

Cornerstone Community Bancorp Reports Financial Results For the Fourth Quarter and Full Year Ended December 31, 2017

Red Bluff, CA – January 30, 2018 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the fourth quarter and full year ended December 31, 2017.

The Company reported net income of \$184,000 for the three months ended December 31, 2017 compared to net income of \$457,000 for the same period last year. Diluted earnings per share were \$0.13 for the three months ended December 31, 2017 compared to \$0.35 for the same period last year. Fourth quarter results were impacted by a \$400,000 net charge to the provision for income taxes related to a revaluation of the net deferred tax asset associated with the passage of the Tax Cuts and Jobs Act.

The return on average assets for the three months ended December 31, 2017 was 0.32% and the return on average equity was 4.11%.

For the year ended December 31, 2017, the Company reported net income of \$1,638,000 compared to net income of \$1,353,000 for the same period last year. Diluted earnings per share were \$1.20 for the year ended December 31, 2017 compared to \$1.02 for the same period last year.

The return on average assets for the year ended December 31, 2017 was 0.77% and the return on average equity was 9.63%.

President and CEO, Jeff Finck, stated, “We are very pleased with the solid growth in loans, deposits and earnings in 2017. Also, the construction of our new building in Red Bluff is proceeding nicely and we look forward to its anticipated completion in 2018.”

Net Interest Income

Net interest income increased by 22% to \$2,226,000 for the quarter ended December 31, 2017 compared to \$1,819,000 for the same quarter last year. For the year ended December 31, 2017, net interest income increased by 21% to \$8,100,000 compared to \$6,679,000 for the same period last year.

Provision for credit losses

No provision for credit losses was recorded for the quarters ended December 31, 2017 and 2016.

The Company recorded a \$215,000 provision for credit losses for the year ended December 31, 2017 compared to no provision for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended December 31, 2017 was \$243,000 compared to \$257,000 for the quarter ended December 31, 2016. For the year ended December 31, 2017, non-interest income was \$1,223,000 compared to \$760,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,477,000 for the quarter ended December 31, 2017 compared to \$1,301,000 for the same period last year. For the year ended December 31, 2017, non-interest expense was \$5,645,000 compared to \$5,145,000 for the same period last year.

Balance Sheet

The Company had total assets at December 31, 2017 of \$229.0 million compared to \$194.4 million at December 31, 2016.

Total loans, net of unearned income at December 31, 2017 were \$184.8 million compared to \$150.4 million at December 31, 2016, representing an increase of \$34.4 million, or 22.9%.

Total deposits were \$196.6 million at December 31, 2017 compared to total deposits of \$161.1 million at December 31, 2016, representing an increase of \$35.5 million, or 22.1%.

Credit Quality

The allowance for loan losses was \$1,847,000, or 1.00% of loans, net of unearned income at December 31, 2017, compared to \$1,623,000, or 1.08% of loans, net of unearned income at December 31, 2016. There were no nonperforming assets at December 31, 2017 compared to \$11,000 at December 31, 2016.

Capital

At December 31, 2017, shareholders' equity totaled \$17.7 million compared to \$15.7 million at December 31, 2016. Book value per share increased by 8.4% to \$13.99 per share at December 31, 2017 compared to \$12.90 per share at December 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 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>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>
ASSETS					
Cash and due from banks	\$ 4,630	\$ 4,465	\$ 3,516	\$ 3,809	\$ 3,360
Federal funds sold	20	20	20	20	20
Interest-bearing deposits	17,077	24,930	13,739	16,773	17,225
Investment securities	12,274	12,486	12,793	13,052	13,338
Loans held for sale	-	-	2,603	-	3,974
Loans, net of unearned income	184,814	173,452	169,070	159,768	150,413
Allowance for loan losses	(1,847)	(1,847)	(1,778)	(1,773)	(1,623)
Loans, net	182,967	171,605	167,292	157,995	148,790
Premises and equipment, net	5,121	3,102	2,006	1,854	1,032
Other assets	6,950	7,001	8,605	6,460	6,643
Total assets	<u>\$ 229,039</u>	<u>\$ 223,609</u>	<u>\$ 210,574</u>	<u>\$ 199,963</u>	<u>\$ 194,382</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 38,348	\$ 37,977	\$ 33,101	\$ 27,439	\$ 23,042
Demand interest-bearing	26,311	25,434	24,610	23,392	22,490
Money market and savings	68,715	65,909	59,759	60,877	62,161
Time deposits of less than \$100,000	18,510	18,333	19,020	18,984	18,595
Time deposits of \$100,000 or more	44,731	43,658	42,565	35,317	34,804
Total deposits	196,615	191,311	179,055	166,009	161,092
Federal Home Loan Bank borrowings	9,000	9,000	9,000	12,000	12,000
Subordinated debentures	4,892	4,890	4,887	4,885	4,883
Interest payable and other liabilities	821	955	868	865	746
Total liabilities	<u>211,328</u>	<u>206,156</u>	<u>193,810</u>	<u>183,759</u>	<u>178,721</u>
SHAREHOLDERS' EQUITY					
Common stock	13,333	13,258	13,115	13,092	12,925
Retained Earnings	4,282	4,113	3,557	3,050	2,659
Accumulated other comprehensive income (loss)	96	82	92	62	77
Total shareholders' equity	17,711	17,453	16,764	16,204	15,661
Total liabilities and shareholders' equity	<u>\$ 229,039</u>	<u>\$ 223,609</u>	<u>\$ 210,574</u>	<u>\$ 199,963</u>	<u>\$ 194,382</u>
Total equity / total assets	7.73%	7.81%	7.96%	8.10%	8.06%
Book value per share	\$ 13.99	\$ 13.90	\$ 13.53	\$ 13.08	\$ 12.90

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

	Three months ended			Year ended	
	12/31/17	09/30/17	12/31/16	12/31/17	12/31/16
INTEREST INCOME					
Loans	\$ 2,495	\$ 2,365	\$ 2,002	\$ 9,068	\$ 7,493
Federal funds sold	-	-	-	-	-
Investment securities	78	76	79	313	324
Other	98	78	91	317	208
Total interest income	2,671	2,519	2,172	9,698	8,025
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	13	13	11	47	39
Money market and savings	120	106	92	415	316
Time deposits	185	166	117	623	456
Other	127	128	133	513	535
Total interest expense	445	413	353	1,598	1,346
Net interest income	2,226	2,106	1,819	8,100	6,679
Provision for credit losses	-	65	-	215	-
Net interest income after provision for credit losses	2,226	2,041	1,819	7,885	6,679
NON-INTEREST INCOME					
Service charges on deposit accounts	47	44	45	181	165
Gain on sale of loans	102	239	127	662	335
Gain (loss) on sale of other real estate owned	-	-	-	-	(77)
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	94	106	85	380	337
Total non-interest income	243	389	257	1,223	760
OPERATING EXPENSES					
Salaries and benefits	799	790	730	3,058	2,766
Premises and fixed assets	143	141	137	562	574
Other	535	554	434	2,025	1,805
Total operating expenses	1,477	1,485	1,301	5,645	5,145
Income before income taxes	992	945	775	3,463	2,294
Income taxes	808	389	318	1,825	941
NET INCOME	\$ 184	\$ 556	\$ 457	\$ 1,638	\$ 1,353
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.15	\$ 0.45	\$ 0.38	\$ 1.32	\$ 1.09
Diluted earnings per share	\$ 0.13	\$ 0.41	\$ 0.35	\$ 1.20	\$ 1.02
Average common shares outstanding	1,261,647	1,243,006	1,206,756	1,244,544	1,236,141
Average common and equivalent shares outstanding	1,382,565	1,367,810	1,304,164	1,363,429	1,330,522
PERFORMANCE MEASURES					
Return on average assets	0.32%	1.02%	0.94%	0.77%	0.73%
Return on average equity	4.11%	12.80%	11.74%	9.63%	8.85%
Net interest margin	4.09%	4.03%	3.85%	3.99%	3.78%
Efficiency ratio	59.82%	59.52%	62.67%	60.55%	69.16%