



PUBLIC DISCLOSURE

August 17, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CornerStone Bank, National Association

Charter Number 24859

54 South Main Street
Lexington, Virginia 24450

Office of the Comptroller of the Currency
Roanoke Field Office
4419 Pheasant Ridge Road, Suite 300
Roanoke, Virginia 24014

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: Outstanding.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- CornerStone Bank, National Association's (CornerStone or bank) net loan-to-deposit (LTD) ratio is more than reasonable and exceeds the standard for satisfactory performance;
- The bank made a substantial majority of its home mortgage and commercial loans in the assessment area (AA) and exceeds the standards for satisfactory performance;
- The bank exhibits reasonable geographic distribution of home mortgage and small business loans in moderate-income census tracts;
- The bank exhibits reasonable distribution of loans to borrowers of different income levels and businesses with revenues of \$1 million or less in the assessment area; and,
- The bank's performance with respect to community development loans, investments, and services is excellent and elevates the bank's overall CRA rating to outstanding.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the assessment area, the bank's LTD ratio is more than reasonable.

The bank's average quarterly loan-to-deposit ratio for the 16 consecutive quarters since the last CRA Performance Evaluation (March 31, 2016 - December 31, 2019), was 90.85 percent. The bank's quarterly LTD ratio ranged from a quarterly low of 83.98 percent at September 30, 2017, to a quarterly high of 97.62 percent at December 31, 2018. The bank ranked second among similarly situated institutions within the assessment area with regard to deposit market share. Competition for deposits in the bank's assessment area is centered in large state and multi-state institutions. The average quarterly loan-to-deposit ratio for the three competitor institutions in the bank's assessment area during the same time period was 89.41 percent. Competitor institution's high average LTD ratio was 94.50 percent, and the low average LTD ratio was 84.84 percent.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its assessment area and exceeds the standard for satisfactory performance.

The bank originated and/or purchased 88.3 percent of home mortgage loans, and 86.7 percent of its small business loans inside the AA during the evaluation period. Equal weight was given to both home mortgage and small business loans. This analysis is performed at the bank, rather than the AA, level. The bank's origination of a substantial majority of loans within its AA during the evaluation period was given favorable consideration when analyzing the geographic distribution of lending.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|--------------|-----------|--------------|------------|---------------------------------|--------------|----------------|--------------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | 53 | 88.3% | 7 | 11.7% | 60 | \$7,793 | 80.6% | \$1,876 | 19.4% | \$9,669 |
| Small Business | 52 | 86.7% | 8 | 13.3% | 60 | \$7,262 | 77.4% | \$2,118 | 22.6% | \$9,380 |
| Total | 105 | 87.5% | 15 | 12.5% | 120 | \$15,055 | 79.0% | \$3,994 | 21.0% | \$19,049 |

Source: Bank loan data for mortgages 01/01/2017 – 12/31/2019; Bank loan data for Small Business loans for 01/01/2017 – 12/31/2019. Due to rounding, totals may not equal 100.0%

Description of Institution

CornerStone is an intrastate community bank headquartered in Lexington, Virginia. The bank does not have a holding company and no affiliate relationships or subsidiary activities were considered in this evaluation. There have not been any merger or acquisition activities since the prior evaluation. The last CRA evaluation occurred on May 9, 2016, and a Satisfactory rating was assigned.

CornerStone operated exclusively in Virginia, during the evaluation period. The bank identified Rockbridge County, Virginia as its sole AA during the evaluation period. The bank's AA includes all CTs within the county and the independent cities of Lexington and Buena Vista. The bank's AA is not located in an MSA. The Rockbridge County AA is the bank's only rating area for this evaluation period.

As of December 31, 2019, the bank operated a main office, two full-service branches, and one limited-service branch within Rockbridge County. The bank's main office is located in a middle-income CT classified as distressed and underserved due to the poverty level in the area. The full-service Lee Highway Branch is in a middle-income CT. The full-service Buena Vista Branch opened August 13, 2018, and is in a moderate-income CT. The bank's Kendal Branch is a limited service branch located within an upper-income CT and opened on May 2, 2018. There were no branch closures during the evaluation period.

CornerStone offers a full range of deposit and lending products. Deposit products include checking, savings, money market, certificate of deposits, and individual retirement accounts. Lending products include residential mortgages, commercial loans, and consumer loans. Home mortgage loan products include purchase, refinance, home improvement, and construction of one- to-four family and multi-family dwellings at fixed and adjustable rates. Customers can apply for home mortgage loans in person at a branch, online through the bank's website, or through the bank's mobile application. CornerStone also participates in the Federal Home Loan Bank's (FHLB) Set-Aside Program, which provides down payment, purchase, and rehab assistance to qualifying to low- and moderate-income individuals.

Branch operating hours are reasonable and consistent with local competition. The main office and Lee Highway Branch lobbies are open Monday through Thursday 9:00AM to 5:15PM, Friday 9:00AM to 6:15PM, and Saturday by appointment. The Buena Vista Branch lobby is open Monday through Thursday 8:15AM to 5:15PM, Friday 9:00AM to 6:15PM, and Saturday by appointment. All full-service branches offer drive-up hours Monday through Thursday 8:15AM to 5:15PM, Friday 8:15AM to 6:15PM, and Saturday 9:00AM to 12:00PM. All the bank's full-service branches have automated teller machines (ATMs), which accept deposits. The bank also operates one stand-alone ATM at the Natural Bridge Hotel located in Rockbridge, Virginia.

The bank’s limited service branch is located inside the Kendal Retirement Community. This branch is only open on Wednesdays from 10:00AM to 12:00PM, to allow residents within this retirement community to make deposits and cash checks. There is no ATM located at this branch.

As of December 31, 2019, the bank’s assets totaled \$167 million, with gross loans totaling \$138 million, representing 82.6 percent of total assets. Total deposits were \$149 million, representing 89.2 percent of total assets. Tier one capital totaled \$17.2 million. The following table provides additional detail of the bank’s loan portfolio by products type.

| Loan Product Category | Gross Loans as of December 31, 2019* | |
|-------------------------------|--------------------------------------|---------------|
| | Dollar Amount Outstanding (000's) | % of Loans |
| Residential Mortgage | \$50,525 | 36.62 |
| Commercial Real Estate | \$46,495 | 33.70 |
| Commercial and Industrial | \$17,082 | 12.38 |
| Multifamily | \$7,698 | 5.58 |
| Construction/Land Development | \$6,576 | 4.77 |
| Farm Residential/Farmland | \$5,503 | 3.99 |
| Consumer | \$4,212 | 3.05 |
| Less unearned loan income | \$158 | 0.11 |
| Other | \$26 | 0.02 |
| Total | \$137,959 | 100.00 |

**Data obtained from December 31, 2019 “Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only – FFIEC 041”.*

There are no legal or financial impediments to the bank’s ability to meet the needs of its assessment area.

Scope of the Evaluation

Evaluation Period/Products Evaluated

CornerStone was evaluated under Small Bank CRA examination procedures. Small bank procedures included evaluating the bank’s record of meeting the credit needs of its AA through its lending activities. The consideration and evaluation of community development (CD) activities is optional under the Small Bank examination procedures. CornerStone requested consideration of the bank’s responsiveness to CD needs through funding CD loans and investments and participating in CD services. The evaluation period for both the lending test and CD activities in the AA was from January 1, 2017 to December 31, 2019.

CornerStone’s primary loan products during the evaluation period were home mortgages and loans to small businesses. Home mortgage loans originations accounted for 29 percent of the total loan volume and 36 percent of total dollar amount during the evaluation period. Small business loans represented 21 percent of total loan volume and 36 percent of total dollar amount during the evaluation period. CornerStone is not a Home Mortgage Disclosure Act (HMDA) reporting institution. To assess performance, we reviewed a random sample of 60 home mortgage loans and 60 small business loan originated during the evaluation period. Lending performance was compared to 2015 American Community Survey (ACS) census data and 2019 Dun and Bradstreet (D&B) data.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States are not addressed in this evaluation. The bank's qualifying activities related to this pandemic will be appropriately considered in the subsequent evaluation.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Please refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Please refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

CornerStone operates only in the state of Virginia. CornerStone's AA consists of Rockbridge County and the independent cities of Lexington and Buena Vista, located within the county. The Rockbridge County AA received a full-scope review.

Ratings

CornerStone's overall rating is based solely on the rating for the state of Virginia, as the bank has only one AA, the Rockbridge County AA. The state of Virginia rating is derived from the bank's performance under the CRA Small Bank Lending Test. The bank's rating considered lending performance in relation to its primary loan product of home mortgage loans and small business loans. The bank also submitted community development loans, investments, and services to be considered to enhance its overall rating.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Virginia

CRA rating for the state of Virginia: Outstanding

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank made a substantial majority of its home mortgage and commercial loans in the AA;
- The bank’s geographic distribution of home mortgage loans and small business loans is reasonable;
- The bank’s distribution of loans to individuals of different income levels and businesses of different sizes is reasonable given the products lines offered by the bank; and,
- The bank’s community development performance demonstrates excellent responsiveness to community development needs in its assessment area and warrants an enhancement of its satisfactory lending effort to outstanding.

Description of Institution’s Operations in Virginia

Rockbridge County AA

| Demographic Information of the Assessment Area Assessment Area: Rockbridge County AA | | | | | | |
|--|----------|------------------------------|----------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 6 | 0.0 | 16.7 | 66.7 | 16.7 | 0.0 |
| Population by Geography | 36,181 | 0.0 | 18.4 | 64.2 | 17.4 | 0.0 |
| Housing Units by Geography | 16,062 | 0.0 | 18.2 | 61.2 | 20.6 | 0.0 |
| Owner-Occupied Units by Geography | 9,473 | 0.0 | 16.9 | 62.0 | 21.1 | 0.0 |
| Occupied Rental Units by Geography | 4,221 | 0.0 | 26.8 | 53.5 | 19.6 | 0.0 |
| Vacant Units by Geography | 2,368 | 0.0 | 7.7 | 71.9 | 20.4 | 0.0 |
| Businesses by Geography | 2,583 | 0.0 | 13.2 | 67.3 | 19.5 | 0.0 |
| Farms by Geography | 182 | 0.0 | 3.3 | 71.4 | 25.3 | 0.0 |
| Family Distribution by Income Level | 8,782 | 18.7 | 19.8 | 19.1 | 42.4 | 0.0 |
| Household Distribution by Income Level | 13,694 | 21.0 | 18.3 | 16.8 | 43.9 | 0.0 |
| Median Family Income Non-MSAs -VA | \$51,647 | | Median Housing Value | | | \$190,303 |
| | | Median Gross Rent | | | | \$719 |
| | | Families Below Poverty Level | | | | 12.4% |
| <small>Source: 2015 ACS and 2019 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small> | | | | | | |

CornerStone operated in only the state of Virginia during the evaluation period. The bank provides its products and services through its main office and three branches located in the county of

Rockbridge, Virginia. The bank's primary business focus is home mortgages and commercial lending. CornerStone has not changed its AA since the last CRA performance evaluation.

The Rockbridge County AA is situated within the Shenandoah Valley region of Virginia. The AA is not located in an MSA. The independent cities of Lexington and Buena Vista are located within Rockbridge County and Lexington serves as the county seat of Rockbridge. According to the 2015 ACS data, there are no low-income census tracts, one moderate-income census tract, four middle-income census tracts, and one upper-income census tract. The one moderate-income census tract is in Buena Vista. One middle-income census tract, where the bank's main office is in Lexington, is designated as a distressed non-metropolitan middle-income geography, due to the poverty levels in this geography. The remaining three middle-income census tracts comprise the majority of the AA. The Rockbridge County AA meets the regulatory requirements and does not reflect illegal discrimination or arbitrarily exclude low- or moderate-income census tracts.

The Rockbridge County AA economy was stable over the evaluation period. The economy in Rockbridge County is primarily driven by educational services, tourism, manufacturing, and service industries. The city of Lexington offers several historic sites that attract tourist from across the country. The AA is home to three universities: Virginia Military Institution (VMI), Washington and Lee University, and Southern Virginia University. These three universities represent three of the top five employers in the AA. The remaining top employers include the Rockbridge County School System and Mohawk Esv Incorporated.

According to U.S. Bureau of Labor Statistics, the unemployment rate for the Rockbridge County ranged from an annual average of 4.1 percent in 2017, to 2.7 percent in 2019. The unemployment rate in Lexington ranged from an annual average of 6.0 percent in 2017 to 4.7 percent in 2019. The unemployment rate in Buena Vista ranged from an annual average of 4.2 percent in 2017 to 2.7 percent in 2019. Unemployment rates in the assessment area, except for Lexington, were comparable to the state of Virginia annual average unemployment rates of 3.7 percent in 2017, and 2.8 percent in 2019, and better than the national average unemployment rate of 4.4 percent in 2017, and 3.7 percent in 2019. The average unemployment rate in Lexington was higher than both the state and national averages.

CornerStone's assessment area contains several competitors including other local community banks and branches of larger regional and national banks. According to the Federal Deposits Insurance Corporation (FDIC) Deposit Market Share data as of June 30, 2019, CornerStone held 20.5 percent of the deposit market share, ranking second out of nine institutions. Branch Banking and Trust (BB&T) ranked first with 21.9 percent of the deposit market share and Wells Fargo Bank, National Association, ranked third with 13.4 percent of the deposit market share.

According to 2019 Aggregate HMDA data, 108 lenders originated 704 mortgage loans in the Rockbridge County AA. These lenders include mortgage companies and other depository institutions, who offer various mortgage products with features attractive to low- and moderate-income borrowers. Given CornerStone is not a HMDA reporting institution, that bank was not ranked within this report.

Community Contacts

The OCC conducted two community contacts during this performance evaluation to gain better insight regarding the credit needs and economic conditions of the assessment area. The first community contact

indicated Rockbridge experienced minimal growth over the evaluation period. This contact stated the minimal growth was due to lack of infrastructure necessary for business sites to expand or attract new businesses. The topography of the assessment area also impedes attraction and expansion of business to the area. There is a need to provide transportation, housing, and childcare services to low- and moderate-income families in the area. There is a need for expansion of affordable multifamily housing. This community contact indicated banks participate in donating to local non-profits that provide support and services to low- and moderate-income families. Additionally, banks have shown a willingness to work with and support small businesses in the area.

The second community contact indicated Rockbridge has had a stable economy anchored by employment from the local universities and tourism. Affordable housing is a primary need of the area, as many people depend on income received from government assistant programs. However, this income is not sufficient to obtain funding for housing in the area. Additionally, this contact noted wages within the AA are low relative to the cost of housing. Furthermore, funding resources for non-profit who would normally assist low- and moderate-income residence is limited as there is high competition and limited funding for these organizations.

Scope of Evaluation in the State of Virginia

CornerStone only operated in its AA during the evaluation period, January 1, 2017 through December 31, 2019. The OCC performed a full-scope evaluation of the bank's only assessment area. There were no limited-scope review areas.

As previously noted, CornerStone's primary loan products based on originations and purchases during the evaluation period were home mortgages and small business loans.

LENDING TEST

The bank's performance under the Lending Test in the state of Virginia is rated Satisfactory.

Conclusions for Rockbridge County AA Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Rockbridge County AA is reasonable. Equal weight was given to home mortgage and small business loans. More consideration was given to lending to borrowers by income level than geographic distribution, given the bank's AA does not contain low-income CT and only one moderate-income CT.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the Virginia. Consideration was given to lending in moderate-income geographies, due to the lack of low-income census tracts within the bank's AA. Additionally, consideration was given to the bank lending in a middle-income CT designated as a distressed nonmetropolitan geography due to poverty.

Home Mortgage Loans

The geographic distribution of home mortgage loans in the Rockbridge County AA is reasonable. CornerStone's percentage of home mortgage loan originations of 11.7 percent was below the percentage of owner-occupied housing units of 16.9 percent, and the aggregate peer lending percentage of 18.0 percent in the moderate-income CT. The level of the bank's lending in a moderate-income census tract is reasonable, given there is only one moderate-income CT in the AA, and the majority of the bank's AA is comprised of middle-income census tracts.

Our geographic analysis also considered the extent of the bank lending in the one middle-income CT characterized as a distressed nonmetropolitan geography. Within our loan sample, seven home mortgage loans, or 11.6 percent, were originated to borrowers within this distressed middle-income CT.

The available opportunities to lend in moderate-income CT is limited and competition in the AA is modest. According to the 2015 ACS data, the percentage of renter-occupied and vacant units is greater than the percentage of owner-occupied units in the moderate-income CT. The data indicates 34.5 percent of housing units in the moderate-income census tract are renter-occupied or vacant. CornerStone originates a modest number of investor-owned mortgage loans annually. These properties are rented to low- and moderate-income individuals and families. Furthermore, the bank faces competition from larger regional and national banks competing for the limited opportunity to lend in the only moderate-income CT in the AA.

Please refer to Table O in the state of Virginia section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Small Business Loans

The geographic distribution of loans to small businesses in the Rockbridge County AA is reasonable. CornerStone's percentage of small business originations and/or purchases of 11.7 percent was below the percentage of businesses of 13.2 percent and aggregate peer percentages of 13.5 percent in the moderate-income census tract. This is reasonable given the bank's AA has only one moderate-income census tract and middle-income census tracts comprise most of the AA.

Our geographic analysis of small business loans also considered the bank's lending in the distressed middle-income CT. Of the 60 loans in our small business sample, 16 small business loans, or 26.7 percent, were originated in this nonmetropolitan middle-income CT designated as distressed due to the poverty rate in the area.

Furthermore, competition for small business loans is modest and includes commercial and savings banks and branches of larger regional and national banks. Based on the most recent 2018 Peer Small Business Data, there were 32 lending institutions within CornerStone's AA competing for small business loan applications. The top five small business loan reporters in 2018 combined had 68.7 percent of the small business loan market share. CornerStone is not required to publicly report small business lending data; therefore, CornerStone is not captured on the small business lending market share report.

Please refer to Table Q in the state of Virginia section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

Distribution of Loans by Income Level of the Borrower

The bank exhibits reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank. Equal consideration was given to both home mortgage loans and small business loans.

Home Mortgage Loans

CornerStone's borrower distribution of home mortgage loan reflects reasonable penetration among lending to individuals of different income levels, given the demographics of the AA. Distribution to low-income borrowers is reasonable. The bank originated 10.0 percent of loans sampled to low-income borrowers. This performance was below the 18.7 percent of low-income families in the AA but exceeded the peer aggregate performance percentage of 4.0 percent in the AA.

Additionally, distribution to moderate-income borrowers is reasonable. The bank originated 16.7 percent of loans sampled to moderate-income borrowers. This performance was below the 19.8 percent of families in the AA but exceeded the peer aggregate percentage of 14.7 percent in the AA.

Affordable housing for low- and moderate-income borrower is a need in the AA. According to the 2015 ACS US data, the median housing value in 2019 was \$190,303. The adjusted median family income for the AA in 2019 was \$51,600. Low-income families would earn less than \$28,050 and moderate-income families would earn less than \$44,880. The cost of housing is over six times the earnings of low-income families and four times the earnings of moderate-income families. This lack of affordability limits the opportunity to originate home mortgage loans to low- and moderate-income borrowers. Given the lack of opportunity to lend to low-income and moderate-income borrowers, the bank's performance is reasonable.

Refer to Table P in the state of Virginia section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Small Business Loans

CornerStone's lending performance to small businesses with gross annual revenues of less than \$1 million is reasonable. The bank originated 66.7 percent of small business loans to businesses with gross annual revenues of less than \$1 million or less. This percentage exceeded the aggregate of 61.2 percent and below the percentage of small businesses of 84.2 percent.

Refer to Table R in the state of Virginia section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

Responses to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the Lending Test.

COMMUNITY DEVELOPMENT

Based on a full-scope review, the bank exhibits excellent responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area. Performance related to community development activities had a positive effect on the bank's rating in the state.

A small bank that is not an intermediate small bank that meets each of the standards for a "satisfactory" rating under the lending test and exceeds some or all of those standards may warrant consideration for an overall rating of "outstanding." In assessing whether a small bank's performance is "outstanding," the appropriate regulatory agency considers the extent to which the small bank exceeds each of the performance standards for a "satisfactory" rating and its performance in making qualified investments and its performance in providing branches and other services and delivery systems that enhance credit availability in its assessment area(s).

CornerStone met the standards for a "satisfactory" rating under the Lending Test and exceeded that standard under the "Lending in the Assessment Area" and "Loan-to-Deposit" criteria. After considering performance context factors such as the bank's capacity, the assessment area credit needs, and community needs, the OCC determined that the performance in these activities enhances credit availability in the bank's assessment area and warrant an enhancement of its satisfactory lending record to outstanding.

Number and Amount of Community Development Loans

The level of community development loans enhanced the bank's lending performance in the assessment area. During the evaluation period, CornerStone originated or renewed five community development loans totaling \$2.6 million or 14.3 percent of the bank's *Capital*¹. The bank's community development loans supported affordable housing initiatives and services to support low- and moderate-income families, which were identified as needs by community representatives.

Highlights of the bank's community development loans include:

- One loan totaling \$4.1 million, which the bank retained \$2.0 million of the loan, to provide funds to construct a medical facility that serves low- to moderate- income families in the assessment area. The clinic provides medical, dental, and behavioral health services to low-income individuals and families, who are uninsured and underserved without regard to the ability to pay for services.
- Two loans totaling \$540 thousand to a housing corporation which funded the repair and renovations of affordable housing units and an affordable housing apartment complex. The organization provides subsidized housing for those who receive government assistance.
- One loan totaling \$60 thousand to refinance the mortgage on a rental property, who leases to low- and moderate-income families in the assessment area.
- A \$30 thousand loan to a non-profit to purchase a delivery truck to support the organization's mission in alleviating hunger and addressing poverty in the assessment area.

¹ *Capital* defined as the bank's Tier 1 Capital plus the allowance for loan and lease loss as of December 31, 2019.

Number and Amount of Qualified Investments

The bank's qualified investments during the evaluation period consisted of six grants totaling \$24 thousand. CornerStone participates in the FHLB's Set-Aside Program. This program provides grants to assist borrowers earning no more than 80 percent of the county's area median income or the state median family income for the area, adjusted for family size as published annually, whichever is higher. Eligible borrowers can receive grants up to \$5,000 to provide down payment assistance, closing costs, or funds to assist with rehabbing affordable housing.

Extent to Which the Bank Provides Community Development Services

Throughout the evaluation period, bank personnel provided their banking expertise to several community organizations that provide social services and affordable housing to low- and moderate-income individuals. Although the bank did not keep track of the number of hours employees and board members completed, the bank kept record of the type of community development services completed. During the evaluation period CornerStone partnered with the Banzai Program to bring students and adults clear, in-depth lessons to help with budgeting, use of credit cards, buying a home, preparing for college, how to save, and other financial literacy subjects. Four employees spoke at local high schools and at VMI on topics such as balancing a checkbook, identity theft, mortgage and auto loans, budgeting, and building and maintaining credit. Two employees served on the Carillion Stonewall Jackson Health Foundation Board, a local community service foundation that distributes grants to local non-profit organizations that provide community services such as subsidized rides to medical services for indigent area residents and backpacks of food for low-income students. Four employees served on three separate community service organizations whose mission is to provide food to low-income families in the AA. One bank officer and director served on the Habitat for Humanity Board to provide lending expertise regarding affordable housing for low-income families.

Responsiveness to Credit and Community Development Needs

CornerStone demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified grants, and community development services. The OCC considered the institution's capacity and the need and availability of such opportunities in the bank's assessment. The bank's community development loans, grants, and services focused on providing affordable housing initiatives and community services for low- and moderate-income individuals demonstrates the bank's responsiveness to the community needs of its assessment area.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

| | | |
|---|---|---|
| Time Period Reviewed: | 1/1/2017 to 12/31/2019 Lending Test 1/1/2017 to 12/31/2019 Community Development | |
| Bank Products Reviewed: | Home mortgage and small business Community development loans, qualified investments, community development services | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| None | | |
| List of Assessment Areas and Type of Examination | | |
| Rating and Assessment Areas | Type of Exam | Other Information |
| Virginia | Full scope | Rockbridge County and cities of Lexington and Buena Vista |

Appendix B: Summary of MMSA and State Ratings

| RATINGS - CornerStone Bank, National Association | |
|---|----------------------------|
| Overall Bank: | Lending Test Rating |
| CornerStone Bank, National Association | Outstanding |
| State: | |
| Virginia | Outstanding |

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals

the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment

center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography

2017-19

| Assessment Area: | Total Home Mortgage Loans | | | | Low-Income Tracts | | | Moderate-Income Tracts | | | Middle-Income Tracts | | | Upper-Income Tracts | | | Not Available-Income Tracts | | |
|----------------------|---------------------------|----------------|--------------|----------------|-----------------------------------|--------------|------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|------------|
| | # | \$ | % of Total | Overall Market | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt |
| Rockbridge County AA | 60 | \$9,162 | 100.0 | 885 | 0.0 | 0.0 | 0.0 | 16.9 | 11.7 | 18.0 | 62.0 | 60.0 | 62.7 | 21.1 | 28.3 | 19.3 | 0.0 | 0.0 | 0.0 |
| Total | 60 | \$9,162 | 100.0 | 885 | 0.0 | 0.0 | 0.0 | 16.9 | 11.7 | 18.0 | 62.0 | 60.0 | 62.7 | 21.1 | 28.3 | 19.3 | 0.0 | 0.0 | 0.0 |

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower

2017-19

| Assessment Area: | Total Home Mortgage Loans | | | | Low-Income Borrowers | | | Moderate-Income Borrowers | | | Middle-Income Borrowers | | | Upper-Income Borrowers | | | Not Available-Income Borrowers | | |
|----------------------|---------------------------|--------------|--------------|----------------|----------------------|--------------|------------|---------------------------|--------------|-------------|-------------------------|--------------|-------------|------------------------|--------------|-------------|--------------------------------|--------------|-------------|
| | # | \$ | % of Total | Overall Market | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt |
| Rockbridge County AA | 60 | 9,162 | 100.0 | 885 | 18.7 | 10.0 | 4.0 | 19.8 | 16.7 | 14.7 | 19.1 | 30.0 | 21.5 | 42.4 | 43.3 | 42.3 | 0.0 | 0.0 | 17.6 |
| Total | 60 | 9,162 | 100.0 | 885 | 18.7 | 10.0 | 4.0 | 19.8 | 16.7 | 14.7 | 19.1 | 30.0 | 21.5 | 42.4 | 43.3 | 42.3 | 0.0 | 0.0 | 17.6 |

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography

2017-19

| Assessment Area: | Total Loans to Small Businesses | | | | Low-Income Tracts | | | Moderate-Income Tracts | | | Middle-Income Tracts | | | Upper-Income Tracts | | | Not Available-Income Tracts | | |
|----------------------|---------------------------------|--------------|--------------|----------------|-------------------|--------------|------------|------------------------|--------------|-------------|----------------------|--------------|-------------|---------------------|--------------|-------------|-----------------------------|--------------|------------|
| | # | \$ | % of Total | Overall Market | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt |
| Rockbridge County AA | 60 | 7,724 | 100.0 | 505 | 0.0 | 0.0 | 0.0 | 13.2 | 11.7 | 13.5 | 67.3 | 75.0 | 66.7 | 19.5 | 13.3 | 19.8 | 0.0 | 0.0 | 0.0 |
| Total | 60 | 7,724 | 100.0 | 505 | 0.0 | 0.0 | 0.0 | 13.2 | 11.7 | 13.5 | 67.3 | 75.0 | 66.7 | 19.5 | 13.3 | 19.8 | 0.0 | 0.0 | 0.0 |

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues

2017-19

| Assessment Area: | Total Loans to Small Businesses | | | | Businesses with Revenues <= 1MM | | | Businesses with Revenues > 1MM | | Businesses with Revenues Not Available | |
|----------------------|---------------------------------|--------------|--------------|----------------|---------------------------------|--------------|-------------|--------------------------------|--------------|--|--------------|
| | # | \$ | % of Total | Overall Market | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | % Businesses | % Bank Loans |
| Rockbridge County AA | 60 | 7,724 | 100.0 | 505 | 84.2 | 66.7 | 61.2 | 3.6 | 20.0 | 12.2 | 13.3 |
| Total | 60 | 7,724 | 100.0 | 505 | 84.2 | 66.7 | 61.2 | 3.6 | 20.0 | 12.2 | 13.3 |

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%