

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2017

Red Bluff, CA – October 25, 2017 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the third quarter ended September 30, 2017.

The Company reported net income of \$556,000 for the three months ended September 30, 2017 compared to net income of \$332,000 for the same period last year. Diluted earnings per share were \$0.41 for the three months ended September 30, 2017 compared to \$0.25 for the same period last year.

The return on average assets for the three months ended September 30, 2017 was 1.02% and the return on average equity was 12.80%.

For the nine months ended September 30, 2017, the Company reported net income of \$1,454,000 compared to net income of \$896,000 for the same period last year. Diluted earnings per share were \$1.07 for the nine months ended September 30, 2017 compared to \$0.67 for the same period last year.

The return on average assets for the nine months ended September 30, 2017 was 0.93% and the return on average equity was 11.60%.

President and CEO, Jeff Finck, stated, “We had another great quarter with continued improvement in all of our key profitability metrics – return on average assets, return on average equity, net interest margin and efficiency ratio. Also, our new downtown Redding office is off to a good start and we look forward to its continued growth.”

Net Interest Income

Net interest income increased by 25% to \$2,106,000 for the quarter ended September 30, 2017 compared to \$1,686,000 for the same quarter last year. For the nine months ended September 30, 2017, net interest income increased by 21% to \$5,874,000 compared to \$4,860,000 for the same period last year.

Provision for credit losses

The Company recorded a \$65,000 provision for credit losses for the quarter ended September 30, 2017 compared to no provision for the same period last year.

The Company recorded a \$215,000 provision for credit losses for the nine months ended September 30, 2017 compared to no provision for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2017 was \$389,000 compared to \$131,000 for the quarter ended September 30, 2016. For the nine months ended September 30, 2017, non-interest income was \$980,000 compared to \$503,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,485,000 for the quarter ended September 30, 2017 compared to \$1,254,000 for the same period last year. For the nine months ended September 30, 2017, non-interest expense was \$4,168,000 compared to \$3,844,000 for the same period last year.

Balance Sheet

The Company had total assets at September 30, 2017 of \$223.6 million compared to \$195.5 million at September 30, 2016.

Total loans outstanding at September 30, 2017 were \$173.5 million compared to \$147.5 million at September 30, 2016, representing an increase of \$26.0 million, or 17.6%.

Total deposits were \$191.3 million at September 30, 2017 compared to total deposits of \$162.6 million at September 30, 2016, representing an increase of \$28.7 million, or 17.7%.

Credit Quality

The allowance for loan losses was \$1,847,000, or 1.06% of loans, net of unearned income at September 30, 2017, compared to \$1,621,000, or 1.10% of loans, net of unearned income at September 30, 2016. Nonperforming assets at September 30, 2017 were \$3,000 compared to \$16,000 at September 30, 2016.

Capital

At September 30, 2017, shareholders' equity totaled \$17.5 million compared to \$15.3 million at September 30, 2016. Book value per share increased by 9.7% to \$13.90 per share at September 30, 2017 compared to \$12.67 per share at September 30, 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 two banking offices 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>09/30/17</u>	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>
ASSETS					
Cash and due from banks	\$ 4,465	\$ 3,516	\$ 3,809	\$ 3,360	\$ 2,937
Federal funds sold	20	20	20	20	20
Interest-bearing deposits	24,930	13,739	16,773	17,225	25,372
Investment securities	12,486	12,793	13,052	13,338	14,003
Loans held for sale	-	2,603	-	3,974	-
Loans, net of unearned income	173,452	169,070	159,768	150,413	147,477
Allowance for loan losses	(1,847)	(1,778)	(1,773)	(1,623)	(1,621)
Loans, net	171,605	167,292	157,995	148,790	145,856
Premises and equipment, net	3,102	2,006	1,854	1,032	1,086
Other assets	7,001	8,605	6,460	6,643	6,269
Total assets	<u>\$ 223,609</u>	<u>\$ 210,574</u>	<u>\$ 199,963</u>	<u>\$ 194,382</u>	<u>\$ 195,543</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 37,977	\$ 33,101	\$ 27,439	\$ 23,042	\$ 27,460
Demand interest-bearing	25,434	24,610	23,392	22,490	22,212
Money market and savings	65,909	59,759	60,877	62,161	65,426
Time deposits of less than \$100,000	18,333	19,020	18,984	18,595	12,692
Time deposits of \$100,000 or more	43,658	42,565	35,317	34,804	34,771
Total deposits	191,311	179,055	166,009	161,092	162,561
Federal Home Loan Bank borrowings	9,000	9,000	12,000	12,000	12,000
Subordinated debentures	4,890	4,887	4,885	4,883	4,880
Interest payable and other liabilities	955	868	865	746	850
Total liabilities	<u>206,156</u>	<u>193,810</u>	<u>183,759</u>	<u>178,721</u>	<u>180,291</u>
SHAREHOLDERS' EQUITY					
Common stock	13,258	13,115	13,092	12,925	12,847
Retained Earnings	4,113	3,557	3,050	2,659	2,202
Accumulated other comprehensive income (loss)	82	92	62	77	203
Total shareholders' equity	17,453	16,764	16,204	15,661	15,252
Total liabilities and shareholders' equity	<u>\$ 223,609</u>	<u>\$ 210,574</u>	<u>\$ 199,963</u>	<u>\$ 194,382</u>	<u>\$ 195,543</u>
Total equity / total assets	7.81%	7.96%	8.10%	8.06%	7.80%
Book value per share	\$ 13.90	\$ 13.53	\$ 13.08	\$ 12.90	\$ 12.67

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

	Three months ended			Nine months ended	
	09/30/17	06/30/17	09/30/16	09/30/17	09/30/16
INTEREST INCOME					
Loans	\$ 2,365	\$ 2,209	\$ 1,897	\$ 6,573	\$ 5,491
Federal funds sold	-	-	-	-	-
Investment securities	76	78	81	235	245
Other	78	76	45	219	117
Total interest income	2,519	2,363	2,023	7,027	5,853
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	13	10	10	34	28
Money market and savings	106	95	83	295	224
Time deposits	166	146	110	438	339
Other	128	127	134	386	402
Total interest expense	413	378	337	1,153	993
Net interest income	2,106	1,985	1,686	5,874	4,860
Provision for credit losses	65	-	-	215	-
Net interest income after provision for credit losses	2,041	1,985	1,686	5,659	4,860
NON-INTEREST INCOME					
Service charges on deposit accounts	44	46	44	134	120
Gain on sale of loans	239	78	-	560	208
Gain (loss) on sale of other real estate owned	-	-	-	-	(77)
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	106	92	87	286	252
Total non-interest income	389	216	131	980	503
OPERATING EXPENSES					
Salaries and benefits	790	732	666	2,259	2,036
Premises and fixed assets	141	134	140	419	437
Other	554	473	448	1,490	1,371
Total operating expenses	1,485	1,339	1,254	4,168	3,844
Income before income taxes	945	862	563	2,471	1,519
Income taxes	389	354	231	1,017	623
NET INCOME	\$ 556	\$ 508	\$ 332	\$ 1,454	\$ 896
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.45	\$ 0.41	\$ 0.27	\$ 1.17	\$ 0.72
Diluted earnings per share	\$ 0.41	\$ 0.37	\$ 0.25	\$ 1.07	\$ 0.67
Average common shares outstanding	1,243,006	1,239,256	1,234,156	1,238,780	1,246,009
Average common and equivalent shares outstanding	1,367,810	1,358,631	1,330,424	1,356,082	1,339,521
PERFORMANCE MEASURES					
Return on average assets	1.02%	0.99%	0.70%	0.93%	0.66%
Return on average equity	12.80%	12.23%	8.58%	11.60%	7.86%
Net interest margin	4.03%	4.04%	3.70%	3.95%	3.74%
Efficiency ratio	59.52%	60.84%	69.01%	60.81%	71.68%