

Cornerstone Community Bank Reports Financial Results For the First Quarter Ended March 31, 2014

Red Bluff, CA – May 1, 2014 – Cornerstone Community Bank, (**OTCBB: CRSB**), announced today its financial results for the first quarter ended March 31, 2014.

The Bank reported net income of \$131,000 for the three months ended March 31, 2014 compared to net income of \$240,000 for the same period last year. The Bank became fully taxable in the first quarter of 2014 which was the primary reason for the decline in net income. Diluted earnings per share for the three months ended March 31, 2014 were \$0.10 compared to \$0.19 for the same period last year.

The return on average assets for the three months ended March 31, 2014 was 0.41% compared to 0.84% for the same period last year. The return on average equity was 4.11% for the three months ended March 31, 2014 compared to 8.02% for the same period last year.

President and CEO, Jeff Finck, stated “the momentum generated in 2013 continued into the first quarter of 2014 with 25% growth in total loans and 10% growth in total assets when compared to March 31, 2013.”

Net Interest Income

Net interest income for the three months ended March 31, 2014 was \$1,319,000 compared to \$1,207,000 for the same period last year. The net interest margin was 4.42% compared to 4.49% for the same period last year.

Provision for Credit Losses

The provision for credit losses for the three months ended March 31, 2014 was \$24,000 compared to \$85,000 for the same period last year.

Non-Interest Income

The Bank’s non-interest income for the quarter ended March 31, 2014 was \$110,000 compared to \$139,000 for the quarter ended March 31, 2013.

Non-Interest Expense

Non-interest expense was \$1,192,000 for the quarter ended March 31, 2014 compared to \$1,021,000 for the quarter ended March 31, 2013.

Provision for Income Tax Expense

The provision for income tax expense for the three months ended March 31, 2014 was \$82,000. There was no provision for income tax expense for the three months ended March 31, 2013. The Bank became fully taxable in the first quarter of 2014.

Balance Sheet

The Bank had total assets at March 31, 2014 of \$126.8 million, compared to \$115.3 million at March 31, 2013, representing growth of \$11.5 million, or 10%.

Total loans outstanding, including loans held for sale, at March 31, 2014, were \$103.1 million compared to \$82.4 million at March 31, 2013, representing an increase of \$20.7 million, or 25%.

Total deposits were \$111.6 million at March 31, 2014 compared to total deposits of \$103.0 million at March 31, 2013, representing an increase of \$8.6 million, or 8.4%.

Credit Quality

The allowance for loan losses was \$1,415,000, or 1.42% of loans, net of unearned income at March 31, 2014, compared to \$1,411,000, or 1.75% of loans, net of unearned income at March 31, 2013. Nonperforming assets at March 31, 2014 were \$202,000 compared to \$175,000 at March 31, 2013. The bank recognized \$8,000 in net loan charge-offs during the quarter ended March 31, 2014.

Capital Adequacy

At March 31, 2014, shareholders' equity totaled \$12.8 million compared to \$12.1 million at March 31, 2013. At March 31, 2014, the total risk-based capital ratio, tier one capital ratio, and leverage ratio was 12.60%, 11.35% and 9.81%, respectively, all exceeding the regulatory standards for "well-capitalized" institutions of 10.00%, 6.00% and 5.00%, respectively.

About Cornerstone Community Bank

Cornerstone Community Bank is a California state-chartered bank with its headquarters office in Red Bluff and a branch office in Redding. The Bank provides commercial banking services, including a wide variety of deposit products and real estate, construction, commercial and consumer loans to small businesses, professionals and 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 Bank 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 Bank'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 Bank is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than Cornerstone Community Bank; 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 Bank does not undertake to update forward-looking statements to reflect subsequent circumstances or events.

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

	03/31/14	12/31/13	09/30/13	06/30/13	03/31/13
ASSETS					
Cash and due from banks	\$ 3,203	\$ 2,025	\$ 2,717	\$ 2,950	\$ 4,009
Federal funds sold	-	-	-	-	-
Interest-bearing deposits	533	875	6,296	2,796	1,241
Investment securities	15,250	21,131	21,866	23,104	25,745
Loans held for sale	3,134	2,726	2,622	2,603	1,961
Loans, net of unearned income	99,960	90,173	84,751	82,381	80,467
Allowance for loan losses	(1,415)	(1,399)	(1,397)	(1,450)	(1,411)
Loans, net	98,545	88,774	83,354	80,931	79,056
Premises and equipment, net	1,049	1,109	1,015	1,041	1,100
Other assets	5,134	5,234	4,900	4,854	2,230
Total assets	\$ 126,848	\$ 121,874	\$ 122,770	\$ 118,279	\$ 115,342

LIABILITIES

Deposits:

Demand noninterest-bearing	\$ 19,198	\$ 15,984	\$ 20,377	\$ 19,892	\$ 18,260
Demand interest-bearing	19,404	17,521	18,220	16,110	14,318
Money market and savings	41,072	42,814	41,044	40,123	44,996
Time deposits of less than \$100,000	13,298	11,045	11,118	11,236	8,218
Time deposits of \$100,000 or more	18,579	18,736	19,416	18,578	17,241
Total deposits	111,551	106,100	110,175	105,939	103,033
Other borrowings	2,000	3,000	-	-	-
Other liabilities	464	300	391	311	226
Total liabilities	114,015	109,400	110,566	106,250	103,259

SHAREHOLDERS' EQUITY

Common stock	12,057	12,057	11,959	11,959	11,959
Additional paid-in capital	903	877	886	859	830
Accumulated deficit	(234)	(365)	(623)	(917)	(1,199)
Accumulated other comprehensive income (loss)	107	(95)	(18)	128	493
Total shareholders' equity	12,833	12,474	12,204	12,029	12,083
Total liabilities and shareholders' equity	\$ 126,848	\$ 121,874	\$ 122,770	\$ 118,279	\$ 115,342

CAPITAL ADEQUACY

Tier I leverage ratio	9.81%	10.00%	9.97%	10.06%	10.13%
Tier I risk-based capital ratio	11.35%	12.02%	12.36%	12.45%	12.81%
Total risk-based capital ratio	12.60%	13.27%	13.61%	13.71%	14.06%
Total equity / total assets	10.12%	10.24%	9.94%	10.17%	10.48%
Book value per share	\$ 10.59	\$ 10.29	\$ 10.17	\$ 10.02	\$ 10.07

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

	Three months ended		
	03/31/14	12/31/13	03/31/13
INTEREST INCOME			
Loans	\$ 1,275	\$ 1,200	\$ 1,184
Federal funds sold	-	-	-
Investment securities	155	161	170
Other	10	10	2
Total interest income	<u>1,440</u>	<u>1,371</u>	<u>1,356</u>
INTEREST EXPENSE			
Deposits:			
Interest-bearing demand	5	6	6
Money market and savings	58	63	74
Time deposits	57	65	69
Other	1	-	-
Total interest expense	<u>121</u>	<u>134</u>	<u>149</u>
Net interest income	1,319	1,237	1,207
Provision for credit losses	24	-	85
Net interest income after provision for credit losses	<u>1,295</u>	<u>1,237</u>	<u>1,122</u>
NON-INTEREST INCOME			
Service charges on deposit accounts	19	22	27
Gain on sale of SBA loans	-	-	-
Gain on sale of securities	(6)	-	-
Other non-interest income	97	132	112
Total non-interest income	<u>110</u>	<u>154</u>	<u>139</u>
OPERATING EXPENSES			
Salaries and benefits	638	605	554
Premises and fixed assets	139	139	126
Other	415	379	341
Total operating expenses	<u>1,192</u>	<u>1,123</u>	<u>1,021</u>
Income before income taxes	213	268	240
Income taxes	82	12	-
NET INCOME	<u>\$ 131</u>	<u>\$ 256</u>	<u>\$ 240</u>
EARNINGS PER SHARE			
Basic earnings per share	\$ 0.11	\$ 0.21	\$ 0.20
Diluted earnings per share	\$ 0.10	\$ 0.20	\$ 0.19
Average common shares outstanding	<u>1,212,000</u>	<u>1,206,130</u>	<u>1,200,000</u>
Average common and equivalent shares outstanding	<u>1,316,906</u>	<u>1,307,931</u>	<u>1,292,937</u>
PERFORMANCE MEASURES			
Return on average assets	0.41%	0.82%	0.84%
Return on average equity	4.11%	8.21%	8.02%
Net interest margin	4.42%	4.18%	4.49%
Efficiency ratio	83.41%	80.73%	75.85%