

## **Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2019**

**Red Bluff, CA – July 16, 2019** – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the second quarter ended June 30, 2019.

The Company reported net income of \$911,000 for the three months ended June 30, 2019 compared to net income of \$664,000 for the same period last year. Diluted earnings per share were \$0.60 for the three months ended June 30, 2019 compared to \$0.44 for the same period last year.

The return on average assets for the three months ended June 30, 2019 was 1.34% and the return on average equity was 15.47%. The net interest margin expanded to 4.36% for the three months ended June 30, 2019 compared to 4.23% for the same period last year and the efficiency ratio declined to 56.05% for the three months ended June 30, 2019 compared to 61.13% for the same period last year.

For the six months ended June 30, 2019, the Company reported net income of \$1,696,000 compared to net income of \$1,226,000 for the same period last year. Diluted earnings per share were \$1.12 for the six months ended June 30, 2019 compared to \$0.83 for the same period last year.

The return on average assets for the six months ended June 30, 2019 was 1.26% and the return on average equity was 14.67%.

President and CEO, Jeff Finck, stated, “Our return on average assets, return on average equity and net interest margin all expanded for the quarter and six months ended June 30, 2019 compared to the same period last year. Our efficiency ratio also improved during those periods and was at 56% for the most recent quarter.”

### **Net Interest Income**

Net interest income increased to \$2,691,000 for the quarter ended June 30, 2019 compared to \$2,371,000 for the same quarter last year. For the six months ended June 30, 2019, net interest income increased to \$5,320,000 compared to \$4,599,000 for the same period last year.

### **Provision for credit losses**

The Company recorded a \$110,000 provision for credit losses for the quarter ended June 30, 2019 compared to \$40,000 for the same quarter last year. For the six months ended June 30, 2019, the Company recorded a \$200,000 provision for credit losses compared to \$104,000 for the same period last year.

### **Non-Interest Income**

Non-interest income for the quarter ended June 30, 2019 was \$476,000 compared to \$158,000 for the quarter ended June 30, 2018. For the six months ended June 30, 2019, non-interest income was \$801,000 compared to \$319,000 for the same period last year.

### **Non-Interest Expense**

Non-interest expense was \$1,775,000 for the quarter ended June 30, 2019 compared to \$1,546,000 for the same period last year. For the six months ended June 30, 2019, non-interest expense was \$3,531,000 compared to \$3,124,000 for the same period last year.

### **Balance Sheet**

The Company had total assets at June 30, 2019 of \$289.3 million compared to \$244.8 million at June 30, 2018.

Total loans, net of unearned income at June 30, 2019 were \$222.2 million compared to \$194.0 million at June 30, 2018.

Total deposits were \$256.2 million at June 30, 2019 compared to total deposits of \$211.8 million at June 30, 2018.

### **Credit Quality**

The allowance for loan losses was \$2,345,000, or 1.06% of loans, net of unearned income at June 30, 2019, compared to \$1,947,000, or 1.00% of loans, net of unearned income at June 30, 2018. There were \$99,000 in nonperforming assets at June 30, 2019 and no nonperforming assets at June 30, 2018.

### **Capital**

At June 30, 2019, shareholders' equity totaled \$24.0 million compared to \$21.0 million at June 30, 2018. Book value per share was \$16.71 per share at June 30, 2019 compared to \$14.97 per share at June 30, 2018. 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](http://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.*

## **Contacts**

Jeffrey P. Finck  
President & CEO  
530.222.1460

Patrick E. Phelan  
Chief Financial Officer  
530.222.1460

**CORNERSTONE COMMUNITY BANCORP**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(Dollars in Thousands)

	<u>06/30/19</u>	<u>03/31/19</u>	<u>12/31/18</u>	<u>09/30/18</u>	<u>06/30/18</u>
<b>ASSETS</b>					
Cash and due from banks	\$ 11,122	\$ 5,744	\$ 7,002	\$ 5,275	\$ 4,139
Federal funds sold	13,520	8,836	20	20	20
Interest-bearing deposits	8,166	11,186	24,730	23,686	24,066
Investment securities	7,010	7,720	9,284	9,548	10,651
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	222,199	214,476	209,330	202,300	193,989
Allowance for loan losses	(2,345)	(2,235)	(2,152)	(2,022)	(1,947)
Loans, net	219,854	212,241	207,178	200,278	192,042
Premises and equipment, net	11,316	10,154	8,740	7,777	6,958
Other assets	18,359	10,151	9,407	6,930	6,877
Total assets	<u>\$ 289,347</u>	<u>\$ 266,032</u>	<u>\$ 266,361</u>	<u>\$ 253,514</u>	<u>\$ 244,753</u>
<b>LIABILITIES</b>					
Deposits:					
Demand noninterest-bearing	\$ 54,439	\$ 50,564	\$ 50,862	\$ 49,063	\$ 44,751
Demand interest-bearing	48,839	38,434	37,875	34,312	29,565
Money market and savings	79,614	74,628	75,015	71,729	72,319
Time deposits of less than \$100,000	19,331	15,099	15,778	16,456	19,482
Time deposits of \$100,000 or more	53,940	52,250	52,763	48,155	45,671
Total deposits	256,163	230,975	232,293	219,715	211,788
Federal Home Loan Bank borrowings	3,000	6,000	6,000	6,000	6,000
Subordinated debentures	4,908	4,906	4,903	4,900	4,897
Interest payable and other liabilities	1,325	1,190	1,100	1,161	1,021
Total liabilities	<u>265,396</u>	<u>243,071</u>	<u>244,296</u>	<u>231,776</u>	<u>223,706</u>
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	15,122	15,088	15,001	15,584	15,551
Retained Earnings	8,753	7,842	7,058	6,173	5,507
Accumulated other comprehensive income (loss)	76	31	6	(19)	(11)
Total shareholders' equity	23,951	22,961	22,065	21,738	21,047
Total liabilities and shareholders' equity	<u>\$ 289,347</u>	<u>\$ 266,032</u>	<u>\$ 266,361</u>	<u>\$ 253,514</u>	<u>\$ 244,753</u>
Total equity / total assets	8.28%	8.63%	8.28%	8.57%	8.60%
Book value per share	\$ 16.71	\$ 16.02	\$ 15.56	\$ 15.47	\$ 14.97

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

	Three months ended			Six months ended	
	06/30/19	03/31/19	06/30/18	06/30/19	06/30/18
<b>INTEREST INCOME</b>					
Loans	\$ 3,210	\$ 3,130	\$ 2,673	\$ 6,340	\$ 5,204
Federal funds sold	60	14	-	74	-
Investment securities	55	63	78	118	156
Other	80	121	124	201	212
Total interest income	3,405	3,328	2,875	6,733	5,572
<b>INTEREST EXPENSE</b>					
Deposits:					
Interest-bearing demand	27	22	13	49	27
Money market and savings	206	216	145	422	272
Time deposits	373	344	227	717	430
Other	108	117	119	225	244
Total interest expense	714	699	504	1,413	973
Net interest income	2,691	2,629	2,371	5,320	4,599
Provision for credit losses	110	90	40	200	104
Net interest income after provision for credit losses	2,581	2,539	2,331	5,120	4,495
<b>NON-INTEREST INCOME</b>					
Service charges on deposit accounts	85	45	58	130	107
Gain on sale of loans	268	149	-	417	17
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	123	131	100	254	195
Total non-interest income	476	325	158	801	319
<b>OPERATING EXPENSES</b>					
Salaries and benefits	908	934	814	1,842	1,690
Premises and fixed assets	210	182	148	392	298
Other	657	640	584	1,297	1,136
Total operating expenses	1,775	1,756	1,546	3,531	3,124
Income before income taxes	1,282	1,108	943	2,390	1,690
Income taxes	371	323	279	694	464
<b>NET INCOME</b>	<b>\$ 911</b>	<b>\$ 785</b>	<b>\$ 664</b>	<b>\$ 1,696</b>	<b>\$ 1,226</b>
<b>EARNINGS PER SHARE</b>					
Basic earnings per share	\$ 0.64	\$ 0.55	\$ 0.48	\$ 1.18	\$ 0.93
Diluted earnings per share	\$ 0.60	\$ 0.52	\$ 0.44	\$ 1.12	\$ 0.83
Average common shares outstanding	1,433,041	1,432,208	1,371,656	1,432,627	1,324,551
Average common and equivalent shares outstanding	1,519,821	1,516,515	1,515,943	1,518,216	1,470,417
<b>PERFORMANCE MEASURES</b>					
Return on average assets	1.34%	1.18%	1.11%	1.26%	1.04%
Return on average equity	15.47%	13.84%	13.13%	14.67%	12.71%
Net interest margin	4.36%	4.35%	4.23%	4.35%	4.17%
Efficiency ratio	56.05%	59.44%	61.13%	57.69%	63.52%