Chairman & CEO’s Message

It is a pleasure to report another successful year of operation for Cornerstone Bank. Our management team accepted many challenges and transformed each one into an opportunity to improve the company. Our focal points for the past year included continuing our commitment to attract and retain talented people, enhancing our delivery channels to our customer base and improving our internal processes to improve the customer experience; all while preserving our heritage as a community bank and continuing to offer the quality products and services that today’s banking customers need to achieve their financial goals.

Our commercial services team is one of the strongest in the area. Our group of experienced professionals, supported by our suite of cash management services, assist our business customers to realize their full business potential. Likewise, our mortgage and consumer lending staff is always available to help. We offer many options, from jumbo mortgages to programs for first-time homebuyers. We are also proud of our newly released mobile lending platform, which allows customers to easily apply and access their mortgage application from any device anytime, anywhere.
As part of our focus for improving the customer experience, we have updated our online banking platform by adding features and services to increase convenience, ease of use and security. We also introduced a new, online account-opening platform which enables our customers to open deposit accounts in just a few minutes. We continue to place technology at the forefront and simplify banking services while, at the same time, we offer competitive rates, local decisions and a long-term strategy focused on our customers. We are a strong, full-service financial institution which meets the needs of our community through a full suite of banking, lending, insurance and investment products and services.

In 2018, our year-to-date net income was $5.2 million, even with many one-time charges included. This net income was achieved with our clarity of mission and continued focus on growth for the Bank’s commercial loan portfolio. In addition, management was also keenly focused on improving efficiencies to reduce expenses during the year. One of the most important accomplishments has been the growth of our loan portfolio. Total loans as of December 31, 2018 were $1.0 billion, an increase of $27.7 million from one year ago. The increase was driven by the commercial loan portfolio which increased by $41.2 million. We are proud that we have been able to grow the company while maintaining a strong capital position noted by our capital-to-average assets ratio of 11%.

Cornerstone Bank offers local residents and businesses a true community bank—one that focuses on the importance of local relationships and superior customer service. Our knowledgeable personnel are dedicated to offering high-quality services and products delivered with a personal touch. We are honored to have the people in our community at the core of our business every day. As our management team is local, we truly understand the needs of the individuals in our communities and we’re empowered to act like a local bank in every sense.

In closing, I would like to first thank our customers for their continued support and the faith they have shown in the Cornerstone Bank mission. I would like to thank our employees and say how proud I am to lead such a great group of committed, talented and passionate people. Finally, I would like to thank our Board of Directors for their leadership and guidance. Cornerstone Bank continues to make a difference in the lives of our customers and our communities every day because of you.

K. Michael Robbins
Chairman and CEO
## Our Financials

### As of December 31 (Dollars in thousands)

(unaudited)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>47,194</td>
<td>45,938</td>
</tr>
<tr>
<td>Investment Securities</td>
<td>63,763</td>
<td>53,390</td>
</tr>
<tr>
<td>Loans</td>
<td>1,000,024</td>
<td>972,322</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(5,364)</td>
<td>(5,184)</td>
</tr>
<tr>
<td>Net Loans</td>
<td>994,660</td>
<td>967,138</td>
</tr>
<tr>
<td>Bank Premises and Equipment</td>
<td>16,071</td>
<td>18,038</td>
</tr>
<tr>
<td>Other Assets</td>
<td>47,719</td>
<td>47,189</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>1,169,407</strong></td>
<td><strong>1,131,693</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities &amp; Capital</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Interest Bearing</td>
<td>93,510</td>
<td>75,220</td>
</tr>
<tr>
<td>Interest Bearing</td>
<td>813,855</td>
<td>800,059</td>
</tr>
<tr>
<td><strong>Total Deposits</strong></td>
<td><strong>907,365</strong></td>
<td><strong>875,279</strong></td>
</tr>
<tr>
<td>Federal Home Loan Bank Advances</td>
<td>122,939</td>
<td>121,304</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>12,773</td>
<td>14,513</td>
</tr>
<tr>
<td>Equity Capital</td>
<td>126,330</td>
<td>120,597</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Capital</strong></td>
<td><strong>1,169,407</strong></td>
<td><strong>1,131,693</strong></td>
</tr>
</tbody>
</table>

### Graphs

- **Assets:**
  - 2016: $1,119
  - 2017: $1,132
  - 2018: $1,169

- **Capital:**
  - 2016: $116
  - 2017: $121
  - 2018: $126
## STATEMENTS OF EARNINGS

*For the years ended December 31 (Dollars in thousands)*

(unaudited)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Loans</td>
<td>40,183</td>
<td>38,401</td>
</tr>
<tr>
<td>Interest on Investments</td>
<td>2,263</td>
<td>1,842</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td>42,446</td>
<td>40,243</td>
</tr>
<tr>
<td>Interest Paid on Deposits</td>
<td>7,699</td>
<td>5,944</td>
</tr>
<tr>
<td>Interest Paid on Borrowings</td>
<td>1,831</td>
<td>1,467</td>
</tr>
<tr>
<td><strong>Total Interest Expense</strong></td>
<td>9,530</td>
<td>7,411</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>32,916</td>
<td>32,832</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>1,328</td>
<td>1,695</td>
</tr>
<tr>
<td>Non-Interest Income</td>
<td>8,658</td>
<td>8,650</td>
</tr>
<tr>
<td>Non-Interest Expense</td>
<td>33,914</td>
<td>32,828</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>6,332</td>
<td>6,959</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>1,173</td>
<td>2,840</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>5,159</td>
<td>4,119</td>
</tr>
</tbody>
</table>

(As of October 2018: Alan S. Peppel named to the Board of Directors (Alan not present in photo); John Q. Colognesi named Honorary Director; and Alfred G. Morin, Jr. named Clerk of Corporation.)

Our Directors

DIRECTORS

John Q. Colognesi
Clerk of the Corporation
Anthony J. Detarando*
Michael A. Engel†
Janet E. Garon*
Alfred G. Morin, Jr.,
Robert B. Muenzberg, Jr. †

K. Michael Robbins‡*
John J. Spillane*
Joseph N. Stolberg*
Todd M. Tallman‡*
James H. Waddick‡
Stephen F. Wentzell‡

+ Executive Committee  + Audit Committee
CORPORATORS

Donna M. Ahearn
Brent J. Andersen
Susan M. Anger
Arnold A. Arsenault, Jr.
Wendy A. Beauvis
Robert F. Berthiaume
Brenda M. Bianculli
Clealand B. Blair, Jr.
Paul J. Braney
Jeffrey S. Brooks
William E. Broughton
Steven W. Bryant
Stephen H. Burr
Paul W. Carey
Ronald P. Carlson
Scott R. Carlson
Vincent P. Cloutier
Edward L. Colognesi
Michael J. Colognesi
Peter L. Connly
Ronald H. Cooper
Christopher R. Culross
William T. Currie, Jr.
Raymond P. Esper
James P. Fountain
James G. Gerrish
John W. Hadley
Paul Hanlon
Aidan Heffernan
Daniel G. Henderson
Reed V. Hillman
William O. Holmgren III
Cynthia L. Howard
John S. Looney
Bonnie B. Losavio
James L. Lovett
Thomas J. Lowkes
Michael Lyons
Francis W. Madigan III
Gary E. Magnuson
John M. McGlone
Richard A. McGrath
Jarrett A. Morin
James R. Moughan
Thaddeus Mroczkowski
John J. Namiotka
Alexander M. Neidhardt
Peter Nikolla
Randall F. Packard
Alan S. Peppel
Philip Pettinelli
William P. Plante
Valarie A. Ricciardi-Thamel
Gregory P. Richardson
Ruben Rios
John S. Roy
Michael W. Sanford
Ross Scribner
Jaclyn Skagerlind
Joseph St. Pierre
Philip R. Stoddard
Gary D. Suter
Steven J. Tankanow
Kathleen Tarpinian
Jeff M. Tasse
Steven A. Thebodo
Richard F. Uras
Ronald J. Vairo
Walter J. Wesolaski, Jr.
Matthew C. Wilde
Fred H. Wozniak
Lynn A. Zukas

HONORARY DIRECTORS

Donald J. Clough
Anthony M. Detarando
Ernest A. Duquette
Roger L. Gaudette
Lorraine C. Harvey
John J. Jackson
Charles H. Meloche, Jr.
Philip Pettinelli
Nerio W. Pioppi
OFFICERS

K. Michael Robbins
Chairman & CEO

Todd M. Tallman
President & Treasurer

Randal D. Webber
EVP/Chief Operating Officer & Chief Lending Officer

Susan A. Gunnell
EVP/Chief Administrative Officer

Brian R. Loveless
SVP/Chief Financial Officer

Michael J. Quink
SVP/Sr. Commercial Officer

Scott L. Auen
SVP/Retail Lending

Kyle S. Bourque
SVP/Commercial Team Leader

Thomas E. Dufresne
SVP/Chief Systems Officer

Maria L. Salvatore
SVP/Human Resources Director

Jennifer A. Anderson
VP/Mortgage Loan Officer

Catherine M. Benoit
VP/Mortgage Loan Officer

Rachel A. Briggs
VP/Commercial Loan Operations

Albert Cacciagrani
VP/Collection Manager

Michael J. Checkosky
VP/Mortgage Loan Officer

Scott M. Dungey
VP/Controller

Lynne M. Esposito
VP/Mortgage Loan Officer

Kyle T. Hill
VP/Retail Loan Operations

John T. Jawor
VP/Investment Services

Tracey Jeffries
VP/HR Business Partner

Lori L. Kowal
VP/Marketing

Pamela L. LeBlanc
VP/Compliance, BSA & Security

Heather M. Loranger
VP/Operations Officer

Thomas W. Moschos
VP/Commercial Lender

Stephen M. Quink
VP/Commercial Lender

David L. Sabourin
VP/Commercial Lender

James A. Sandagato
VP/Commercial Team Leader

Douglas R. Schmeling
VP/Chief Credit Officer

Brian J. Testarmata
VP/Mortgage Loan Officer

Sheila M. Veedeman
VP/Retail Branch Administrator

Sheri A. Bibinski
AVP/Sr. Bus. Development Sales Manager

Andrea T. DiPilla
AVP/Call Center Manager

Heather E. Dumais
AVP/Commercial Lender

Timothy J. Gardell
AVP/Commercial Lender

Nada Kanaan
AVP/Sr. Bus. Development Sales Manager

Robert A. Mangan, CTP
AVP/Cash Management

Michael M. Pacheco
AVP/Information Technology Officer

Chelsea M. Prizio
AVP/Credit Manager

Michael A. Sullivan
AVP/MIS

Donna L. Tibbetts
AVP/Training

OFFICE AND BRANCH LOCATIONS

Charlton - 2 Center Depot Road, Route 20
Holden - 1073 Main Street
Leicester - 121 South Main Street
Rutland - 93 Main Street
Southbridge - 253-257 Main Street
Southbridge - 495 East Main Street
Spencer - 176 Main Street
Spencer Fair Plaza - 72 West Main Street, Route 9 West
Sturbridge - 200 Charlton Road, Route 20
Warren - 968 Main Street
Webster - 86 Worcester Road
Worcester - 230 Park Avenue
Worcester - 70 West Boylston Street

Customer Information Center
1-800-939-9103

24 Hour ATM service available at all locations
Including inside Union Station
2 Washington Square, Worcester

Mailing Address for all locations
P.O. Box 370
Southbridge, MA 01550-0370

SSB Investment Services*
200 Charlton Road, Suite B, Sturbridge

cornerstonebank.com

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