

Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2018

Red Bluff, CA – July 18, 2018 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the second quarter ended June 30, 2018.

The Company reported net income of \$664,000 for the three months ended June 30, 2018 compared to net income of \$508,000 for the same period last year. Diluted earnings per share were \$0.44 for the three months ended June 30, 2018 compared to \$0.37 for the same period last year.

The return on average assets for the three months ended June 30, 2018 was 1.11% and the return on average equity was 13.13%.

For the six months ended June 30, 2018, the Company reported net income of \$1,226,000 compared to net income of \$898,000 for the same period last year. Diluted earnings per share were \$0.83 for the six months ended June 30, 2018 compared to \$0.67 for the same period last year.

The return on average assets for the six months ended June 30, 2018 was 1.04% and the return on average equity was 12.71%.

President and CEO, Jeff Finck, stated, “We had another excellent quarter. Our recent capital raise positions us well for continued growth. In the second half of the year, we expect our existing Red Bluff office will move into our newly constructed Red Bluff building along the riverfront.”

Net Interest Income

Net interest income increased to \$2,371,000 for the quarter ended June 30, 2018 compared to \$1,985,000 for the same quarter last year. For the six months ended June 30, 2018, net interest income increased to \$4,599,000 compared to \$3,768,000 for the same period last year.

Provision for credit losses

The Company recorded a \$40,000 provision for credit losses for the quarter ended June 30, 2018 compared to no provision for the same period last year. For the six months ended June 30, 2018, the Company recorded a \$104,000 provision for credit losses compared to \$150,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended June 30, 2018 was \$158,000 compared to \$216,000 for the quarter ended June 30, 2017. For the six months ended June 30, 2018, non-interest income was \$319,000 compared to \$591,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,546,000 for the quarter ended June 30, 2018 compared to \$1,339,000 for the same period last year. For the six months ended June 30, 2018, non-interest expense was \$3,124,000 compared to \$2,683,000 for the same period last year.

Balance Sheet

The Company had total assets at June 30, 2018 of \$244.8 million compared to \$210.6 million at June 30, 2017.

Total loans, net of unearned income at June 30, 2018 were \$194.0 million compared to \$169.1 million at June 30, 2017, representing an increase of \$24.9 million, or 14.7%.

Total deposits were \$211.8 million at June 30, 2018 compared to total deposits of \$179.1 million at June 30, 2017, representing an increase of \$32.7 million, or 18.3%.

Credit Quality

The allowance for loan losses was \$1,947,000, or 1.00% of loans, net of unearned income at June 30, 2018, compared to \$1,778,000, or 1.05% of loans, net of unearned income at June 30, 2017. There were no nonperforming assets at June 30, 2018 compared to \$4,000 at June 30, 2017.

Capital

At June 30, 2018, shareholders' equity totaled \$21.0 million compared to \$16.8 million at June 30, 2017. Book value per share increased by 10.6% to \$14.97 per share at June 30, 2018 compared to \$13.53 per share at June 30, 2017. During the second quarter of 2018, the Company completed a private placement of \$2.1 million of its common stock. In the offering, the Company issued 119,285 shares of its common stock at a purchase price of \$17.5 per share. The proceeds from the offering will be used to support the Company's continued organic growth.

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>06/30/18</u>	<u>03/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>
ASSETS					
Cash and due from banks	\$ 4,139	\$ 3,364	\$ 4,630	\$ 4,465	\$ 3,516
Federal funds sold	20	20	20	20	20
Interest-bearing deposits	24,066	24,932	17,077	24,930	13,739
Investment securities	10,651	10,942	12,274	12,486	12,793
Loans held for sale	-	1,849	-	-	2,603
Loans, net of unearned income	193,989	188,883	184,814	173,452	169,070
Allowance for loan losses	(1,947)	(1,907)	(1,847)	(1,847)	(1,778)
Loans, net	192,042	186,976	182,967	171,605	167,292
Premises and equipment, net	6,958	5,846	5,121	3,102	2,006
Other assets	6,877	6,753	6,950	7,001	8,605
Total assets	<u>\$ 244,753</u>	<u>\$ 240,682</u>	<u>\$ 229,039</u>	<u>\$ 223,609</u>	<u>\$ 210,574</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 44,751	\$ 42,223	\$ 38,348	\$ 37,977	\$ 33,101
Demand interest-bearing	29,565	27,514	26,311	25,434	24,610
Money market and savings	72,319	73,936	68,715	65,909	59,759
Time deposits of less than \$100,000	19,482	17,959	18,510	18,333	19,020
Time deposits of \$100,000 or more	45,671	45,933	44,731	43,658	42,565
Total deposits	211,788	207,565	196,615	191,311	179,055
Federal Home Loan Bank borrowings	6,000	9,000	9,000	9,000	9,000
Subordinated debentures	4,897	4,895	4,892	4,890	4,887
Interest payable and other liabilities	1,021	933	821	955	868
Total liabilities	<u>223,706</u>	<u>222,393</u>	<u>211,328</u>	<u>206,156</u>	<u>193,810</u>
SHAREHOLDERS' EQUITY					
Common stock	15,551	13,429	13,333	13,258	13,115
Retained Earnings	5,507	4,843	4,282	4,113	3,557
Accumulated other comprehensive income (loss)	(11)	17	96	82	92
Total shareholders' equity	21,047	18,289	17,711	17,453	16,764
Total liabilities and shareholders' equity	<u>\$ 244,753</u>	<u>\$ 240,682</u>	<u>\$ 229,039</u>	<u>\$ 223,609</u>	<u>\$ 210,574</u>
Total equity / total assets	8.60%	7.60%	7.73%	7.81%	7.96%
Book value per share	\$ 14.97	\$ 14.22	\$ 13.99	\$ 13.90	\$ 13.53

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

	Three months ended			Six months ended	
	06/30/18	03/31/18	06/30/17	06/30/18	06/30/17
INTEREST INCOME					
Loans	\$ 2,673	\$ 2,531	\$ 2,209	\$ 5,204	\$ 4,208
Federal funds sold	-	-	-	-	-
Investment securities	78	78	78	156	159
Other	124	88	76	212	141
Total interest income	2,875	2,697	2,363	5,572	4,508
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	13	14	10	27	21
Money market and savings	145	127	95	272	189
Time deposits	227	203	146	430	272
Other	119	125	127	244	258
Total interest expense	504	469	378	973	740
Net interest income	2,371	2,228	1,985	4,599	3,768
Provision for credit losses	40	64	-	104	150
Net interest income after provision for credit losses	2,331	2,164	1,985	4,495	3,618
NON-INTEREST INCOME					
Service charges on deposit accounts	58	49	46	107	90
Gain on sale of loans	-	17	78	17	321
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	100	95	92	195	180
Total non-interest income	158	161	216	319	591
OPERATING EXPENSES					
Salaries and benefits	814	876	732	1,690	1,469
Premises and fixed assets	148	150	134	298	278
Other	584	552	473	1,136	936
Total operating expenses	1,546	1,578	1,339	3,124	2,683
Income before income taxes	943	747	862	1,690	1,526
Income taxes	279	185	354	464	628
NET INCOME	\$ 664	\$ 562	\$ 508	\$ 1,226	\$ 898
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.48	\$ 0.44	\$ 0.41	\$ 0.93	\$ 0.73
Diluted earnings per share	\$ 0.44	\$ 0.39	\$ 0.37	\$ 0.83	\$ 0.67
Average common shares outstanding	1,371,656	1,276,923	1,239,256	1,324,551	1,236,632
Average common and equivalent shares outstanding	1,515,943	1,424,197	1,358,631	1,470,417	1,349,363
PERFORMANCE MEASURES					
Return on average assets	1.11%	0.96%	0.99%	1.04%	0.89%
Return on average equity	13.13%	12.26%	12.23%	12.71%	10.97%
Net interest margin	4.23%	4.10%	4.04%	4.17%	3.91%
Efficiency ratio	61.13%	66.05%	60.84%	63.52%	61.55%