

Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2015

Red Bluff, CA – July 30, 2015 – Cornerstone Community Bancorp, (OTC Pink: **CRSB**), announced today its financial results for the second quarter ended June 30, 2015.

The Company reported net income of \$188,000 for the three months ended June 30, 2015 compared to net income of \$169,000 for the same period last year. Diluted earnings per share for the three months ended June 30, 2015 were \$0.14 compared to \$0.13 for the same period last year.

Net income for the six months ended June 30, 2015 was \$414,000, or \$0.31 per diluted share compared to net income of \$300,000, or \$0.23 per diluted share, for the six months ended June 30, 2014.

The return on average assets for the three months ended June 30, 2015 was 0.43% and the return on average equity was 5.32%. For the six months ended June 30, 2015, the return on average assets was 0.50% and the return on average equity was 5.90%.

President and CEO, Jeff Finck, stated, “Loans continue to grow at a solid pace. Loans grew by \$25 million year-over-year, or 23%.”

Net Interest Income

Net interest income was \$1,502,000 for the quarter ended June 30, 2015 which represented an increase of \$149,000, or 11%, from \$1,353,000 for the same quarter one year earlier. For the six months ended June 30, 2015, net interest income was \$3,015,000 compared to \$2,672,000 for the six months ended June 30, 2014 representing an increase of \$343,000, or 13%.

Provision for credit losses

There was no provision for credit losses for the quarter ended June 30, 2015 compared to \$50,000 for same period last year. There was no provision for credit losses for the six months ended June 30, 2015 compared to \$74,000 for the six months ended June 30, 2014.

Non-Interest Income

Non-interest income for the quarter ended June 30, 2015 was \$188,000 compared to \$160,000 for the quarter ended June 30, 2014. For the six months ended June 30, 2015, non-interest income was \$366,000 compared to \$270,000 for the six months ended June 30, 2014.

Non-Interest Expense

Non-interest expense was \$1,370,000 for the quarter ended June 30, 2015 compared to \$1,179,000 for the same period one year earlier. For the six months ended June 30, 2015, non-interest expense was \$2,677,000 compared to \$2,371,000 for the same period last year.

Balance Sheet

The Company had total assets at June 30, 2015 of \$171.2 million, compared to \$147.1 million at June 30, 2014, representing growth of \$24.1 million, or 16%.

Total loans outstanding at June 30, 2015, were \$137.1 million compared to \$111.9 million at June 30, 2014, representing an increase of \$25.2 million, or 23%.

Total deposits were \$136.7 million at June 30, 2015 compared to total deposits of \$133.5 million at June 30, 2014, representing an increase of \$3.2 million, or 2%.

Credit Quality

The allowance for loan losses was \$1,612,000, or 1.21% of loans, net of unearned income at June 30, 2015, compared to \$1,464,000, or 1.35% of loans, net of unearned income at June 30, 2014. Nonperforming assets at June 30, 2015 were \$428,000 compared to \$183,000 at June 30, 2014.

The bank recognized \$7,632 in net loan recoveries during the six months ended June 30, 2015.

Capital Adequacy

At June 30, 2015, shareholders' equity totaled \$14.1 million compared to \$13.1 million at June 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>06/30/15</u>	<u>03/31/15</u>	<u>12/31/14</u>	<u>09/30/14</u>	<u>06/30/14</u>
ASSETS					
Cash and due from banks	\$ 3,172	\$ 3,982	\$ 2,750	\$ 2,657	\$ 4,268
Federal funds sold	-	-	-	-	-
Interest-bearing deposits	16,364	21,281	6,070	10,401	11,113
Investment securities	10,097	10,511	11,149	11,378	14,988
Loans held for sale	3,309	-	-	-	3,072
Loans, net of unearned income	133,744	127,045	124,547	115,954	108,796
Allowance for loan losses	(1,612)	(1,608)	(1,605)	(1,607)	(1,464)
Loans, net	132,132	125,437	122,942	114,347	107,332
Premises and equipment, net	793	851	909	958	1,010
Other assets	5,313	5,157	5,295	5,202	5,288
Total assets	<u>\$ 171,180</u>	<u>\$ 167,219</u>	<u>\$ 149,115</u>	<u>\$ 144,943</u>	<u>\$ 147,071</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 29,223	\$ 29,852	\$ 24,707	\$ 23,566	\$ 23,434
Demand interest-bearing	17,667	20,607	21,566	15,817	17,128
Money market and savings	39,605	54,169	42,114	45,221	45,942
Time deposits of less than \$100,000	16,277	16,239	17,939	17,824	17,719
Time deposits of \$100,000 or more	33,895	26,798	28,606	28,656	29,321
Total deposits	136,667	147,665	134,932	131,084	133,544
Federal Home Loan Bank borrowings	15,000	-	-	-	-
Subordinated debentures	4,872	4,870	-	-	-
Interest payable and other liabilities	512	668	456	510	454
Total liabilities	<u>157,051</u>	<u>153,203</u>	<u>135,388</u>	<u>131,594</u>	<u>133,998</u>
SHAREHOLDERS' EQUITY					
Common stock	13,209	13,185	13,161	13,095	12,981
Retained Earnings	803	615	414	160	(65)
Accumulated other comprehensive income (loss)	117	216	152	94	157
Total shareholders' equity	14,129	14,016	13,727	13,349	13,073
Total liabilities and shareholders' equity	<u>\$ 171,180</u>	<u>\$ 167,219</u>	<u>\$ 149,115</u>	<u>\$ 144,943</u>	<u>\$ 147,071</u>
Total equity / total assets	8.25%	8.38%	9.21%	9.21%	8.89%
Book value per share	\$ 11.29	\$ 11.19	\$ 10.96	\$ 10.84	\$ 10.79

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

	Three months ended			Six months ended	
	06/30/15	03/31/15	06/30/14	06/30/15	06/30/14
INTEREST INCOME					
Loans	\$ 1,671	\$ 1,587	\$ 1,397	\$ 3,258	\$ 2,672
Federal funds sold	-	-	-	-	-
Investment securities	76	77	69	153	224
Other	54	18	10	72	20
Total interest income	1,801	1,682	1,476	3,483	2,916
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	4	6	5	10	10
Money market and savings	44	35	47	79	105
Time deposits	101	87	70	188	127
Other	150	41	1	191	2
Total interest expense	299	169	123	468	244
Net interest income	1,502	1,513	1,353	3,015	2,672
Provision for credit losses	-	-	50	-	74
Net interest income after provision for credit losses	1,502	1,513	1,303	3,015	2,598
NON-INTEREST INCOME					
Service charges on deposit accounts	44	22	26	66	45
Gain on sale of SBA loans	-	-	-	-	-
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	(6)
Other non-interest income	144	156	134	300	231
Total non-interest income	188	178	160	366	270
OPERATING EXPENSES					
Salaries and benefits	714	733	620	1,447	1,258
Premises and fixed assets	139	140	139	279	278
Other	517	434	420	951	835
Total operating expenses	1,370	1,307	1,179	2,677	2,371
Income before income taxes	320	384	284	704	497
Income taxes	132	158	115	290	197
NET INCOME	\$ 188	\$ 226	\$ 169	\$ 414	\$ 300
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.15	\$ 0.18	\$ 0.14	\$ 0.33	\$ 0.25
Diluted earnings per share	\$ 0.14	\$ 0.17	\$ 0.13	\$ 0.31	\$ 0.23
Average common shares outstanding	1,252,000	1,252,000	1,212,000	1,252,000	1,212,000
Average common and equivalent shares outstanding	1,341,253	1,342,315	1,321,752	1,341,782	1,319,415
PERFORMANCE MEASURES					
Return on average assets	0.43%	0.58%	0.51%	0.50%	0.46%
Return on average equity	5.32%	6.49%	5.18%	5.90%	4.66%
Net interest margin	3.60%	4.11%	4.32%	3.84%	4.37%
Efficiency ratio	81.07%	77.29%	77.92%	79.18%	80.59%