



2023

ANNUAL REPORT

CEO's Message



Looking back at 2023, I can proudly say it was a year of incredible accomplishments at Cornerstone Bank, especially with regard to our culture, customer service, and community support. Our core values of teamwork, relationships, user-friendly, solutions-based, and transparency have led us to many successes.

While many other banks and businesses have struggled to find and keep top talent, we have had tremendous success both hiring and retaining our workforce. Our Human Resources team gets a lot of credit for this, and we have all worked together to develop a culture that makes

our employees feel valued, secure, and appreciated.

In 2023, we embedded our core values into our communications and have great pride in our transparency and honesty with our employees. Personally, I have especially enjoyed my monthly "Cornerstone Chats" with small groups of the employees. We share lunch and an open dialogue, and their feedback, input, and insights have been invaluable.

We work to foster a culture of growth and development within our institution, and it is a true testament to our success when we see the longevity of some of our team members. In December, we honored 21 employees who hit a landmark in their tenure in 2023, including four who have been with us for 25 years.

Knowing our future workforce will come from today's youth, we provided \$40,000 in scholarships to 16 local high school seniors with plans to pursue studies in business and finance. I'm also extremely proud of our internship program, which we continued to expand in 2023 with 14 students. They gained hands-on experience that complements their studies and allows them to explore career opportunities and begin to build a professional network.

Our department heads were purposeful in creating internship job descriptions that offered value to both parties. This year's students worked in retail banking, human resources, community relations, finance, commercial credit, learning and development, and investment services. Of the 30 interns we've hosted to date, we have welcomed four as full-time employees.

We invest a lot in our culture and employees because we know that engaged employees will put their best selves forward in serving our customers, our reason for existing. Our project management team, which we initiated two years ago, has been

working full tilt to ensure two things: that we are easy for our customers to work with, and that we are delivering solutions.

One of the ways we are doing this is by expanding access. For example, we are remodeling our Spencer branch to make it more customer friendly and accessible, we unveiled a new branch in Shrewsbury in March of this year, and are opening a third Worcester branch in the near future.

In September, we unveiled our first Drive-Up Video Teller & ATM at our Park Avenue branch in Worcester. We have since expanded this technology to our Charlton, Holden, and Shrewsbury branches. They work the same as ATMs, but with the added capability to connect with one of our customer service representatives via live video chat. It's simple to use and offers greater versatility by merging convenience with personalized customer service. We plan to add many more across our service area this year.

Other initiatives we implemented to make banking easier for our customers included:

- the introduction of a new, frictionless online deposit and account-opening product.
- updated residential lending division software, making the retail lending experience more streamlined for our customers and our lending team.
- a series of five instructional videos, with more to come, demonstrating how to do tasks like depositing a check with our mobile app, scheduling a bill payment, and setting up a bank transfer.

As a local bank, our roots are deeply embedded in the Central Massachusetts communities we serve, which is why community support is such a priority for our entire team. As you'll read in the report, we have not only maintained a high level of financial support—exceeding \$500,000—for area organizations and events, but also contributed our hands-on help and expertise through financial literacy events, new homebuyer workshops, and volunteer days.

I am deeply appreciative of our amazing team and its commitment to making Cornerstone the best place to work, the best place to bank, and the best community partner possible. Together, we are ready to meet 2024 head on with renewed enthusiasm and exciting plans.



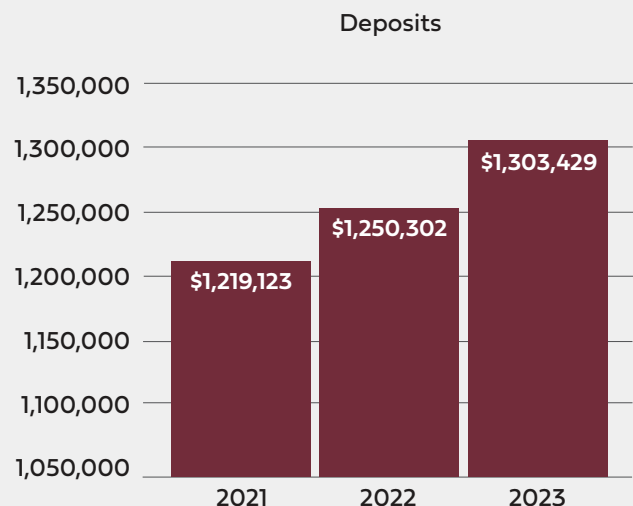
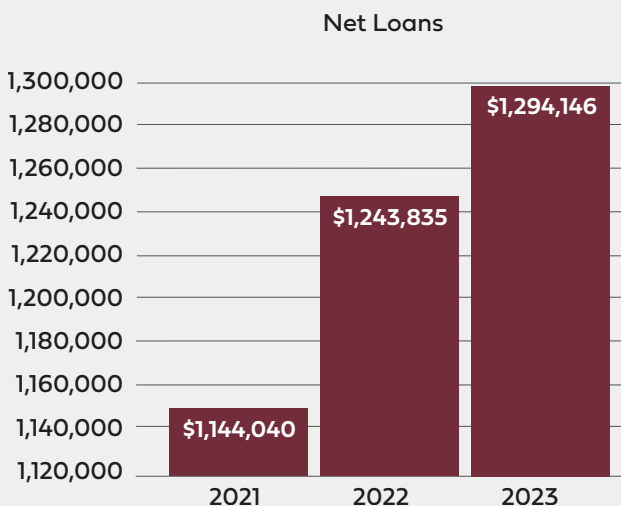
Todd M. Tallman
Chief Executive Officer

Our Financials

Balance Sheets

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

Assets	2023	2022	2021
Cash and Cash Equivalents	82,428	58,631	129,451
Investment Securities	153,303	144,495	129,793
Loans	1,305,778	1,256,167	1,155,571
Allowance for Loan Losses	(11,632)	(12,332)	(11,531)
Net Loans	1,294,146	1,243,835	1,144,040
Bank Premises and Equipment	21,422	16,082	16,019
Other Assets	63,245	62,524	47,624
Total Assets	1,614,544	1,525,567	1,466,927
Liabilities & Capital	2023	2022	2021
Deposit			
Non-Interest Bearing	176,326	195,881	216,083
Interest Bearing	1,127,103	1,054,421	1,003,040
Total Deposits	1,303,429	1,250,302	1,219,123
Federal Home Loan Bank Advances	136,354	105,871	79,388
Other Liabilities	27,320	32,026	22,132
Equity Capital	147,441	137,368	146,284
Total Liabilities & Capital	1,614,544	1,525,567	1,466,927



Statements of Earnings

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

	2023	2022	2021
Interest on Loans	54,735	44,517	44,271
Interest on Investments	6,704	4,062	2,133
Total Interest Income	61,439	48,579	46,404
Interest Paid on Deposits	18,603	3,687	4,444
Interest Paid on Borrowings	5,401	1,620	1,538
Total Interest Expense	24,004	5,307	5,982
Net Interest Income	37,435	43,272	40,422
Provision for Loan Losses	(341)	928	957
Non-Interest Income	11,473	6,215	14,299
Non-Interest Expense	42,184	41,685	37,622
Income Before Income Taxes	7,065	6,874	16,142
Income Taxes	1,261	1,571	3,738
Net Income	5,804	5,303	12,404



Giving Back to the Community



At Cornerstone Bank, our customer promise, Built on Trust, is not just a tagline but a true corporate focus. As a community bank, community is at the heart of all we do. We demonstrate this by supporting initiatives important to our team and the people we serve—our friends and neighbors. In 2023, this included donating more than \$506,000 to 169 deserving and vital organizations throughout Central Massachusetts.

We were proud to be recognized among the most charitable companies in Massachusetts in 2023 as a recipient of the Corporate Citizen Award by the Boston Business Journal, and were also honored with the Community Award from the Planting the Seed Foundation, a non-profit committed to improving the lives of families in need throughout the Worcester and Central Massachusetts area. A few of our most significant contributions included:

- Nearly \$80,000 for the United Way of South Central Massachusetts, raised through a combination of employee pledges, a company match, and fundraising competitions.
- \$50,000 to the Worcester Community Action Council in support of its Emergency Fuel Fund.
- \$25,000 to the Center of Hope as part of a five-year, \$125,000 pledge to help to upgrade and expand its facilities for people with disabilities and their families.
- \$25,000 to Our Bright Future to support its STEMing Into Sports Summer Program and the Worcester Polytechnic Institute (WPI) STEM After-School Program.

We also initiated or renewed partnerships with local organizations including Gateways Academy, UMass Memorial Health Care, Planting the Seed Foundation, the YMCA of Central Massachusetts, and many more.

Because we place tremendous importance on education, we dedicate a lot of our resources to it. This includes holding financial literacy programs for people of all ages as well as supporting STEM programs, advanced education, and career training.

In 2023, we greatly increased the number of financial literacy programs we held, from 114 to 204. A total of 52 Cornerstone employees collectively spent 568 hours preparing and presenting these educational programs.

We expanded our partnership with Gateways Academy, Inc., to support its small business program. In addition to donating a per-student stipend for materials, our Community Relations Manager, Nicole DiGregorio, along with employees from the finance, commercial, and marketing departments, provided weekly instruction to the students for business plan development and marketing.

Other education-related initiatives included:

- Awarding \$2,500 scholarships to 16 college-bound high school seniors who anticipated studying in a business or financial field.
- Hosting eight college interns over the summer to provide hands-on experience that complemented their studies.
- Holding a “Stuff the Bus” campaign in August to help ensure local students had the supplies they needed to succeed in school.

We also continued our volunteer day benefit, initiated in 2022, with 73 employees contributing 498 volunteer hours at various local organizations and events. These included the United Way Day of Caring, Relay for Life, Community Harvest Project, Habitat for Humanity, and Jacob Edwards Library, among others.

Each year, we continue to raise the bar and without fail, our team rises to meet—and often exceed—it. We are so proud of the impact we were able to make in 2023 and are gratified to see firsthand the difference it makes in the lives of our friends and neighbors.



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Joseph N. Stolberg*



Todd M. Tallman†



Randal D. Webber



Stephen F. Wentzell†

† Executive Committee * Audit Committee

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Assistant Vice President
Senior Market Manager

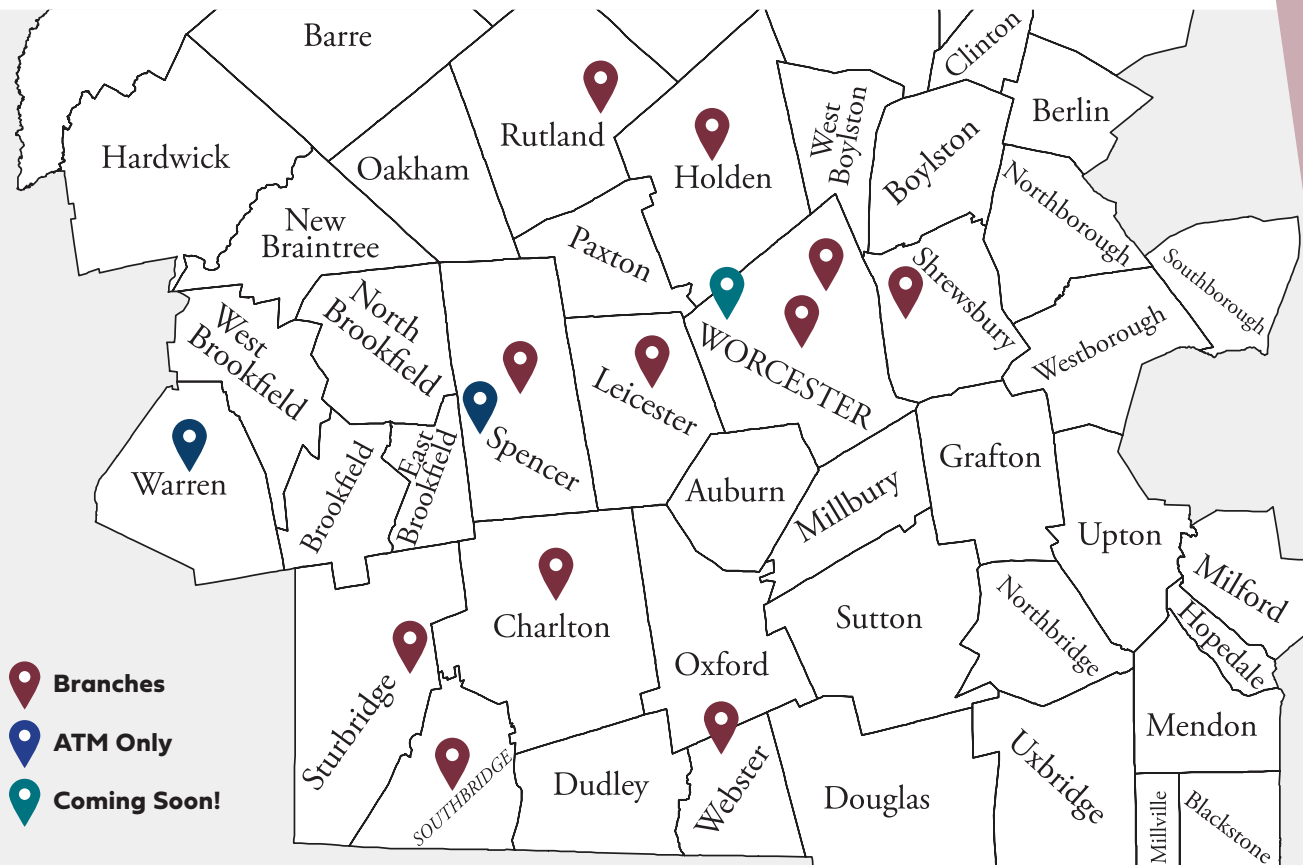
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Assistant Vice President
Commercial Banking
Officer

Alison Nugent
Assistant Vice President
Commercial Services
Program Manager

Michael M. Pacheco
Assistant Vice President
Information Technology
Officer

Sara Seaver
Assistant Vice President
Senior Market 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

Southbridge - 253-257 Main Street

Spencer - 176 Main Street

Sturbridge - 200 Charlton Road, Route 20

Webster - 86 Worcester Road

Worcester - 230 Park Avenue

Worcester - 1125 Pleasant Street **Coming Soon!**

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

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