



2022

ANNUAL REPORT



 **Cornerstone**
Built on trust.
Bank

CEO's Message.



It's official: with 2022 in the books, I can now say it was the best year of growth on record for Cornerstone Bank. I could not be more proud of everything our expanding team has accomplished over the past year. Beyond our impressive financial growth, we succeeded in adopting more advanced technology, improving customer service, and focusing on employee health and development.

Throughout 2022, I was delighted by our efforts to foster a workplace that promotes better communication through the holistic inclusion of all our staff members. The way I

see it, if we take care of our employees, they'll take care of our customers. To that end, we have adjusted employee support to fit individual needs, and make employees' lives easier inside the workplace and in their personal lives. These efforts did not go unnoticed; we were recognized by Worcester Telegram & Gazette readers as the overall "Top Employer, Best Place to Work" in Central Massachusetts in 2022. This is an award that we attribute to every member of our team: they showed up in a big way, contributed to our successes, and made this institution an amazing place to work.

On a related note, I was recently able to recognize 20 employees with Years of Service awards as they continue their journeys with Cornerstone Bank. These long-tenured employees embody a culture that thrives on personal relationships. Our team members feel they can grow with the company and proudly continue their careers with us.

As a community bank, service is in our DNA; we make a concentrated effort to financially support important initiatives in our region. After donating nearly \$400,000 in 2021, our team was ready to surpass that goal in 2022. Overall, we had a successful and meaningful year of giving back, donating nearly \$500,000 to fund more than 230 rewarding and essential programs in Central Massachusetts (including \$64,098 for the United Way of South Central Massachusetts).

Beyond the monetary donations, one of our biggest goals in 2022 was to increase our already-impressive level of community service and involvement. We began with a strong effort to offer more financial literacy programs for people in all stages of life. We accomplished this beyond our wildest expectations, increasing our programs presented from 31 in 2021 to 114 in 2022. To put that in perspective: 44 different Cornerstone employees participated in our financial literacy events, totaling more than 538 hours in 2022.

Outside of financial literacy, I'm proud to foster an environment in which employees are encouraged to share their passion projects. I find that most people are civic-minded and just need the right outlet, which we are happy to provide through a day of chosen community service.

Another of my primary commitments as CEO is continuous improvement of the technology used at Cornerstone Bank. In the past, technology was always a focal point for us, but the leaps and bounds we have made over the past few years have put us at the technological forefront for community banks. We now offer an entire tool chest of services to help our commercial customers succeed, including Positive Pay, remote deposit capture, sweep services, and more. Our plans for physical and technological growth in 2023 are just as ambitious. We will soon introduce a new, frictionless online deposit and account-opening product.

With the time we have spent building our talent and our technology, we are now built for scale from a customer service perspective. Growth is on the horizon, beginning in Shrewsbury with the opening of our newest location. Beyond the new physical space, we will also introduce our first interactive teller machine (ITM) within the branch. It's not just an impressive piece of technology, it's another big step forward in our ongoing effort to improve customer service as a whole.

I am excited for all that 2023 holds and look forward to working alongside the best team in Central Massachusetts.

A handwritten signature in black ink, appearing to read "Todd M. Tallman". The signature is fluid and cursive, with a long horizontal line extending from the end.

Todd M. Tallman

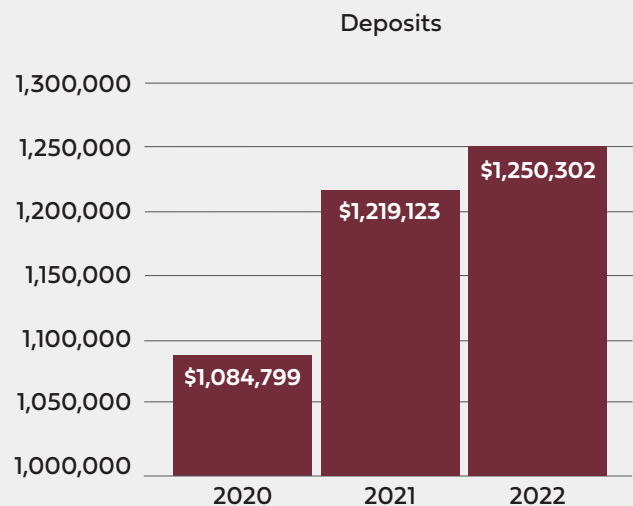
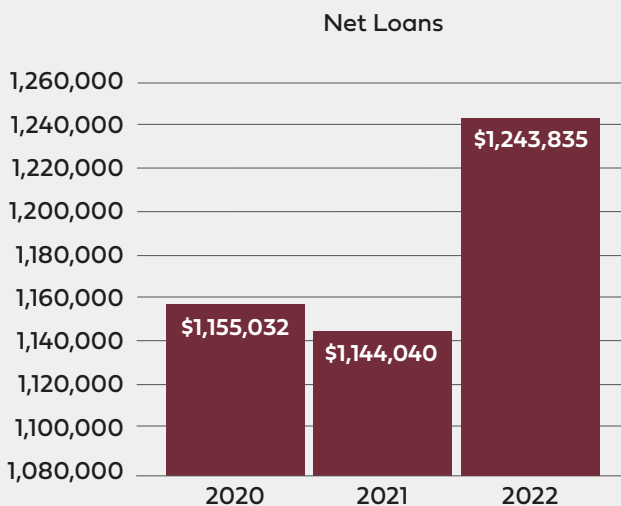
Chief Executive Officer

Our Financials.

Balance Sheets.

As of December 31 (dollars in thousands)
(unaudited)

Assets	2022	2021	2020
Cash and Cash Equivalents	58,631	129,451	61,731
Investment Securities	144,495	129,793	79,808
Loans	1,256,167	1,155,571	1,166,310
Allowance for Loan Losses	(12,332)	(11,531)	(11,278)
Net Loans	1,243,835	1,144,040	1,155,032
Bank Premises and Equipment	16,082	16,019	14,228
Other Assets	62,524	47,624	51,629
Total Assets	1,525,567	1,466,927	1,362,428
Liabilities & Capital	2022	2021	2020
Deposit			
Non-Interest Bearing	195,881	216,083	150,960
Interest Bearing	1,054,421	1,003,040	933,839
Total Deposits	1,250,302	1,219,123	1,084,799
Federal Home Loan Bank Advances	105,871	79,388	116,905
Other Liabilities	32,039	22,132	28,291
Equity Capital	137,355	146,284	132,433
Total Liabilities & Capital	1,525,567	1,466,927	1,362,428



Statements of Earnings.

As of December 31 (dollars in thousands)
(unaudited)

	2022	2021	2020
Interest on Loans	44,517	44,271	42,950
Interest on Investments	4,062	2,133	2,323
Total Interest Income	48,579	46,404	45,273
Interest Paid on Deposits	3,687	4,444	7,415
Interest Paid on Borrowings	1,620	1,538	2,160
Total Interest Expense	5,307	5,982	9,575
Net Interest Income	43,272	40,422	35,698
Provision for Loan Losses	928	957	5,092
Non-Interest Income	6,215	14,299	10,135
Non-Interest Expense	41,698	37,622	40,821
Income Before Income Taxes	6,861	16,142	(80)
Income Taxes	1,571	3,738	(331)
Net Income	5,290	12,404	251



Giving Back to the Community.



At Cornerstone Bank, we have long supported initiatives important to our community, our team, and our customers. After donating nearly \$400,000 in 2021, our team was poised and eager to surpass that goal in 2022. Overall, we had a successful and meaningful year of giving back, donating nearly \$500,000 to fund more than 230 rewarding and essential programs in Central Massachusetts.

A few of our largest donations included:

\$64,098 to the United Way of South Central Massachusetts to help with food insecurity, childcare, medical needs, counseling, legal services, and much more. This donation was a combination of \$34,098 raised through our employee fundraising campaign with a \$30,000 contribution from the Bank.

\$40,000 to the Worcester Community Action Council to assist in providing opportunities for energy assistance, early education and care, financial empowerment, positive youth development, and career pathways.

\$25,000 to Our Bright Future to empower children and develop future leaders through science, technology, engineering, and math (STEM) initiatives. This donation was used to purchase two vans to help children and teens get to and from the organization's summer camp and after-school programs.

\$11,500 to Worcester State University Bridge to Excellence: Summer STEM Retention Program to strengthen the school's retention in STEM fields and help more students complete their degrees.

\$10,000 to Family Health Center (FHC) of Worcester to support the development of a new site in downtown Southbridge to house the FHC Family Medical & Dental practices in one building.

\$10,000 to the YMCA of Central MA annual campaign to underwrite youth development programs and services as well as the "LIVESTRONG at the Y" initiative.

\$10,000 to the Worcester County Food Bank to help with the distribution of donated food and goods to people in need across dozens of area communities.

We also initiated or renewed partnerships with more than 70 different local organizations including Gateways Academy, Interfaith Hospitality Network of Greater Worcester, Technocopia, and many more.

As a financial institution, we believe in the importance of teaching everyone from kids to senior citizens about money and its life-long management. We put this into practice by offering a wide array of financial literacy programs to our Central Massachusetts community. While we presented an impressive 31 programs in 2021, we nearly quadrupled that success with 114 programs in 2022. Dozens of Cornerstone Bank employees collectively spent more than 530 hours participating in and presenting these educational programs.

We specifically spent a lot of time teaching financial literacy to the region's youth. Over this past year, our team spent 10 weeks working with students ranging from 1st–12th grade at Gateways Academy in Shrewsbury. We also held a half-day conference that included information about networking, credit, budgeting, savings accounts, checking accounts, balancing, and mentoring for more than 60 students.

To add to our help for local students, we awarded \$40,000 in scholarships to 16 high school graduates in 2022. For adults, we once again hosted multiple First Time Homebuyer workshops to help those looking to finance and purchase their first house.

This year, we further embraced volunteerism with the introduction of a volunteer day for each of our team members. More than 80 employees took advantage of this opportunity, totaling 543 volunteer hours at various local organizations and events. These included the Second Chance Animal Shelter, United Way Day of Caring, Relay for Life, Community Harvest Project, and many more.

We know our team set the bar high in 2022, not just in terms of our service and products, but also as a great educational resource and philanthropic partner for our community. Through charitable donations, volunteer opportunities, and scholarships, we look forward to another year of working towards bettering our backyard. We're excited to see what Cornerstone Bank can accomplish in 2023.



Our Directors and Corporators.

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Janet E. Garon*



Alfred G. Morin, Jr.



Robert B. Muenzberg, Jr.†



Alan S. Peppel



K. Michael Robbins†
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John J. Spillane*



Joseph N. Stolberg*



Todd M. Tallman†



James H. Waddick†



Randal D. Webber



Stephen F. Wentzell†

† Executive Committee * Audit Committee

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Jeffrey S. Brooks
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Michael J. Colognesi
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Altaf Ahmed
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Retail Lending

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& Treasurer

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Senior Market Manager

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Loan Production Manager

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Senior Market Manager

Klara Carter
Assistant Vice President
Commercial Lender

Jacqueline Croft
Assistant Vice President
BSA & Security Officer

Daniel A. D'Amico
Assistant Vice President
Commercial Banking
Officer

Elizabeth Dunn
Assistant Vice President
HR Business Partner

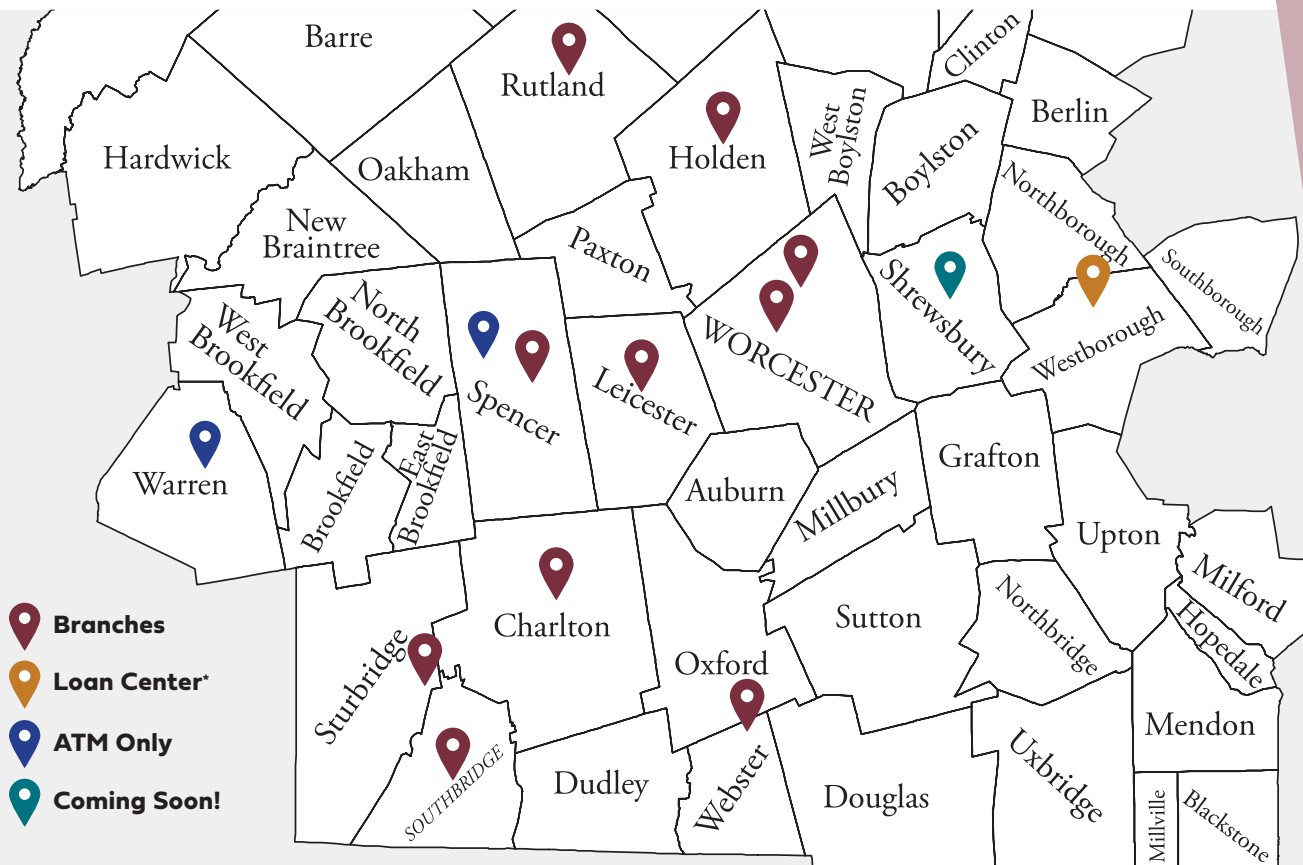
Eneo Kureta
Assistant Vice President
Mortgage Loan Officer

Robert A. Mangan, CTP
Assistant Vice President
Commercial Banking
Officer

Michael M. Pacheco
Assistant Vice President
Information Technology
Officer

Shanon Sabourin
Assistant Vice President
Digital Banking Manager

Locations.



OFFICE AND BRANCH LOCATIONS.

Charlton - 2 Center Depot Road, Route 20

Holden - 1073 Main Street

Leicester - 121 South Main Street

Rutland - 93 Main Street

Shrewsbury - 195 Main Street **Coming Soon!**

Southbridge - 253-257 Main Street

Spencer - 176 Main Street

Sturbridge - 200 Charlton Road, Route 20

Webster - 86 Worcester Road

Westborough Loan Center* - 45 Lyman Street, Suite 20

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:

968 Main Street, Warren

Spencer Fair Plaza, 72 West Main Street, Spencer

Mailing address for all locations

P.O. Box 370

Southbridge, MA 01550-0370

The Capstone Planning Group**

200 Charlton Road, Suite B, Sturbridge

*Loan services only. Deposits not accepted at this location

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