

Cornerstone Community Bancorp Reports Financial Results For the First Quarter Ended March 31, 2017

Red Bluff, CA – April 21, 2017 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the first quarter ended March 31, 2017.

The Company reported net income of \$390,000 for the three months ended March 31, 2017 compared to net income of \$203,000 for the same period last year. Diluted earnings per share were \$0.29 for the three months ended March 31, 2017 compared to \$0.15 for the same period last year.

The return on average assets for the three months ended March 31, 2017 was 0.78% and the return on average equity was 9.68%.

President and CEO, Jeff Finck, stated, “The Company is off to a great start in 2017. Both loans and deposits showed solid growth. We look forward to opening a new downtown Redding branch office this summer to allow for the continued growth of the Company.”

Net Interest Income

Net interest income was \$1,783,000 for the quarter ended March 31, 2017 compared to \$1,538,000 for the same quarter last year.

Provision for credit losses

The Company recorded a \$150,000 provision for credit losses for the quarter ended March 31, 2017 compared to no provision for the same quarter last year. The provision was recorded due to continued growth in the loan portfolio.

Non-Interest Income

Non-interest income for the quarter ended March 31, 2017 was \$375,000 compared to \$115,000 for the quarter ended March 31, 2016.

Non-Interest Expense

Non-interest expense was \$1,344,000 for the quarter ended March 31, 2017 compared to \$1,309,000 for the same period last year.

Balance Sheet

The Company had total assets at March 31, 2017 of \$200.0 million compared to \$180.8 million at March 31, 2016.

Total loans outstanding at March 31, 2017 were \$159.8 million compared to \$139.7 million at March 31, 2016, representing an increase of \$20.1 million, or 14.4%.

Total deposits were \$166.0 million at March 31, 2017 compared to total deposits of \$145.3 million at March 31, 2016, representing an increase of \$20.7 million, or 14.2%.

Credit Quality

The allowance for loan losses was \$1,773,000, or 1.11% of loans, net of unearned income at March 31, 2017, compared to \$1,620,000, or 1.16% of loans, net of unearned income at March 31, 2016. Nonperforming assets at March 31, 2017 were \$8,000 compared to \$373,000 at March 31, 2016.

Capital

At March 31, 2017, shareholders' equity totaled \$16.2 million compared to \$14.9 million at March 31, 2016. Book value per share increased by 9.8% to \$13.08 per share at March 31, 2017 compared to \$11.91 per share at March 31, 2016.

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>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>
ASSETS					
Cash and due from banks	\$ 3,809	\$ 3,360	\$ 2,937	\$ 2,630	\$ 3,007
Federal funds sold	20	20	20	20	20
Interest-bearing deposits	16,773	17,225	25,372	10,370	18,009
Investment securities	13,052	13,338	14,003	14,453	14,645
Loans held for sale	-	3,974	-	-	-
Loans, net of unearned income	159,768	150,413	147,477	145,939	139,660
Allowance for loan losses	(1,773)	(1,623)	(1,621)	(1,620)	(1,620)
Loans, net	157,995	148,790	145,856	144,319	138,040
Premises and equipment, net	1,854	1,032	1,086	1,038	1,051
Other assets	6,460	6,643	6,269	5,659	6,029
Total assets	<u>\$ 199,963</u>	<u>\$ 194,382</u>	<u>\$ 195,543</u>	<u>\$ 178,489</u>	<u>\$ 180,801</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 27,439	\$ 23,042	\$ 27,460	\$ 24,856	\$ 23,678
Demand interest-bearing	23,392	22,490	22,212	21,222	20,843
Money market and savings	60,877	62,161	65,426	52,239	53,240
Time deposits of less than \$100,000	18,984	18,595	12,692	12,498	14,334
Time deposits of \$100,000 or more	35,317	34,804	34,771	34,662	33,219
Total deposits	166,009	161,092	162,561	145,477	145,314
Federal Home Loan Bank borrowings	12,000	12,000	12,000	12,000	15,000
Subordinated debentures	4,885	4,883	4,880	4,878	4,876
Interest payable and other liabilities	865	746	850	765	697
Total liabilities	<u>183,759</u>	<u>178,721</u>	<u>180,291</u>	<u>163,120</u>	<u>165,887</u>
SHAREHOLDERS' EQUITY					
Common stock	13,092	12,925	12,847	13,303	13,280
Retained Earnings	3,050	2,659	2,202	1,871	1,510
Accumulated other comprehensive income (loss)	62	77	203	195	124
Total shareholders' equity	16,204	15,661	15,252	15,369	14,914
Total liabilities and shareholders' equity	<u>\$ 199,963</u>	<u>\$ 194,382</u>	<u>\$ 195,543</u>	<u>\$ 178,489</u>	<u>\$ 180,801</u>
Total equity / total assets	8.10%	8.06%	7.80%	8.61%	8.25%
Book value per share	\$ 13.08	\$ 12.90	\$ 12.67	\$ 12.28	\$ 11.91

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

	Three months ended		
	03/31/17	12/31/16	03/31/16
INTEREST INCOME			
Loans	\$ 1,999	\$ 2,002	\$ 1,750
Federal funds sold	-	-	-
Investment securities	81	79	75
Other	65	91	42
Total interest income	<u>2,145</u>	<u>2,172</u>	<u>1,867</u>
INTEREST EXPENSE			
Deposits:			
Interest-bearing demand	11	11	10
Money market and savings	94	92	69
Time deposits	126	117	115
Other	131	133	135
Total interest expense	<u>362</u>	<u>353</u>	<u>329</u>
Net interest income	1,783	1,819	1,538
Provision for credit losses	150	-	-
Net interest income after provision for credit losses	<u>1,633</u>	<u>1,819</u>	<u>1,538</u>
NON-INTEREST INCOME			
Service charges on deposit accounts	44	45	36
Gain on sale of loans	243	127	-
Gain (loss) on sale of other real estate owned	-	-	-
Gain (loss) on sale of securities	-	-	-
Other non-interest income	88	85	79
Total non-interest income	<u>375</u>	<u>257</u>	<u>115</u>
OPERATING EXPENSES			
Salaries and benefits	737	730	702
Premises and fixed assets	144	137	141
Other	463	434	466
Total operating expenses	<u>1,344</u>	<u>1,301</u>	<u>1,309</u>
Income before income taxes	664	775	344
Income taxes	274	318	141
NET INCOME	<u>\$ 390</u>	<u>\$ 457</u>	<u>\$ 203</u>
EARNINGS PER SHARE			
Basic earnings per share	<u>\$ 0.32</u>	<u>\$ 0.38</u>	<u>\$ 0.16</u>
Diluted earnings per share	<u>\$ 0.29</u>	<u>\$ 0.35</u>	<u>\$ 0.15</u>
Average common shares outstanding	<u>1,233,978</u>	<u>1,206,756</u>	<u>1,252,000</u>
Average common and equivalent shares outstanding	<u>1,338,511</u>	<u>1,304,164</u>	<u>1,345,145</u>
PERFORMANCE MEASURES			
Return on average assets	0.78%	0.94%	0.46%
Return on average equity	9.68%	11.74%	5.44%
Net interest margin	3.78%	3.85%	3.65%
Efficiency ratio	62.28%	62.67%	79.19%