS. Any Changes or Modifications outside the Fixed Rate Option feature to the Credit Agreement during the term of the Line will be considered and if granted you may have a fee of \$400.00.

FIXED RATE OPTION FEATURE. At any time during the Draw period, you may elect to exercise the "Fixed Rate Option" of this credit line by telling us how much of the outstanding balance you wish to fix and we will fix the interest rate on that amount. You will pay a Fixed Rate Option fee of \$50.00 for each Fixed Rate Option advanced. You have the option to have up to three fixed rate amortized portions at any one time during the life of the draw period. The minimum amount for a Fixed Rate Option is \$5,000.00 and the maximum amount is the outstanding balance. The term out period for a Fixed Rate Option is 36 months to 120 months depending on the amount fixed. If you choose to convert any portion of your balance to a fixed rate, the rate will be the highest prime rate published in the 'Wall Street Journal' that is in effect at the date of conversion plus a margin. The minimum payment is \$100.00 or the fully amortized payment, whichever is greater. As principal payments are made on the Fixed Rate Option the funds become available during the Draw Period.

Your payment amount for each fixed rate portion will be an amount of principal and interest sufficient to amortize the Option over the term selected by you at the time you exercise the Option. This amount is in addition to the minimum amount due if any for the variable rate line portion of your Account. This will be true both during the Draw Period and during the Repayment Period.

COLLATERAL RELEASE FEES. Borrower will be responsible for any fees incurred for the release of any and all collateral securing this loan.

APPRAISAL NOTICE FOR FIRST LIEN TRANSACTIONS. We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

POWERLINE FLOOR. The floor is 4.50% which is the minimum interest rate that will be charged.

PAYMENT EXAMPLES. The MINIMUM PAYMENT EXAMPLE is calculated using an interest rate we have recently used and this rate does not include costs other than interest.

February 5, 2024.