

Cornerstone Community Bancorp Reports Financial Results For the Fourth Quarter and Full Year Ended December 31, 2018

Red Bluff, CA – January 22, 2019 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the fourth quarter and full year ended December 31, 2018.

The Company reported net income of \$884,000 for the three months ended December 31, 2018 compared to net income of \$184,000 for the same period last year. Diluted earnings per share were \$0.57 for the three months ended December 31, 2018 compared to \$0.13 for the same period last year.

The return on average assets for the three months ended December 31, 2018 was 1.36% and the return on average equity was 15.99%.

For the year ended December 31, 2018, the Company reported net income of \$2,776,000 compared to net income of \$1,638,000 for the same period last year. Diluted earnings per share were \$1.84 for the year ended December 31, 2018 compared to \$1.20 for the same period last year.

The return on average assets for the year ended December 31, 2018 was 1.13% and the return on average equity was 13.51%.

President and CEO, Jeff Finck, stated, “We are pleased with our 2018 results. The Company, once again, continues to show solid growth in loans, deposits and earnings. During 2018, our newly constructed Red Bluff building along the riverfront opened for business. In 2019, we look forward to moving down the street from our East Cypress Avenue location to our new building on Hartnell Avenue.”

Net Interest Income

Net interest income increased to \$2,599,000 for the quarter ended December 31, 2018 compared to \$2,226,000 for the same quarter last year. For the year ended December 31, 2018, net interest income increased to \$9,660,000 compared to \$8,100,000 for the same period last year.

Provision for credit losses

The Company recorded a \$130,000 provision for credit losses for the quarter ended December 31, 2018. There was no provision for credit losses recorded during the same period last year. For the year ended December 31, 2018, the Company recorded a \$309,000 provision for credit losses compared to \$215,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended December 31, 2018 was \$161,000 compared to \$243,000 for the quarter ended December 31, 2017. For the year ended December 31, 2018, non-interest income was \$695,000 compared to \$1,223,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,677,000 for the quarter ended December 31, 2018 compared to \$1,477,000 for the same period last year. For the year ended December 31, 2018, non-interest expense was \$6,459,000 compared to \$5,645,000 for the same period last year.

Income Taxes

Income tax expense was \$69,000 for the quarter ended December 31, 2018 compared to \$808,000 for the same period last year. For the year ended December 31, 2018, income tax expense was \$811,000 compared to \$1,825,000 for the same period last year. Fourth quarter 2017 income tax expense was impacted by a \$400,000 net charge related to a revaluation of the net deferred tax asset associated with the passage of the Tax Cuts and Jobs Act. Fourth quarter and full year 2018 income tax expense was impacted by the reduction in the U.S. federal income tax rate from 34% to 21% and tax benefits from the exercise of stock options.

Balance Sheet

The Company had total assets at December 31, 2018 of \$266.4 million compared to \$229.0 million at December 31, 2017.

Total loans, net of unearned income at December 31, 2018 were \$209.3 million compared to \$184.8 million at December 31, 2017.

Total deposits were \$232.3 million at December 31, 2018 compared to total deposits of \$196.6 million at December 31, 2017.

Credit Quality

The allowance for loan losses was \$2,152,000, or 1.03% of loans, net of unearned income at December 31, 2018, compared to \$1,847,000, or 1.00% of loans, net of unearned income at December 31, 2017. There were no nonperforming assets at December 31, 2018 and December 31, 2017.

Capital

At December 31, 2018, shareholders' equity totaled \$22.1 million compared to \$17.7 million at December 31, 2017. Book value per share increased by 11.2% to \$15.56 per share at December 31, 2018 compared to \$13.99 per share at December 31, 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.

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>12/31/18</u>	<u>09/30/18</u>	<u>06/30/18</u>	<u>03/31/18</u>	<u>12/31/17</u>
ASSETS					
Cash and due from banks	\$ 7,002	\$ 5,275	\$ 4,139	\$ 3,364	\$ 4,630
Federal funds sold	20	20	20	20	20
Interest-bearing deposits	24,730	23,686	24,066	24,932	17,077
Investment securities	9,284	9,548	10,651	10,942	12,274
Loans held for sale	-	-	-	1,849	-
Loans, net of unearned income	209,330	202,300	193,989	188,883	184,814
Allowance for loan losses	(2,152)	(2,022)	(1,947)	(1,907)	(1,847)
Loans, net	207,178	200,278	192,042	186,976	182,967
Premises and equipment, net	8,740	7,777	6,958	5,846	5,121
Other assets	9,407	6,930	6,877	6,753	6,950
Total assets	<u>\$ 266,361</u>	<u>\$ 253,514</u>	<u>\$ 244,753</u>	<u>\$ 240,682</u>	<u>\$ 229,039</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 50,862	\$ 49,063	\$ 44,751	\$ 42,223	\$ 38,348
Demand interest-bearing	37,875	34,312	29,565	27,514	26,311
Money market and savings	75,015	71,729	72,319	73,936	68,715
Time deposits of less than \$100,000	15,778	16,456	19,482	17,959	18,510
Time deposits of \$100,000 or more	52,763	48,155	45,671	45,933	44,731
Total deposits	232,293	219,715	211,788	207,565	196,615
Federal Home Loan Bank borrowings	6,000	6,000	6,000	9,000	9,000
Subordinated debentures	4,903	4,900	4,897	4,895	4,892
Interest payable and other liabilities	1,100	1,161	1,021	933	821
Total liabilities	<u>244,296</u>	<u>231,776</u>	<u>223,706</u>	<u>222,393</u>	<u>211,328</u>
SHAREHOLDERS' EQUITY					
Common stock	15,001	15,584	15,551	13,429	13,333
Retained Earnings	7,058	6,173	5,507	4,843	4,282
Accumulated other comprehensive income (loss)	6	(19)	(11)	17	96
Total shareholders' equity	22,065	21,738	21,047	18,289	17,711
Total liabilities and shareholders' equity	<u>\$ 266,361</u>	<u>\$ 253,514</u>	<u>\$ 244,753</u>	<u>\$ 240,682</u>	<u>\$ 229,039</u>
Total equity / total assets	8.28%	8.57%	8.60%	7.60%	7.73%
Book value per share	\$ 15.56	\$ 15.47	\$ 14.97	\$ 14.22	\$ 13.99

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

	Three months ended			Year ended	
	12/31/18	09/30/18	12/31/17	12/31/18	12/31/17
INTEREST INCOME					
Loans	\$ 2,966	\$ 2,818	\$ 2,495	\$ 10,988	\$ 9,068
Federal funds sold	-	-	-	-	-
Investment securities	70	73	78	299	313
Other	198	155	98	565	317
Total interest income	<u>3,234</u>	<u>3,046</u>	<u>2,671</u>	<u>11,852</u>	<u>9,698</u>
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	22	21	13	70	47
Money market and savings	177	165	120	614	415
Time deposits	317	279	185	1,026	623
Other	119	119	127	482	513
Total interest expense	<u>635</u>	<u>584</u>	<u>445</u>	<u>2,192</u>	<u>1,598</u>
Net interest income	2,599	2,462	2,226	9,660	8,100
Provision for credit losses	130	75	-	309	215
Net interest income after provision for credit losses	<u>2,469</u>	<u>2,387</u>	<u>2,226</u>	<u>9,351</u>	<u>7,885</u>
NON-INTEREST INCOME					
Service charges on deposit accounts	59	57	47	223	181
Gain on sale of loans	-	57	102	74	662
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	102	101	94	398	380
Total non-interest income	<u>161</u>	<u>215</u>	<u>243</u>	<u>695</u>	<u>1,223</u>
OPERATING EXPENSES					
Salaries and benefits	887	865	799	3,442	3,058
Premises and fixed assets	173	156	143	627	562
Other	617	637	535	2,390	2,025
Total operating expenses	<u>1,677</u>	<u>1,658</u>	<u>1,477</u>	<u>6,459</u>	<u>5,645</u>
Income before income taxes	953	944	992	3,587	3,463
Income taxes	69	278	808	811	1,825
NET INCOME	<u>\$ 884</u>	<u>\$ 666</u>	<u>\$ 184</u>	<u>\$ 2,776</u>	<u>\$ 1,638</u>
EARNINGS PER SHARE					
Basic earnings per share	<u>\$ 0.63</u>	<u>\$ 0.47</u>	<u>\$ 0.15</u>	<u>\$ 2.03</u>	<u>\$ 1.32</u>
Diluted earnings per share	<u>\$ 0.57</u>	<u>\$ 0.43</u>	<u>\$ 0.13</u>	<u>\$ 1.84</u>	<u>\$ 1.20</u>
Average common shares outstanding	<u>1,407,785</u>	<u>1,405,541</u>	<u>1,261,647</u>	<u>1,365,944</u>	<u>1,244,544</u>
Average common and equivalent shares outstanding	<u>1,541,133</u>	<u>1,551,475</u>	<u>1,382,565</u>	<u>1,508,684</u>	<u>1,363,429</u>
PERFORMANCE MEASURES					
Return on average assets	1.36%	1.06%	0.32%	1.13%	0.77%
Return on average equity	15.99%	12.37%	4.11%	13.51%	9.63%
Net interest margin	4.26%	4.14%	4.09%	4.18%	3.99%
Efficiency ratio	60.76%	61.94%	59.82%	62.38%	60.55%