

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2018

Month / Day / Year

N/A

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

I, Lorraine L. Brisell

Cornerstone Financial Services, Inc

Legal Title of Holding Company

Name of the Holding Company Director and Official  
 President and Director

251 Main Street/ PO Box 249

Title of the Holding Company Director and Official

(Mailing Address of the Holding Company) Street / P.O. Box

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

|            |       |          |
|------------|-------|----------|
| West Union | WV    | 26456    |
| City       | State | Zip Code |

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

John W. See VP/CFO

Name Title

304-873-3618

Area Code / Phone Number / Extension

304-873-2427

Area Code / FAX Number

JSee@cornerstonebankwv.com

E-mail Address

N/A

Address (URL) for the Holding Company's web page

Signature of Holding Company Director and Official

Date of Signature

For holding companies not registered with the SEC—  
 Indicate status of Annual Report to Shareholders:

is included with the FR Y-6 report  
 will be sent under separate cover  
 is not prepared

For Federal Reserve Bank Use Only

RSSD ID \_\_\_\_\_  
 C.I. \_\_\_\_\_

Is confidential treatment requested for any portion of this report submission? ..... 0=No 1=Yes 0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .....

2. a letter justifying this request has been provided separately ...

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

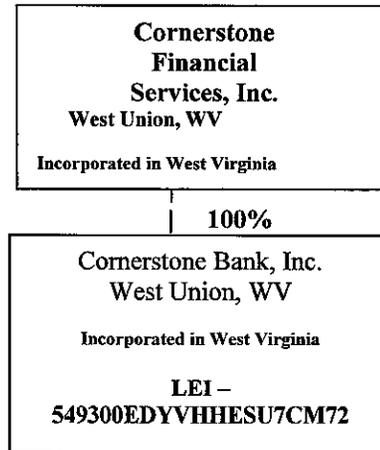
**Form FR Y-6**

**Cornerstone Financial Services, Inc.  
West Union, West Virginia  
Fiscal Year Ending December 31, 2018**

Report Item

1: The bank holding company does prepare an annual report for its shareholders.  
Three copies are enclosed.

2a: Organization Chart



2b: Submitted via Reporting Central.

Form FR Y-6

**Cornerstone Financial Services, Inc.  
Fiscal Year Ending December 31, 2018**

**Report Item 3: Shareholders**  
(1)(a) (1)(b) (1)(c) (2)(a) (2)(b) (2)(c)

|   |   |
|---|---|
| <b>Current Shareholders with ownership, control or holdings of 5% or more<br/>With power to vote as of 12-31-16</b> | <b>Shareholders not listed in (3)(1)(a) through 3(1)(c) that had ownership,<br/>control or holdings of 5% or more with power to vote during the fiscal<br/>year ending 12-31-16</b> |
|---|---|

| (1)(a)<br>Name & Address<br>(City, State, County) | (1)(b)<br>Country of Citizenship<br>Or Incorporation | (1)(c)<br>Number and Percentage of<br>Each Class of Voting Securities  | (2)(a)<br>Name & Address<br>(City, State, County) | (2)(b)<br>Country of Citizenship<br>Or Incorporation | (2)(c)<br>Number and Percentage of<br>Each Class of Voting<br>Securities |
|---|--|--|---|--|--|
| Craig G. Phillips<br>Belington, WV                | USA  | 435 – 8.7% common stock  |   |  |  |
| Rhonda M. Rossetti<br>Bridgeport, WV 26330        | USA  | 693 – 13.9% common stock<br><br>659 – 13.2% common stock<br>Trustee of Earldean Spencer TR1<br>FBO Rhonda Rossetti |   |  |  |
| Ronald B. Spencer<br>Smithburg, WV                | USA  | 704 – 14.1% common stock<br><br>660 – 13.2% common stock<br>Trustee of Earldean Spencer TR1<br>FBO Ronald Spencer  |   |  |  |
| Estate of Earldean Spencer<br>West Union, WV      | USA – closed 3/9/16                                  |  |   |  | 274 -5.5% Common Stock   |

**Form FR Y-6**  
**Cornerstone Financial Services, Inc.**  
**December 31, 2018**

**Report Item 4: Insiders**

(1) (2) (3)(a)(b)(c) and (4)(a)(b)(c)

| (1)<br>Names & Address (City, State, Country) | (2)<br>Principal Occupation if other than with Bank Holding Company | (3)(a)<br>Title & Position with Bank Holding Company | (3)(b)<br>Title & Position with Subsidiaries (include names of subsidiaries) | (3)(c)<br>Title & Position with Other Businesses (include names of other businesses) | (4)(a)<br>Percentage of voting shares in Bank Holding Company | (4)(b)<br>Percentage of voting shares in subsidiaries (include names of subsidiaries) | (4)(c)<br>List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held) |
|---|---|--|--|--|---|---|---|
| Ronald B. Spencer<br>Smithburg, WV USA        | President – Mid Atlantic of West Virginia                           | Director & Chairman                                  | Director & Chairman<br>(Cornerstone Bank, Inc.)                              | Manager – Spencer Enterprises  | 27.3% - (1)   | None  | Spencer Enterprises (50.0%)<br>Mid Atlantic of West Virginia (37.5%)<br>Ron and Ronda LLC (50%)   |
| Michael T. Hall<br>Ellenboro, WV USA          | President – Hall Drilling LLC                                       | Director & Vice President                            | Director<br>(Cornerstone Bank, Inc.)   | President and Owner – Halls WV Welding   | 2.8%  | None  | Hall Drilling LLC (50%)<br>Halls WV Welding (100%)  |
| Lorraine L. Brisell<br>West Union, WV USA     | N/A   | Director & President                                 | President, CEO and Director<br>(Cornerstone Bank, Inc.)                      | N/A  | .6%   | None  | N/A   |
| Rhonda M. Rossetti<br>Bridgeport, WV USA      | Retired   | Director   | Director<br>(Cornerstone Bank, Inc.)   | N/A  | 27.1% - (2)   | None  | Spencer Enterprises (50.0%)   |
| James R. Barton<br>Parkersburg, WV USA        | Co-owner – Wincore Windows  | Director   | Director<br>(Cornerstone Bank, Inc.)   | N/A  | (3)   | None  | Wincore Windows (33.3%)<br>WV Potato Chip Co. (32%)   |

- (1) Ronald Blaine Spencer owns 704 shares common stock of Cornerstone Financial Services, Inc. Additionally, Ronald Blain Spencer is Trustee of Earledean Spencer TR1 FBO Ronald Blaine Spencer with 660 shares of common stock of Cornerstone Financial Services, Inc.
- (2) Rhonda Margaret Rossetti owns 693 shares common stock of Cornerstone Financial Services, Inc. Additionally, Rhonda Margaret Rossetti is Trustee of Earledean Spencer TR1 FBO Rhonda Margaret Rossetti with 659 shares of common stock of Cornerstone Financial Services, Inc.
- (3) Identified Director owns less than .5% of the authorized and outstanding common stock of Cornerstone Financial Services, Inc.

**Results:** A list of branches for your depository institution: CORNERSTONE BANK, INC. (ID\_RSSD: 978239).  
 This depository institution is held by CORNERSTONE FINANCIAL SERVICES, INC. (3217537) of WEST UNION, WV.  
 The data are as of 12/31/2018. Data reflects information that was received and processed through 04/03/2019.

**Reconciliation and Verification Steps**

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

**Actions**

**OK:** If the branch information is correct, enter 'OK' in the **Data Action** column.  
**Change:** If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.  
**Close:** If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.  
**Delete:** If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.  
**Add:** If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

**Submission Procedure**

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.  
 If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

**Note:**

To satisfy the **FR Y-10** reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.  
 The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

\* FDIC UNINUM, Office Number, and ID\_RSSD columns are for reference only. Verification of these values is not required.

| Data Action | Effective Date | Branch Service Type        | Branch ID_RSSD* | Popular Name           | Street Address      | City        | State | Zip Code | County    | Country       | FDIC UNINUM* | Office Number* | Head Office            | Head Office ID_RSSD* | Comments |
|-------------|----------------|----------------------------|-----------------|------------------------|---------------------|-------------|-------|----------|-----------|---------------|--------------|----------------|------------------------|----------------------|----------|
| ok          |                | Full Service (Head Office) | 978239          | CORNERSTONE BANK, INC. | 101 W. MAIN STREET  | WEST UNION  | WV    | 26456    | DODDRIDGE | UNITED STATES | Not Required | Not Required   | CORNERSTONE BANK, INC. | 978239               |          |
| ok          |                | Full Service               | 4911597         | PARKERSBURG BRANCH     | 2107 PIKE STREET    | PARKERSBURG | WV    | 26101    | WOOD      | UNITED STATES | Not Required | Not Required   | CORNERSTONE BANK, INC. | 978239               |          |
| ok          |                | Full Service               | 2051659         | PENNSBORO BRANCH       | 4377 LAMBERTON ROAD | PENNSBORO   | WV    | 26415    | RITCHIE   | UNITED STATES | Not Required | Not Required   | CORNERSTONE BANK, INC. | 978239               |          |
| ok          |                | Full Service               | 854931          | SALEM BRANCH           | 150 EAST MAIN ST    | SALEM       | WV    | 26426    | HARRISON  | UNITED STATES | Not Required | Not Required   | CORNERSTONE BANK, INC. | 978239               |          |



**CORNERSTONE FINANCIAL SERVICES, INC.  
AND SUBSIDIARY**

**WEST UNION, WEST VIRGINIA**

**REPORT TO THE BOARD OF DIRECTORS**

**YEAR ENDED DECEMBER 31, 2018**



CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Cornerstone Financial Services, Inc. and Subsidiary  
West Union, West Virginia

We are pleased to present this report related to our audit of the consolidated financial statements of Cornerstone Financial Services, Inc. (the Company) and its Subsidiary, Cornerstone Bank, Inc., for the year ended December 31, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Company and its Subsidiary's financial reporting process.

This communication is intended solely for the information and use of the Board of Directors, Audit Committee, and Management of the Company and its Subsidiary and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to Cornerstone Financial Services, Inc. and its Subsidiary.

A handwritten signature in cursive script that reads 'Suttle &amp; Stalnaker, PLLC'.

Parkersburg, West Virginia  
March 18, 2019

Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102-0149  
Phone (304) 485-6584 • Fax (304) 485-0971

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301-3086  
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008

Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501-9574  
Phone (304) 554-3371 • Fax (304) 554-3410

www.suttlecpas.com • E-mail: cpa@suttlecpas.com  
A Professional Limited Liability Company

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY  
REPORT TO THE BOARD OF DIRECTORS  
YEAR ENDED DECEMBER 31, 2018**

3

**TABLE OF CONTENTS**

|  | <b>PAGE</b>    |
|--|----------------|
| Required Communications  | 4-6            |
| Summary of Accounting Estimates                                | 7-8            |
| Summary of Recorded Audit Adjustments                          | 9              |
| Summary of Uncorrected Misstatements                           | 10-11          |
|  | <b>EXHIBIT</b> |
| Letter Regarding Communication of Material Weaknesses          | A              |
| Certain Written Communications Between Management and Our Firm |                |
| Engagement Letter  | B-1            |
| Management Representation Letter                               | B-2            |
| Recent Accounting Pronouncements                               | C              |
| Confirmation Selection Summary                                 | D              |

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**YEAR ENDED DECEMBER 31, 2018**

**Required Communications**

Professional standards require the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

| <u>Area</u>   | <u>Comments</u>   |
|---|---|
| Auditor's responsibility under professional standards | We have audited the consolidated financial statements of Cornerstone Financial Services, Inc. (the Company) and its Subsidiary, Cornerstone Bank, Inc., for the year ended December, 31 2018, and have issued our report thereon dated March 14, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2018.   |
| Qualitative aspects of accounting practices           | <u>Adoption of, or change in, accounting policies</u><br>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company and its Subsidiary are described in Note 1 to the consolidated financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the Company and its Subsidiary during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. |

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**YEAR ENDED DECEMBER 31, 2018**

5

**Required Communications (Continued)**

| <u>Area</u>                                      | <u>Comments</u>  |
|--|--|
|  | <p><u>Management's judgments and accounting estimates</u><br/>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are summarized in the attached <i>Summary of Accounting Estimates</i>.</p> |
|  | <p><u>Financial statement disclosures</u><br/>The financial statement disclosures are neutral, consistent, and clear.</p>  |
| Difficulties encountered in performing the audit | We encountered no significant difficulties in dealing with management in performing and completing our audit.  |
| Corrected and uncorrected misstatements          | Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. See the attached <i>Summary of Recorded Audit Adjustments</i> and <i>Summary of Uncorrected Misstatements</i> .   |
| Disagreements with management                    | A disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.   |
| Management representations                       | We have requested certain representations from management that are included in the management representation letter dated March 14, 2019.  |

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**YEAR ENDED DECEMBER 31, 2018**

6

**Required Communications (Continued)**

| <u>Area</u>  | <u>Comments</u>   |
|--|---|
| Management consultations with other independent accountants    | In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company and its Subsidiary's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. |
| Other audit findings or issues                                 | We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company and its Subsidiary's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.   |
| Letter regarding communication of material weaknesses          | See the letter regarding communication of material weaknesses, if any, identified during our audit of the financial statements. This communication is attached as Exhibit A.  |
| Certain written communications between management and our firm | Copies of certain written communications between our firm and the management of the Company and its Subsidiary are attached as Exhibits B.  |

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**YEAR ENDED DECEMBER 31, 2018**

**Summary of Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Company and its Subsidiary's consolidated financial statements.

| <u>Area</u>                              | <u>Accounting Policy</u>  | <u>Estimation Process</u>  | <u>Comments</u>   |
|--|---|--|---|
| Allowance for loan losses                | FFIEC guidance, which is consistent with accounting principles generally accepted in the United States of America | Nature of loan portfolio, collectibility, credit trends, historical loss experience, specific impaired loans analysis, and economic conditions of the market area.           | The methodologies used by management appear reasonable at this time. Continuing review of appropriateness of methods is recommended due to the potential of changing conditions and factors employed. |
| Premises and equipment – depreciation    | Straight line depreciation method   | Based on cost of the asset. Depreciation is calculated over the estimated useful life. Annually, management reviews premises and equipment for impairment.                   | We are in agreement with the process used by management.  |
| Investment securities available-for-sale | Fair value  | The fair value is generally determined by published market prices provided by an outside third-party vendor.   | We are in agreement with the process used by management.  |
| Other real estate                        | Lower of carrying value (book value) or fair market value   | Appraisal or other fair value measurement at the time of repossession or foreclosure. Subsequent additional writedowns absorbed through operations in the period determined. | The methodologies used by management appear reasonable at this time. Changing market conditions or events can be a significant factor in future periods.  |

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**YEAR ENDED DECEMBER 31, 2018**

**Summary of Accounting Estimates (Continued)**

| <u>Area</u>                     | <u>Accounting Policy</u> | <u>Estimation Process</u>   | <u>Comments</u>  |
|---------------------------------|--------------------------|---|--|
| Derivative financial instrument | Fair value               | The fair value is determined by unobservable inputs, which are supported by little or no market activity provided by an independent outside third-party vendor. | We are in agreement with the process used by management. |

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**YEAR ENDED DECEMBER 31, 2018**

**Summary of Recorded Audit Adjustments**

During the course of our audit, we accumulate adjustments that are determined by management to be material to the consolidated balance sheet, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows, and to the related notes to the financial statements, or management otherwise determined are appropriate to make.

There were no audit adjustments identified during the course of our audit.

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**YEAR ENDED DECEMBER 31, 2018**

**Summary of Uncorrected Misstatements**

During the course of our audit, we accumulate uncorrected misstatements that are determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements and to the related notes to the financial statements.

The following attachment, *Passed Journal Entries Report*, is a summary of those differences.

Client: **Cornerstone Financial Services, Inc.**  
Engagement: **Audit 2018 - Cornerstone Financial Services, Inc. and Subsidiary**  
Period Ending: **12/31/2018**  
Trial Balance: **0215 - Trial Balance Report**  
Workpaper: **0251 - Passed Journal Entries Report**

| <u>Account</u>   | <u>Description</u>                              | <u>Debit</u>             | <u>Credit</u>            |
|--|---|--------------------------|--------------------------|
| <b>Proposed JE # 2001</b>  |   |                          |                          |
| To adjust Other Assets for the fair value of Mt. Hope Stock as of December 31, 2018. |   |                          |                          |
| 9016160  | Other Assets                                    | 194,700.00               |                          |
| 9030051  | Def. Taxes on Net Holding Gain/Loss on Sec. AFS | 45,755.00                |                          |
| 9016500  | Def. Tax on Net Holding Gain/Loss on Sec. AFS   |                          | 45,755.00                |
| 9030050  | Gross Holding Gain/Loss on Securities AFS       |                          | 194,700.00               |
| <b>Total</b>   |   | <u><u>240,455.00</u></u> | <u><u>240,455.00</u></u> |

**EXHIBIT A**

**LETTER REGARDING COMMUNICATION OF MATERIAL WEAKNESSES**



CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Management  
Cornerstone Financial Services, Inc. and Subsidiary  
West Union, West Virginia

In planning and performing our audit of the consolidated financial statements of Cornerstone Financial Services, Inc. (the Company) and its Subsidiary, Cornerstone Bank, Inc., as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Company and its Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company and its Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company and its Subsidiary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors, Audit Committee, and Management of the Company and its Subsidiary and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Suttle &amp; Stalnaker, PLLC'.

Parkersburg, West Virginia  
March 14, 2019

Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102-0149  
Phone (304) 485-6584 • Fax (304) 485-0971

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301-3086  
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008

Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501-9574  
Phone (304) 554-3371 • Fax (304) 554-3410

www.suttlecpas.com • E-mail: cpa@suttlecpas.com  
A Professional Limited Liability Company

**EXHIBIT B-1**

**ENGAGEMENT LETTER**



November 20, 2018

To the Audit Committee and Management  
Cornerstone Financial Services, Inc.  
P.O. Box 249  
West Union, WV 26456

We are pleased to confirm our understanding of the services we are to provide for Cornerstone Financial Services, Inc. and its Subsidiary, Cornerstone Bank, Inc., for the year ended December 31, 2018.

We will audit the consolidated financial statements of Cornerstone Financial Services, Inc. and its Subsidiary, which comprise the consolidated balance sheet as of December 31, 2018 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements (the financial statements).

### **Audit Objective**

The objective of our audit is the expression of an opinion about whether your consolidated financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of Cornerstone Financial Services, Inc. and its Subsidiary's financial statements. Our report will be addressed to the Board of Directors of Cornerstone Financial Services, Inc. and its Subsidiary. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102-0149  
Phone (304) 485-6584 • Fax (304) 485-0971

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301-3086  
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008

Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501-9574  
Phone (304) 554-3371 • Fax (304) 554-3410

www.suttlecpas.com • E-mail: cpa@suttlecpas.com  
A Professional Limited Liability Company

### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, consideration of the allowance for loan losses and other estimates made by management, and direct confirmation of loans, deposits, investments, and certain other assets and liabilities by correspondence with selected customers, creditors, safekeeping agents, and correspondent banks. Certain of our audit procedures, such as direct verification of loans and deposits, may be on an unannounced basis. We plan to use personnel from the internal audit department of Cornerstone Financial Services, Inc. and its Subsidiary to provide direct assistance to us in obtaining audit evidence related to customer confirmations and the review of customers' loan documentation. You acknowledge that those personnel will be allowed to follow our instructions and you will not intervene in their work. We will also request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the financial institution or to acts by management or employees acting on behalf of the institution.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. We have advised you of the limitations of our audit regarding the detection of fraud and the possible effect on the financial statements (including misappropriation of cash or other assets). We are available to perform, as a separate engagement, extended procedures specifically designed to detect fraud; however, you have declined to engage us to do so at this time. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the institution and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

#### **Other Services**

We will prepare the financial institution's consolidated federal and state income tax returns for the year ended December 31, 2018 for the Internal Revenue Service and West Virginia State Tax Department as outlined in our separate engagement letter dated November 20, 2018. The other services, also, include assistance in drafting the consolidated financial statements and maintenance of the fixed assets depreciation schedule. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

#### **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the institution from whom we determine it necessary to obtain audit evidence.

Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the institution involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the institution received in communications from employees, former employees, regulators, or others. In addition, management is responsible for identifying and ensuring that the financial institution complies with applicable laws and regulations.

Management is also responsible to notify us in advance of your intent to print our report, in whole or in part, for inclusion in a document containing other information and to give us the opportunity to review such printed matter before its issuance.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your internet website, you understand that electronic sites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

Management is required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of your management representation letter.

Management agrees to assume all management responsibilities for the tax services, assistance in drafting the consolidated financial statements, maintenance of the fixed assets depreciation schedule, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

**Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, loans receivable, deposit, and other confirmations and schedules we request and will locate any loan or other documents and support for other transactions selected by us for testing.

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

In accordance with FDIC regulations, we, as your auditors, are required to make the following commitment:

- The audit documentation for this engagement is the property of Suttle & Stalnaker, PLLC and constitutes confidential information. However, we may be requested to make certain audit documentation available to the FDIC or to your other applicable regulatory oversight authorities pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Suttle & Stalnaker, PLLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the FDIC or to your other applicable regulatory oversight authorities. The FDIC or your other applicable regulatory oversight authorities may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The information that we obtain in auditing is confidential, as required by the AICPA *Code of Professional Conduct*. Therefore, your acceptance of this engagement letter will serve as your advance consent to our compliance with the above commitment.

Beth F. Bumgarner, CPA, CGMA, CSRP is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

It is our policy to keep records related to this engagement for ten years. By signing this engagement letter, you acknowledge and agree that upon the expiration of the ten-year period, we are free to destroy our records related to this engagement.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under Rules for Professional Accounting and Related Services Disputes before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties.

We generally base our fees on the time required at our regular rates for the services and personnel assigned plus out of pocket costs and relevant computer charges. Our charges also include other appropriate factors, including the difficulty of the assignment, the degree of skill required, time limitations imposed on us by others, the experience and ability of the personnel assigned, and the value of the services to the client. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Amounts not paid within thirty (30) days from the invoice date will be subject to a late payment charge of 1.0% per month (12% per year). Assuming adequate records, internal controls, and assistance of your personnel, our fee estimate for the above services for the audit of the consolidated financial statements as of and for the year ended December 31, 2018 is listed in the separate fee estimate letter dated November 20, 2018.

Expected out of pocket costs are included in the fee estimate letter referred to above. We will attempt to minimize our fee consistent with quality work. The extent to which we can do this will depend on your personnel offering us clerical and other assistance to prepare schedules, perform analyses, and provide source documents. The fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete or untimely receipt by us of the information in the client assistance package. If we encounter unusual circumstances not contemplated in preparing the estimate, we will discuss them with you and arrive at a new fee arrangement for additional services. All other provisions of this letter will survive any fee adjustment.

Cornerstone Financial Services, Inc. and its Subsidiary and Suttle & Stalnaker, PLLC both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

Page Seven

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Settle & Stalaker, PLLC*

**RESPONSE:**

This letter correctly sets forth the understanding of Cornerstone Financial Services, Inc. and its Subsidiary, as authorized by the Audit Committee and Board of Directors.

*Patrick J. Burrell*  
\_\_\_\_\_  
Signature

*President*  
\_\_\_\_\_  
Title

*11/23/18*  
\_\_\_\_\_  
Date

**EXHIBIT B-2**

**MANAGEMENT REPRESENTATION LETTER**



March 14, 2019

Suttle & Stalnaker, PLLC  
Certified Public Accountants  
P.O. Box 149  
Parkersburg, WV 26102-0149

This representation letter is provided in connection with your audit of the consolidated financial statements of Cornerstone Financial Services, Inc. and its Subsidiary, Cornerstone Bank, Inc., which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 14, 2019, the following representations made to you during your audit.

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 20, 2018, including our responsibility for the preparation and fair presentation of the financial statements.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable:
  - a. The assumptions are considered appropriate and there was consistency in the measurement processes used by management in determining accounting estimates.
  - b. The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
  - c. The disclosures related to accounting estimates are complete and appropriate.
  - d. No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. All of the following have been properly recorded or disclosed in the financial statements as applicable:
  - a. Related party relationships and transactions and related amounts receivable or payable, including loans, deposits, sales, purchases, transfers, leasing arrangements, and guarantees.
  - b. Contingent assets and liabilities, including loans charged off and outstanding letters of credit.
  - c. Commitments to originate, purchase, or sell loans and participations.
  - d. Commitments to purchase or sell securities, including commitments to purchase or sell securities under forward-placement, financial-futures contracts, and standby commitments.
  - e. Positions in financial futures contracts or other derivative securities.
  - f. The status of the institution's capital plan filed with regulators.
  - g. Sales of loans or other transfers of financial assets.
  - h. The following information about financial instruments with concentrations of credit risk:
    - (1) The common activity, region, or characteristic that identifies the concentration.
    - (2) The maximum loss that could result if the counterparties completely failed to perform their obligations and any collateral for the amounts due were worthless to the institution.
    - (3) The institution's policy of requiring collateral to minimize the risk, the nature of this collateral, and information about the institution's access to the collateral.
  - i. Lease obligations under long-term leases.

8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. We have disclosed to you all of our:
  - a. Nonperforming assets.
  - b. Intentions to foreclose or repossess property.
10. If applicable, provision has been made for:
  - a. Losses, costs, or expenses that may be incurred in the collection of securities, loans, leases, and real estate.
  - b. Losses, costs, or expenses that may be incurred in the disposition of other real estate owned.
  - c. Liabilities for interest on deposits and other indebtedness, including subordinated capital notes and participation loans.
  - d. Other than temporary declines in the value of investment securities and other investment assets.
11. We agree with the findings of appraisers used and have adequately considered the qualifications of the appraisers in determining the amounts and disclosures in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to appraisers regarding the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the appraisers.
12. The classification of securities and other investment assets as held-to-maturity, available-for-sale, or trading correctly reflects management's ability and intent.
13. No transactions or activities are planned that would result in any recapture of the base-year, tax-basis bad debt reserve.
14. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements has been provided.
15. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
16. Material concentrations have been properly disclosed in accordance with U.S. GAAP.
17. Guarantees, whether written or oral, under which the institution is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

18. The institution has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
19. Loans receivable and other receivables recorded in the financial statements represent valid claims against debtors for lending transactions, sales, or other charges arising on or before the balance sheet date, and the carrying amounts of those receivables are determined in accordance with U.S. GAAP.
20. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
21. Loans to executive officers have been properly accounted for and disclosed.
22. Agreements to repurchase assets previously sold have been properly disclosed.
23. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
24. In regard to assisting in drafting the financial statements and the related note disclosures, tax return preparation services, maintenance of the premises and equipment depreciation schedule, and any other nonattest services performed by you, we have:
  - a. Assumed all management responsibilities.
  - b. Designated an individual within senior management with suitable skill, knowledge, or experience to oversee the services.
  - c. Evaluated the adequacy and results of the services performed.
  - d. Accepted responsibility for the results of the services.

**Institution—Specific**

25. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

**Information Provided**

26. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the institution from whom you determined it necessary to obtain audit evidence.

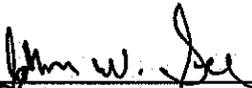
- d. Minutes of the meetings of shareholders, directors, and committees of directors, credit/loan committee, asset/liability management committee, other relevant committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. All regulatory or examination reports, supervisory correspondence, and similar materials from applicable regulatory agencies, including communications about supervisory actions or noncompliance with, or deficiencies in, rules and regulations or supervisory actions.
27. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
29. We have no knowledge of any fraud or suspected fraud that affects the institution and involves:
- a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
30. We have no knowledge of any allegations of fraud or suspected fraud affecting the institution's financial statements communicated by employees, former employees, analysts, regulators, or others.
31. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations, or supervisory actions, whose effects should be considered when preparing financial statements.
33. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
34. We have disclosed to you the identity of the institution's related parties and all the related party relationships and transactions of which we are aware.
35. Related party transactions (including insider loans) have been entered into in compliance with existing regulations.

36. The institution has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral or deposited in escrow as security, except as made known to you and disclosed in the notes to the financial statements.
37. There are no regulatory examinations currently in progress for which we have not received examination reports.

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**



\_\_\_\_\_  
Lorraine L. Brisell  
President



\_\_\_\_\_  
John W. See  
Vice President and CFO

**EXHIBIT C**

**RECENT ACCOUNTING PRONOUNCEMENTS**

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**RECENT ACCOUNTING PRONOUNCEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

1

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*." The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The core principle will be achieved using a five step process. In August 2015, the FASB issued ASU No. 2015-14, "*Revenue from Contracts with Customers (Topic 606)*," which amends the effective date for the Company and its Subsidiary from January 1, 2018 to January 1, 2019. The adoptions of ASU No. 2014-09 and ASU No. 2015-14 are not expected to have a material impact on the Company and its Subsidiary's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*." The amendments in this ASU make targeted improvements to generally accepted accounting principles (GAAP) as follows: (1) Require equity investments to be measured at fair value with changes in fair value recognized in net income. (2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. (3) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. (4) Require public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes. (5) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. This ASU will become effective for the Company and its Subsidiary on January 1, 2019. The adoption will require a cumulative effect to the statement of financial position as of the beginning of the first reporting period. The adoption of ASU No. 2016-01 is not expected to have a material impact on the Company and its Subsidiary's consolidated financial statements.

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**RECENT ACCOUNTING PRONOUNCEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

2

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification and creating Topic 842, "*Leases*." Leasing is utilized by many entities. It is a means of gaining access to assets, of obtaining financing, and/or of reducing an entity's exposure to the full risks of asset ownership. Previous lease accounting was criticized for failing to meet the needs of users of financial statements because it did not always provide a faithful representation of leasing transactions. In particular, it did not require lessees to recognize assets and liabilities arising from operating leases on the balance sheet. As a result, there had been long-standing requests from many users of financial statements and others to change the accounting requirements so that lessees would be required to recognize the rights and obligations resulting from leases as assets and liabilities. This ASU will become effective for the Company and its Subsidiary for interim and annual periods on January 1, 2020. The adoption requires the use of a modified retrospective transition method at the beginning of the earliest period presented in the financial statements. In July 2018, the FASB issued ASU No. 2018-11, "*Leases (Topic 842) – Targeted Improvements*," which provides an additional (and optional) transition method to adopt the new leases standard whereby an entity may initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. Management has not determined the expected effect of the adoption of ASU No. 2016-02 on the Company and its Subsidiary's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." Current GAAP requires an incurred loss methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. Users of financial statements expressed concern that current GAAP restricts the ability to record credit losses that are expected, but do not yet meet the probable threshold. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, FASB issued ASU No. 2018-19, "*Codification Improvements to Topic 326, Financial Instruments – Credit Losses*," which amended the effective date for the Company and its Subsidiary for interim and annual periods to January 1, 2022. The adoption requires a cumulative-effect adjustment to the opening retained earnings as of the beginning of the first reporting period in which the amendments are effective. Management has not determined the expected effect of the adoption of ASU No. 2016-13 on the Company and its Subsidiary's consolidated financial statements.

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**RECENT ACCOUNTING PRONOUNCEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

3

In March 2017, the FASB issued ASU No. 2017-08, "*Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.*" The amendment shortens the amortization period for certain callable debt securities purchased at a premium. Upon adoption of the standard, premiums on these qualifying callable debt securities will be amortized to the earliest call date. Discounts on purchased debt securities will continue to be accreted to maturity. This ASU will become effective for the Company and its Subsidiary for interim and annual periods on January 1, 2019. Early adoption is permitted, including adoption in an interim period. Upon transition, entities should apply the guidance on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption and provide the disclosures required for a change in accounting principle. The adoption of ASU No. 2017-08 is not expected to have a material impact on the Company and its Subsidiary's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, "*Derivatives and Hedging (Topic 815) – Targeted Improvements to Accounting for Hedging Activity.*" The amendments in this ASU better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This ASU will become effective for the Company and its Subsidiary on January 1, 2020. Early adoption is permitted, including adoption in an interim period. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this ASU. The amended presentation and disclosure guidance is required only prospectively. In October 2018, the FASB issued ASU No. 2018-16 "*Derivatives and Hedging (Topic 815) – Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes,*" which permits the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes in addition to the rates already considered acceptable under U.S. GAAP. This ASU is also effective for the Company and its Subsidiary on January 1, 2020 and should be applied prospectively for qualifying new or redesignated hedging relationships entered into on or after the date of adoption. Management has not determined the expected effect of the adoptions of ASU No. 2017-12 and ASU No. 2018-16 on the Company and its Subsidiary's consolidated financial statements.

**CORNERSTONE FINANCIAL SERVICES, INC. AND SUBSIDIARY**  
**RECENT ACCOUNTING PRONOUNCEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

In August 2018, the FASB issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.*" The amendments in this ASU modify the disclosure requirements in Topic 820, "*Fair Value Measurement*" by removing the following disclosure requirements: (1) The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. (2) The policy for timing of transfers between levels. (3) The valuation processes for Level 3 fair value measurements. (4) For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. Additionally, the ASU modifies certain disclosure requirements as follows: (1) In lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. (2) For investments in certain entities that calculate net asset value per share, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly. (3) The measurement uncertainty disclosure is to communicate information about the uncertainty of measurements as of the reporting date. This ASU will become effective for the Company and its Subsidiary on January 1, 2020. Management has not determined the expected effect of the adoption of ASU No. 2018-13 on the Company and its Subsidiary's consolidated financial statements.

**EXHIBIT D**

**CONFIRMATION SELECTION SUMMARY**

**CORNERSTONE BANK, INC.  
CONFIRMATION SELECTION SUMMARY**

**LOANS**

|                   | Positive<br>Confirmations<br>Mailed |                     | Total<br>Account Balance<br>December 31, 2018 |                      | Percent of Total |              |
|-------------------|-------------------------------------|---------------------|---|----------------------|------------------|--------------|
|                   | Number                              | Amount              | Number  | Amount               | Number           | Amount       |
| Commercial loans  | 4                                   | \$ 649,399          | 40  | \$ 2,319,841         | 10.0%            | 28.0%        |
| Mortgage loans    | 38                                  | 9,225,345           | 284   | 34,505,144           | 13.4%            | 26.7%        |
| Installment loans | 18                                  | 94,057              | 247   | 1,473,745            | 7.3%             | 6.4%         |
| <b>Total</b>      | <b>60</b>                           | <b>\$ 9,968,801</b> | <b>571</b>                                    | <b>\$ 38,298,730</b> | <b>10.5%</b>     | <b>26.0%</b> |

**DEPOSITS**

|                                | Negative<br>Confirmations<br>Mailed |                      | Total<br>Account Balance<br>December 31, 2018 |                       | Percent of Total |              |
|--------------------------------|-------------------------------------|----------------------|---|-----------------------|------------------|--------------|
|                                | Number                              | Amount               | Number  | Amount                | Number           | Amount       |
| Demand deposits                | 31                                  | \$ 64,306,750        | 3,708   | \$ 88,770,300         | 0.8%             | 72.4%        |
| Savings                        | 16                                  | 7,430,958            | 1,922   | 26,719,051            | 0.8%             | 27.8%        |
| Certificates of deposit        | 37                                  | 26,371,563           | 461   | 37,078,332            | 8.0%             | 71.1%        |
| Individual retirement accounts | -                                   | -                    | 99  | 1,885,705             | 0.0%             | 0.0%         |
| <b>Total</b>                   | <b>84</b>                           | <b>\$ 98,109,271</b> | <b>6,190</b>                                  | <b>\$ 154,453,388</b> | <b>1.4%</b>      | <b>63.5%</b> |

All replies were correct or reconcilable.