



# **CORNERSTONE**

## **BANCORP, INC.**

**2021 Annual Meeting**

**April 19, 2021**

# 2020 Strategic Initiatives

- In 2019, we added six additional commercial lenders (three with 1-year non-solicitation agreements) to:
  - Increase our share of loans
  - Increase our share of deposits
  - Increase our share of wealth management assets
- The COVID-19 pandemic hit in early 2020 and shifted our focus to:
  - The safety and security of our clients
  - The safety and security of our employees
  - Efficiently implement remote work

# 2020 Bank Highlights

- The Federal Reserve lowered interest rates significantly
- A variety of stimulus programs were introduced including the Paycheck Protection Program (“PPP”)
- Mortgage rates dropped to all-time low levels

# 2020 Lending Highlights

- The Bank actively participated in the PPP which began in April 2020
- We funded 926 loans totaling \$208 million
- We collected fees totaling \$7.2 million on those loans
- The Bank's participation and administration of the PPP led to a significant level of new client acquisition
  - Existing clients - \$152.5 million in 539 loans
  - New clients - \$55.4 million in 387 loans

# 2020 Lending Highlights

- A second round of PPP began in January 2021
- Through March 31, 2021, we funded another 494 loans totaling \$107.3 million
- We collected fees of \$4.3 million on those loans
- The second round ends on May 31, 2021

# 2020 Lending Highlights

- During the shutdown, many clients paid down debt
- Loans, excluding PPP, decreased \$7.0 million (1.5%) from 2019
- The allowance for loan losses \$7.2 million – 1.56% of loans, excluding PPP

(000s)	2020	2019	Change
Commercial Real Estate - Owner Occupied	\$ 166,808	\$ 164,906	\$ 1,902
Commercial Real Estate – Non-Owner Occupied	78,675	70,863	7,812
Commercial and Industrial	117,577	128,050	(10,473)
Paycheck Protection Program	131,244	--	131,244
1-4 Family Residential	52,644	63,484	(10,840)
Multi-Family Residential	37,267	34,214	3,053
Other	10,926	9,373	1,553
Total Loans	595,141	470,890	124,251
Allowance for Loan Losses	(7,235)	(7,076)	(159)
Loans, Net	\$ 587,906	\$ 463,814	\$ 124,092

# 2020 Lending Highlights

- Revenue from mortgage operations increased significantly as market rates dropped to record lows
- Total loans sold were 937 in 2020 compared to 271 in 2019

(000s)	2020	2019	Change
Mortgage Loans Originated for Sale	\$ 291,929	\$ 81,417	\$ 210,512
Proceeds From Loans Sold	273,401	81,634	191,767
Gains on Sales of Mortgage Loans	\$ 6,105	\$ 1,406	\$ 4,699
Commission and Third-Party Costs	3,239	723	2,516

# 2020 Lending Highlights

- The table below demonstrates the change in volume through the year as rates began to collapse in March 2020:

Quarter	# Loans Sold	\$ Loans Sold
1	68	\$ 20,635,000
2	234	\$ 70,371,000
3	267	\$ 75,189,000
4	368	\$ 101,308,000



# 2020 Deposits Highlights

- Deposits increased \$229.8 million (40.6%) from 2019
- The majority of proceeds from PPP lending activity was funded to existing and new Cornerstone accounts
- We opened over 1,000 new accounts in 2020

(000s)	2020	2019	Change
Noninterest-Bearing Deposits	\$ 306,119	\$ 166,437	\$ 139,682
NOW, Money Market, and Savings	423,383	324,377	99,006
Time Deposits	66,702	75,630	(8,928)
Total Deposits	\$ 796,204	\$ 566,444	\$ 229,760

# 2020 Trust Highlights

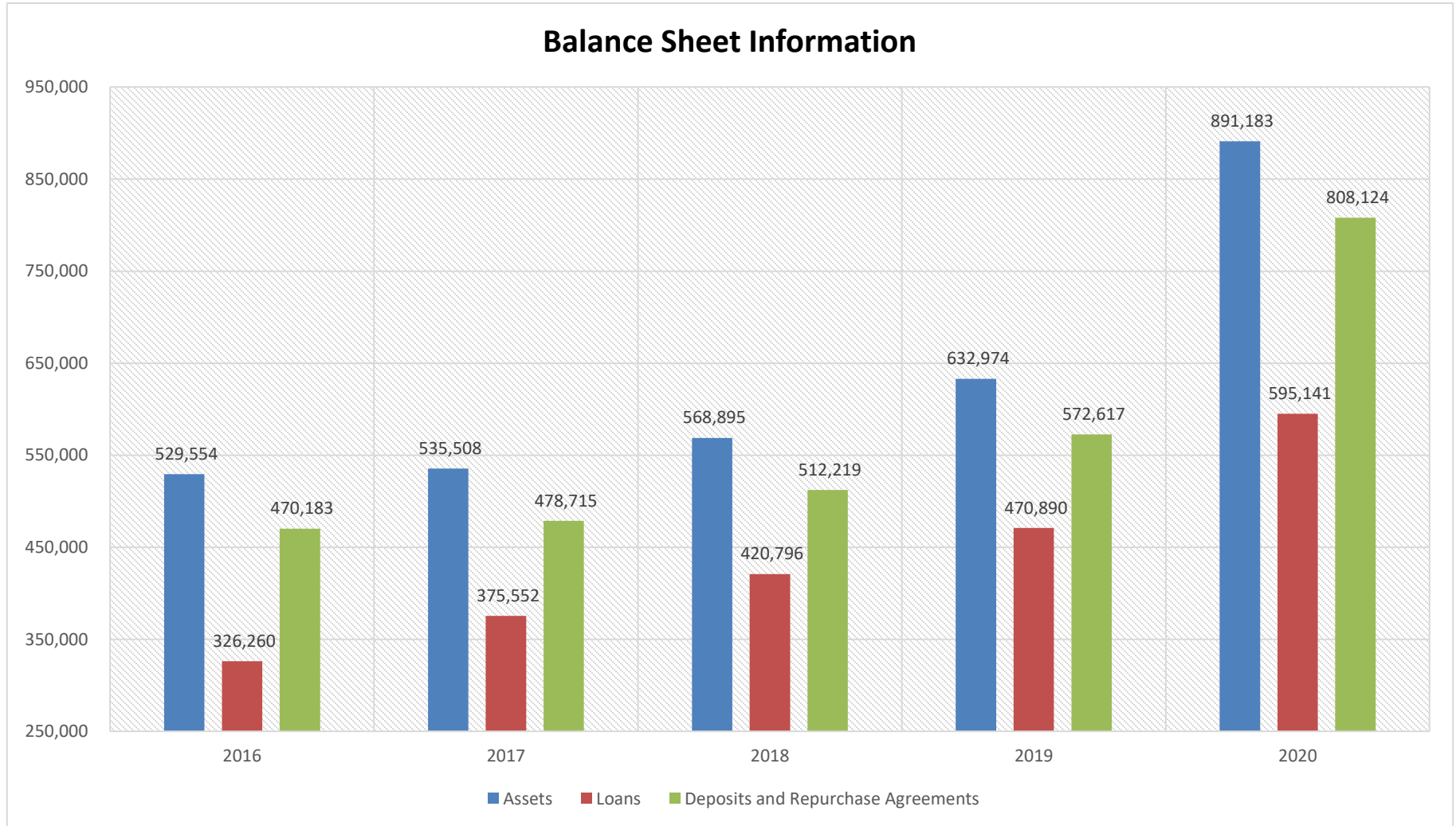
- Trust revenue of \$3.2 million, 4.5% higher than 2019
- Market value of trust assets \$811.9 million, \$28.3 million higher than 2019

(000s)	2020	2019	Change
Total Trust Assets	\$ 811,885	\$ 783,631	\$ 28,254

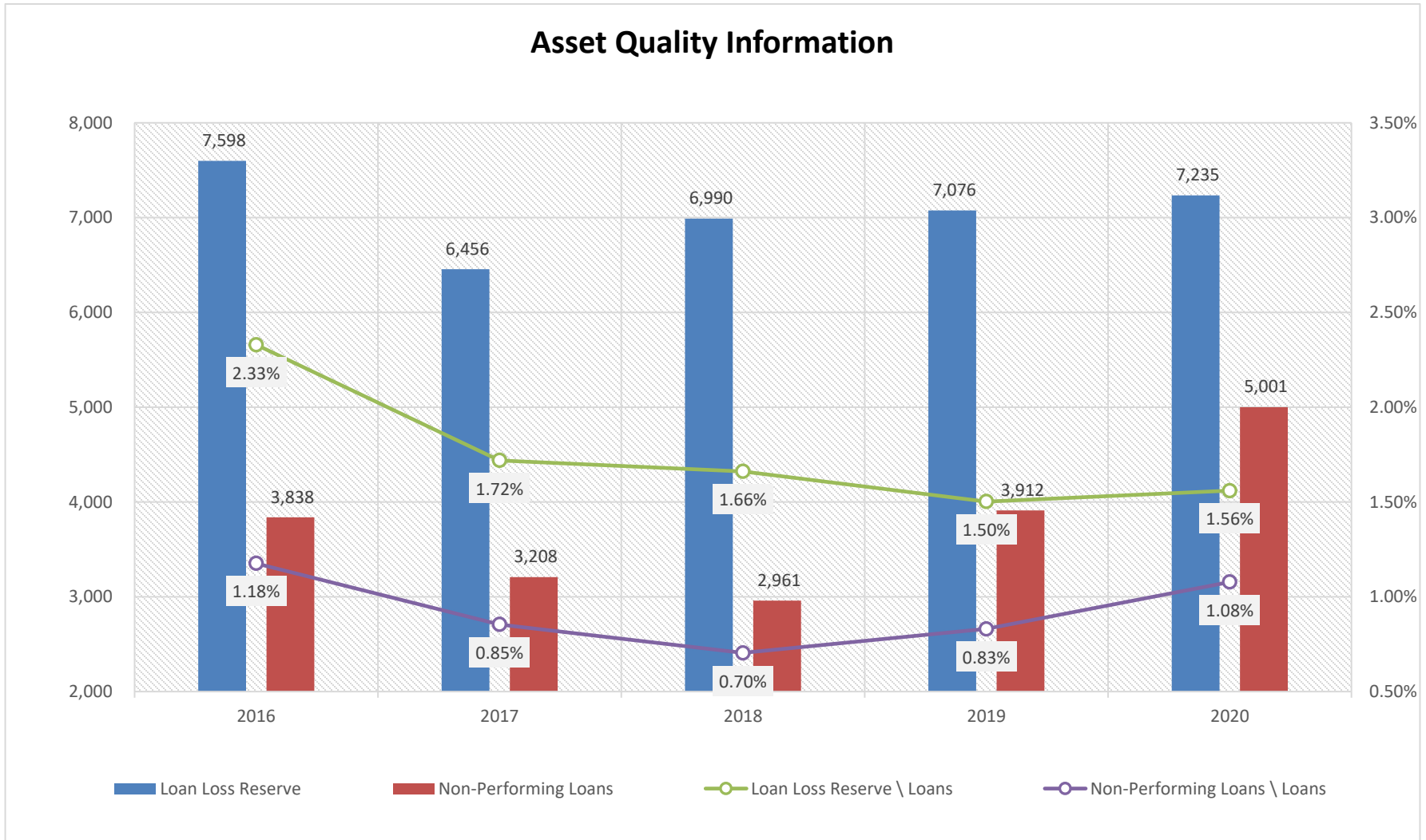
# 2020 Corporate Highlights

- To bolster the Bank's capital ratios during this period, the Corporation raised \$10 million of subordinated debt which was injected into the Bank
- This debt is fully prepayable

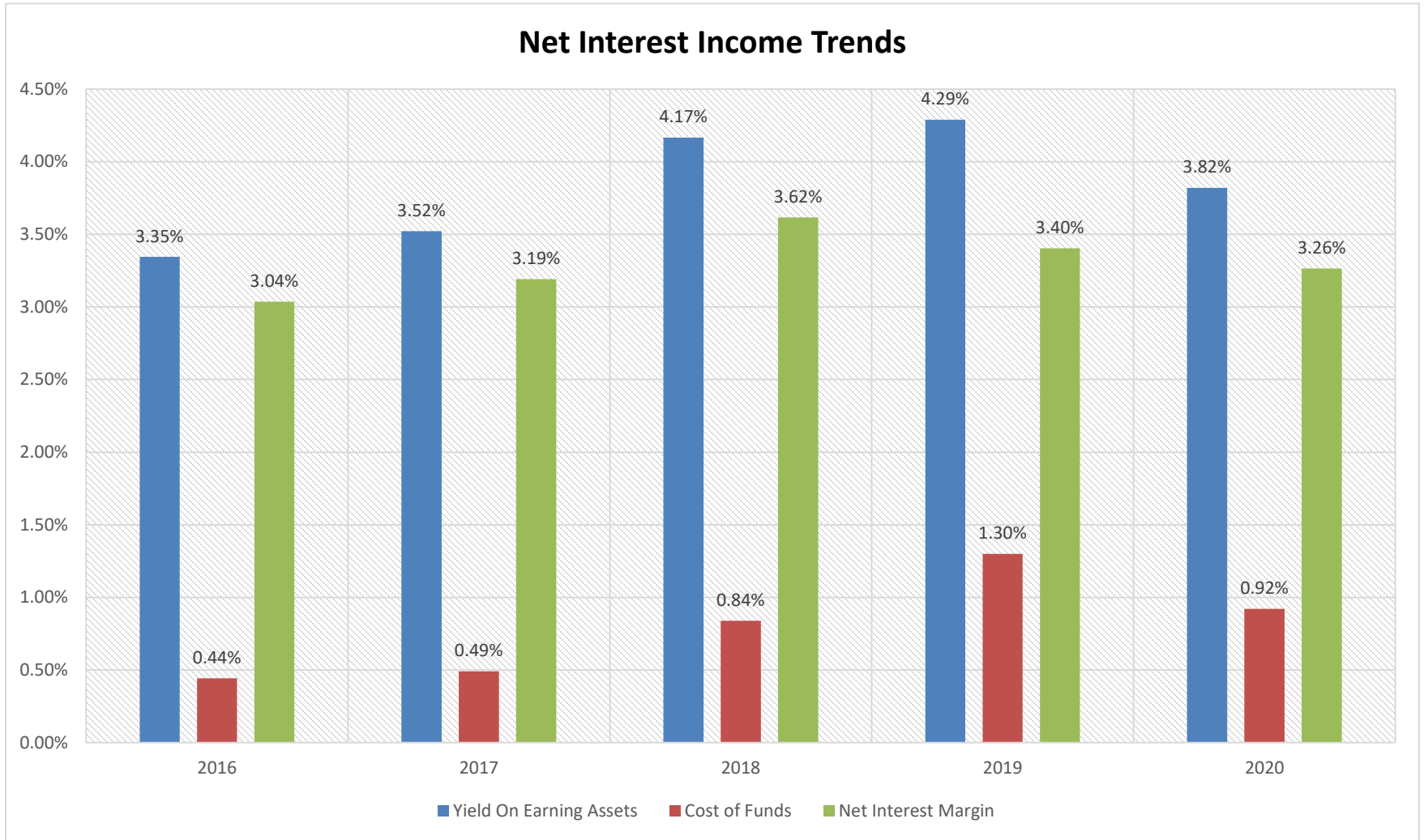
# Balance Sheet Trends



# Asset Quality Trends



# Net Interest Margin Trends



# Looking Forward to 2021

- We have submitted forgiveness applications for most first round PPP loans
- To date, we received forgiveness on more than \$128 million (61%) of our first round loans
- Each forgiveness payment represented 100% of the original loan
- We anticipate forgiveness on second round loans will begin late in 2021
- Mortgage origination and sales volume remains strong
- Market interest rates remain at extreme low levels

# Forward Looking Statements

This presentation may contain “forward-looking statements” that are subject to risks and uncertainties. Readers should not place undue reliance on forward-looking statements, which reflect management’s views only as of the date hereof. All statements, other than statements of historical fact, regarding our financial position, business strategy and management’s plans and objectives for future operations are forward-looking statements. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” and “intend” and words or phrases of similar meaning, as they relate to Cornerstone or management, are intended to help identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe that management’s expectations as reflected in forward-looking statements are reasonable, we cannot assure readers that those expectations will prove to be correct. Forward-looking statements are subject to various risks and uncertainties that may cause our actual results to differ materially and adversely from our expectations as indicated in the forward-looking statements. These risks and uncertainties include our ability to maintain or expand our market share or net interest margins, and to implement our marketing and growth strategies. Further, actual results may be affected by our ability to compete on price and other factors with other financial institutions; customer acceptance of new products and services; the regulatory environment in which we operate; and general trends in the local, regional and national banking industry and economy, as those factors relate to our cost of funds and return on assets. In addition, there are risks inherent in the banking industry relating to collectability of loans and changes in interest rates. Many of these risks, as well as other risks may have a material adverse impact on our operations and business.