

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2015

Red Bluff, CA – October 20, 2015 – Cornerstone Community Bancorp, (OTC Pink: **CRSB**), announced today its financial results for the third quarter ended September 30, 2015.

The Company reported net income of \$360,000 for the three months ended September 30, 2015 compared to net income of \$225,000 for the same period last year. Diluted earnings per share for the three months ended September 30, 2015 were \$0.27 compared to \$0.17 for the same period last year.

Net income for the nine months ended September 30, 2015 was \$774,000, or \$0.58 per diluted share compared to net income of \$525,000, or \$0.40 per diluted share, for the nine months ended September 30, 2014.

The return on average assets for the three months ended September 30, 2015 was 0.83% and the return on average equity was 9.96%. For the nine months ended September 30, 2015, the return on average assets was 0.61% and the return on average equity was 7.28%.

President and CEO, Jeff Finck, stated, “We are very pleased with our 45% growth in earnings per share for the nine months ended September 30, 2015. Loans grew by 19% year-over-year, consistent with the 20% overall loan growth rate during the last five years.”

Net Interest Income

Net interest income was \$1,528,000 for the quarter ended September 30, 2015 compared to \$1,563,000 for the same quarter one year earlier. For the nine months ended September 30, 2015, net interest income was \$4,543,000 compared to \$4,235,000 for the nine months ended September 30, 2014 representing an increase of \$308,000, or 7%.

Provision for credit losses

There was no provision for credit losses for the quarter ended September 30, 2015 compared to \$150,000 for same period last year. There was no provision for credit losses for the nine months ended September 30, 2015 compared to \$224,000 for the nine months ended September 30, 2014.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2015 was \$525,000 compared to \$251,000 for the quarter ended September 30, 2014. For the nine months ended September 30,

2015, non-interest income was \$891,000 compared to \$521,000 for the nine months ended September 30, 2014.

Non-Interest Expense

Non-interest expense was \$1,442,000 for the quarter ended September 30, 2015 compared to \$1,288,000 for the same period one year earlier. For the nine months ended September 30, 2015, non-interest expense was \$4,119,000 compared to \$3,659,000 for the same period last year.

Balance Sheet

The Company had total assets at September 30, 2015 of \$172.3 million, compared to \$144.9 million at September 30, 2014, representing growth of \$27.4 million, or 19%.

Total loans outstanding at September 30, 2015, were \$137.7 million compared to \$116.0 million at September 30, 2014, representing an increase of \$21.7 million, or 19%.

Total deposits were \$137.2 million at September 30, 2015 compared to total deposits of \$131.1 million at September 30, 2014, representing an increase of \$6.1 million, or 5%.

Credit Quality

The allowance for loan losses was \$1,613,000, or 1.17% of loans, net of unearned income at September 30, 2015, compared to \$1,607,000, or 1.39% of loans, net of unearned income at September 30, 2014. Nonperforming assets at September 30, 2015 were \$485,000 compared to \$60,000 at September 30, 2014.

The bank recognized \$8,085 in net loan recoveries during the nine months ended September 30, 2015.

Capital Adequacy

At September 30, 2015, shareholders' equity totaled \$14.5 million compared to \$13.3 million at September 30, 2014.

About Cornerstone Community Bancorp

Cornerstone Community Bancorp, a bank holding company headquartered in Red Bluff, California, serves the Red Bluff and Redding communities through its wholly-owned subsidiary, Cornerstone Community Bank with a headquarters office in Red Bluff and a banking office in Redding. The Bank provides commercial banking services to small and mid-size businesses, including professional service firms, real estate developers and investors and not-for-profit organizations and to their owners and other individuals. Additional information about the Bank is available on its website at www.bankcornerstone.com

Forward-Looking Statements

This press release contains forward-looking statements. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of Cornerstone Community Bancorp and on information available to management at the time these statements were made. There are a number of factors, many of which are beyond Cornerstone Community Bancorp's control, which could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may reduce interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards and tax laws, may adversely affect the businesses in which Cornerstone Community Bancorp is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than Cornerstone Community Bancorp; and (7) adverse changes may occur in the securities markets or with respect to inflation. Forward-looking statements speak only as of the date they are made. Except as required by law, Cornerstone Community Bancorp does not undertake to update forward-looking statements to reflect subsequent circumstances or events.

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CORNERSTONE COMMUNITY BANCORP
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in Thousands)

	<u>09/30/15</u>	<u>06/30/15</u>	<u>03/31/15</u>	<u>12/31/14</u>	<u>09/30/14</u>
ASSETS					
Cash and due from banks	\$ 1,575	\$ 3,172	\$ 3,982	\$ 2,750	\$ 2,657
Federal funds sold	-	-	-	-	-
Interest-bearing deposits	15,647	16,364	21,281	6,070	10,401
Investment securities	9,906	10,097	10,511	11,149	11,378
Loans held for sale	-	3,309	-	-	-
Loans, net of unearned income	137,725	133,744	127,045	124,547	115,954
Allowance for loan losses	(1,613)	(1,612)	(1,608)	(1,605)	(1,607)
Loans, net	136,112	132,132	125,437	122,942	114,347
Premises and equipment, net	995	793	851	909	958
Other assets	8,092	5,313	5,157	5,295	5,202
Total assets	<u>\$ 172,327</u>	<u>\$ 171,180</u>	<u>\$ 167,219</u>	<u>\$ 149,115</u>	<u>\$ 144,943</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 23,797	\$ 29,223	\$ 29,852	\$ 24,707	\$ 23,566
Demand interest-bearing	20,143	17,667	20,607	21,566	15,817
Money market and savings	43,381	39,605	54,169	42,114	45,221
Time deposits of less than \$100,000	15,125	16,277	16,239	17,939	17,824
Time deposits of \$100,000 or more	34,735	33,895	26,798	28,606	28,656
Total deposits	137,181	136,667	147,665	134,932	131,084
Federal Home Loan Bank borrowings	15,000	15,000	-	-	-
Subordinated debentures	4,874	4,872	4,870	-	-
Interest payable and other liabilities	736	512	668	456	510
Total liabilities	<u>157,791</u>	<u>157,051</u>	<u>153,203</u>	<u>135,388</u>	<u>131,594</u>
SHAREHOLDERS' EQUITY					
Common stock	13,234	13,209	13,185	13,161	13,095
Retained Earnings	1,162	803	615	414	160
Accumulated other comprehensive income (loss)	140	117	216	152	94
Total shareholders' equity	<u>14,536</u>	<u>14,129</u>	<u>14,016</u>	<u>13,727</u>	<u>13,349</u>
Total liabilities and shareholders' equity	<u>\$ 172,327</u>	<u>\$ 171,180</u>	<u>\$ 167,219</u>	<u>\$ 149,115</u>	<u>\$ 144,943</u>
Total equity / total assets	8.44%	8.25%	8.38%	9.21%	9.21%
Book value per share	\$ 11.61	\$ 11.29	\$ 11.19	\$ 10.96	\$ 10.84

CORNERSTONE COMMUNITY BANCORP
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Dollars in Thousands)

	Three months ended			Nine months ended	
	09/30/15	06/30/15	09/30/14	09/30/15	09/30/14
INTEREST INCOME					
Loans	\$ 1,754	\$ 1,671	\$ 1,565	\$ 5,012	\$ 4,237
Federal funds sold	-	-	-	-	-
Investment securities	73	76	104	226	328
Other	35	54	19	107	39
Total interest income	1,862	1,801	1,688	5,345	4,604
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	8	4	5	18	15
Money market and savings	55	44	31	134	136
Time deposits	115	101	89	303	216
Other	156	150	-	347	2
Total interest expense	334	299	125	802	369
Net interest income	1,528	1,502	1,563	4,543	4,235
Provision for credit losses	-	-	150	-	224
Net interest income after provision for credit losses	1,528	1,502	1,413	4,543	4,011
NON-INTEREST INCOME					
Service charges on deposit accounts	38	44	31	104	76
Gain on sale of SBA loans	321	-	-	321	-
Gain (loss) on sale of other real estate owned	-	-	(23)	-	(23)
Gain (loss) on sale of securities	-	-	107	-	101
Other non-interest income	166	144	136	466	367
Total non-interest income	525	188	251	891	521
OPERATING EXPENSES					
Salaries and benefits	753	714	671	2,200	1,929
Premises and fixed assets	143	139	149	422	427
Other	546	517	468	1,497	1,303
Total operating expenses	1,442	1,370	1,288	4,119	3,659
Income before income taxes	611	320	376	1,315	873
Income taxes	251	132	151	541	348
NET INCOME	\$ 360	\$ 188	\$ 225	\$ 774	\$ 525
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.29	\$ 0.15	\$ 0.18	\$ 0.62	\$ 0.43
Diluted earnings per share	\$ 0.27	\$ 0.14	\$ 0.17	\$ 0.58	\$ 0.40
Average common shares outstanding	1,252,000	1,252,000	1,216,783	1,252,000	1,213,612
Average common and equivalent shares outstanding	1,340,377	1,341,253	1,324,252	1,341,314	1,321,085
PERFORMANCE MEASURES					
Return on average assets	0.83%	0.43%	0.60%	0.61%	0.51%
Return on average equity	9.96%	5.32%	6.78%	7.28%	5.38%
Net interest margin	3.65%	3.60%	4.32%	3.78%	4.35%
Efficiency ratio	70.24%	81.07%	71.00%	75.80%	76.93%