

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2016

Red Bluff, CA – October 25, 2016 – Cornerstone Community Bancorp, (OTC Pink: **CRSB**), announced today its financial results for the third quarter ended September 30, 2016.

The Company reported net income of \$332,000 for the three months ended September 30, 2016 compared to net income of \$360,000 for the same period last year. Diluted earnings per share were \$0.25 for the three months ended September 30, 2016 compared to \$0.27 for the same period last year.

Net income for the nine months ended September 30, 2016 was \$896,000, or \$0.67 per diluted share compared to net income of \$774,000, or \$0.58 per diluted share, for the nine months ended September 30, 2015.

The return on average assets for the three months ended September 30, 2016 was 0.70% and the return on average equity was 8.58%. For the nine months ended September 30, 2016, the return on average assets was 0.66% and the return on average equity was 7.86%.

President and CEO, Jeff Finck, stated, “As we celebrate our first ten years in business, the Company continues to grow at a solid pace. We look forward to the continued support of our customers, employees and shareholders as we begin the next ten years.”

Net Interest Income

Net interest income was \$1,686,000 for the quarter ended September 30, 2016 compared to \$1,528,000 for the same quarter last year. For the nine months ended September 30, 2016, net interest income was \$4,860,000 compared to \$4,543,000 for the nine months ended September 30, 2015 representing an increase of \$317,000, or 7%.

Provision for credit losses

There was no provision for credit losses for the quarter ended September 30, 2016 and September 30, 2015. There was also no provision for credit losses for the nine months ended September 30, 2016 and September 30, 2015.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2016 was \$131,000 compared to \$525,000 for the quarter ended September 30, 2015. The decline in non-interest income was primarily due to the gain on sale of loans in 2015. There were no such gains recorded for the quarter ended September 30, 2016.

For the nine months ended September 30, 2016, non-interest income was \$503,000 compared to \$891,000 for the nine months ended September 30, 2015. The decline in non-interest income was primarily due to the decline in the gain on sale of loans, the loss on the sale of other real estate owned and a reduction in mortgage income.

Non-Interest Expense

Non-interest expense was \$1,254,000 for the quarter ended September 30, 2016 compared to \$1,442,000 for the same period last year. For the nine months ended September 30, 2016, non-interest expense was \$3,844,000 compared to \$4,119,000 for the same period last year.

Balance Sheet

The Company had total assets at September 30, 2016 of \$195.5 million, compared to \$172.3 million at September 30, 2015.

Total loans outstanding at September 30, 2016, were \$147.5 million compared to \$137.7 million at September 30, 2015, representing an increase of \$9.8 million, or 7%.

Total deposits were \$162.6 million at September 30, 2016 compared to total deposits of \$137.2 million at September 30, 2015, representing an increase of \$25.4 million, or 19%.

Credit Quality

The allowance for loan losses was \$1,621,000, or 1.10% of loans, net of unearned income at September 30, 2016, compared to \$1,613,000, or 1.17% of loans, net of unearned income at September 30, 2015. Nonperforming assets at September 30, 2016 were \$16,000 compared to \$485,000 at September 30, 2015.

Capital

At September 30, 2016, shareholders' equity totaled \$15.3 million compared to \$14.5 million at September 30, 2015. Book value per share increased by 9% to \$12.67 per share at September 30, 2016 compared to \$11.61 per share at September 30, 2015.

During the quarter, the Company, pursuant to its existing stock repurchase plan, repurchased 47,744 shares of its common stock at an average price of \$10.04 per share, for a total of \$479,185.

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>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>	<u>09/30/15</u>
ASSETS					
Cash and due from banks	\$ 2,937	\$ 2,630	\$ 3,007	\$ 3,206	\$ 1,575
Federal funds sold	20	20	20	-	-
Interest-bearing deposits	25,372	10,370	18,009	15,877	15,647
Investment securities	14,003	14,453	14,645	9,640	9,906
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	147,477	145,939	139,660	137,057	137,725
Allowance for loan losses	(1,621)	(1,620)	(1,620)	(1,619)	(1,613)
Loans, net	145,856	144,319	138,040	135,438	136,112
Premises and equipment, net	1,086	1,038	1,051	1,013	995
Other assets	6,269	5,659	6,029	6,208	8,092
Total assets	<u>\$ 195,543</u>	<u>\$ 178,489</u>	<u>\$ 180,801</u>	<u>\$ 171,382</u>	<u>\$ 172,327</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 27,460	\$ 24,856	\$ 23,678	\$ 22,269	\$ 23,797
Demand interest-bearing	22,212	21,222	20,843	20,605	20,143
Money market and savings	65,426	52,239	53,240	45,256	43,381
Time deposits of less than \$100,000	12,692	12,498	14,334	15,092	15,125
Time deposits of \$100,000 or more	34,771	34,662	33,219	32,889	34,735
Total deposits	162,561	145,477	145,314	136,111	137,181
Federal Home Loan Bank borrowings	12,000	12,000	15,000	15,000	15,000
Subordinated debentures	4,880	4,878	4,876	4,874	4,874
Interest payable and other liabilities	850	765	697	734	736
Total liabilities	<u>180,291</u>	<u>163,120</u>	<u>165,887</u>	<u>156,719</u>	<u>157,791</u>
SHAREHOLDERS' EQUITY					
Common stock	12,847	13,303	13,280	13,257	13,234
Retained Earnings	2,202	1,871	1,510	1,307	1,162
Accumulated other comprehensive income (loss)	203	195	124	99	140
Total shareholders' equity	15,252	15,369	14,914	14,663	14,536
Total liabilities and shareholders' equity	<u>\$ 195,543</u>	<u>\$ 178,489</u>	<u>\$ 180,801</u>	<u>\$ 171,382</u>	<u>\$ 172,327</u>
Total equity / total assets	7.80%	8.61%	8.25%	8.56%	8.44%
Book value per share	\$ 12.67	\$ 12.28	\$ 11.91	\$ 11.71	\$ 11.61

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

	<u>Three months ended</u>			<u>Nine months ended</u>	
	<u>09/30/16</u>	<u>06/30/16</u>	<u>09/30/15</u>	<u>09/30/16</u>	<u>09/30/15</u>
INTEREST INCOME					
Loans	\$ 1,897	\$ 1,844	\$ 1,754	\$ 5,491	\$ 5,012
Federal funds sold	-	-	-	-	-
Investment securities	81	89	73	245	226
Other	45	30	35	117	107
Total interest income	<u>2,023</u>	<u>1,963</u>	<u>1,862</u>	<u>5,853</u>	<u>5,345</u>
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	10	8	8	28	18
Money market and savings	83	72	55	224	134
Time deposits	110	114	115	339	303
Other	134	133	156	402	347
Total interest expense	<u>337</u>	<u>327</u>	<u>334</u>	<u>993</u>	<u>802</u>
Net interest income	1,686	1,636	1,528	4,860	4,543
Provision for credit losses	-	-	-	-	-
Net interest income after provision for credit losses	<u>1,686</u>	<u>1,636</u>	<u>1,528</u>	<u>4,860</u>	<u>4,543</u>
NON-INTEREST INCOME					
Service charges on deposit accounts	44	40	38	120	104
Gain on sale of SBA loans	-	208	321	208	321
Gain (loss) on sale of other real estate owned	-	(77)	-	(77)	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	87	86	166	252	466
Total non-interest income	<u>131</u>	<u>257</u>	<u>525</u>	<u>503</u>	<u>891</u>
OPERATING EXPENSES					
Salaries and benefits	666	668	753	2,036	2,200
Premises and fixed assets	140	156	143	437	422
Other	448	457	546	1,371	1,497
Total operating expenses	<u>1,254</u>	<u>1,281</u>	<u>1,442</u>	<u>3,844</u>	<u>4,119</u>
Income before income taxes	563	612	611	1,519	1,315
Income taxes	231	251	251	623	541
NET INCOME	<u>\$ 332</u>	<u>\$ 361</u>	<u>\$ 360</u>	<u>\$ 896</u>	<u>\$ 774</u>
EARNINGS PER SHARE					
Basic earnings per share	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.29</u>	<u>\$ 0.72</u>	<u>\$ 0.62</u>
Diluted earnings per share	<u>\$ 0.25</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.67</u>	<u>\$ 0.58</u>
Average common shares outstanding	<u>1,234,156</u>	<u>1,252,000</u>	<u>1,252,000</u>	<u>1,246,009</u>	<u>1,252,000</u>
Average common and equivalent shares outstanding	<u>1,330,424</u>	<u>1,342,715</u>	<u>1,340,377</u>	<u>1,339,521</u>	<u>1,341,314</u>
PERFORMANCE MEASURES					
Return on average assets	0.70%	0.82%	0.83%	0.66%	0.61%
Return on average equity	8.58%	9.50%	9.96%	7.86%	7.28%
Net interest margin	3.70%	3.88%	3.65%	3.74%	3.78%
Efficiency ratio	69.01%	67.67%	70.24%	71.68%	75.80%