

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2019

Red Bluff, CA – October 24, 2019 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the third quarter ended September 30, 2019.

The Company reported net income of \$872,000 for the three months ended September 30, 2019 compared to net income of \$666,000 for the same period last year. Diluted earnings per share were \$0.57 for the three months ended September 30, 2019 compared to \$0.43 for the same period last year.

The return on average assets for the three months ended September 30, 2019 was 1.18% and the return on average equity was 14.18%. The net interest margin was 4.15% for the three months ended September 30, 2019 compared to 4.14% for the same period last year and the efficiency ratio declined to 58.13% for the three months ended September 30, 2019 compared to 61.94% for the same period last year.

For the nine months ended September 30, 2019, the Company reported net income of \$2,568,000 compared to net income of \$1,892,000 for the same period last year. Diluted earnings per share were \$1.69 for the nine months ended September 30, 2019 compared to \$1.26 for the same period last year.

The return on average assets for the nine months ended September 30, 2019 was 1.23% and the return on average equity was 14.50%.

President and CEO, Jeff Finck, stated, “We continue to experience solid growth in loans and deposits. This resulted in strong growth in earnings during the quarter. Earnings per share grew 33%.”

Net Interest Income

Net interest income increased to \$2,817,000 for the quarter ended September 30, 2019 compared to \$2,462,000 for the same quarter last year. For the nine months ended September 30, 2019, net interest income increased to \$8,137,000 compared to \$7,061,000 for the same period last year.

Provision for credit losses

The Company recorded a \$40,000 provision for credit losses for the quarter ended September 30, 2019 compared to \$75,000 for the same quarter last year. For the nine months ended September 30, 2019, the Company recorded a \$240,000 provision for credit losses compared to \$179,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2019 was \$204,000 compared to \$215,000 for the quarter ended September 30, 2018. For the nine months ended September 30, 2019, non-interest income was \$1,005,000 compared to \$534,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,756,000 for the quarter ended September 30, 2019 compared to \$1,658,000 for the same period last year. For the nine months ended September 30, 2019, non-interest expense was \$5,287,000 compared to \$4,782,000 for the same period last year.

Balance Sheet

The Company had total assets at September 30, 2019 of \$304.5 million compared to \$253.5 million at September 30, 2018.

Total loans, net of unearned income at September 30, 2019 were \$233.3 million compared to \$202.3 million at September 30, 2018.

Total deposits were \$270.2 million at September 30, 2019 compared to total deposits of \$219.7 million at September 30, 2018.

Credit Quality

The allowance for loan losses was \$2,317,000, or 0.99% of loans, net of unearned income at September 30, 2019, compared to \$2,022,000, or 1.00% of loans, net of unearned income at September 30, 2018. There were \$32,000 in nonperforming assets at September 30, 2019 and no nonperforming assets at September 30, 2018.

Capital

At September 30, 2019, shareholders' equity totaled \$24.8 million compared to \$21.7 million at September 30, 2018. Book value per share was \$17.34 per share at September 30, 2019 compared to \$15.47 per share at September 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

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)

	09/30/19	06/30/19	03/31/19	12/31/18	09/30/18
ASSETS					
Cash and due from banks	\$ 9,271	\$ 11,122	\$ 5,744	\$ 7,002	\$ 5,275
Federal funds sold	21,117	13,520	8,836	20	20
Interest-bearing deposits	15,779	8,166	11,186	24,730	23,686
Investment securities	5,577	7,010	7,720	9,284	9,548
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	233,342	222,199	214,476	209,330	202,300
Allowance for loan losses	(2,317)	(2,345)	(2,235)	(2,152)	(2,022)
Loans, net	231,025	219,854	212,241	207,178	200,278
Premises and equipment, net	11,297	11,316	10,154	8,740	7,777
Other assets	10,428	18,359	10,151	9,407	6,930
Total assets	<u>\$ 304,494</u>	<u>\$ 289,347</u>	<u>\$ 266,032</u>	<u>\$ 266,361</u>	<u>\$ 253,514</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 59,432	\$ 54,439	\$ 50,564	\$ 50,862	\$ 49,063
Demand interest-bearing	52,024	48,839	38,434	37,875	34,312
Money market and savings	81,926	79,614	74,628	75,015	71,729
Time deposits of less than \$100,000	18,957	19,331	15,099	15,778	16,456
Time deposits of \$100,000 or more	57,854	53,940	52,250	52,763	48,155
Total deposits	270,193	256,163	230,975	232,293	219,715
Federal Home Loan Bank borrowings	3,000	3,000	6,000	6,000	6,000
Subordinated debentures	4,911	4,908	4,906	4,903	4,900
Interest payable and other liabilities	1,543	1,325	1,190	1,100	1,161
Total liabilities	<u>279,647</u>	<u>265,396</u>	<u>243,071</u>	<u>244,296</u>	<u>231,776</u>
SHAREHOLDERS' EQUITY					
Common stock	15,146	15,122	15,088	15,001	15,584
Retained Earnings	9,626	8,753	7,842	7,058	6,173
Accumulated other comprehensive income (loss)	75	76	31	6	(19)
Total shareholders' equity	<u>24,847</u>	<u>23,951</u>	<u>22,961</u>	<u>22,065</u>	<u>21,738</u>
Total liabilities and shareholders' equity	<u>\$ 304,494</u>	<u>\$ 289,347</u>	<u>\$ 266,032</u>	<u>\$ 266,361</u>	<u>\$ 253,514</u>
Total equity / total assets	8.16%	8.28%	8.63%	8.28%	8.57%
Book value per share	\$ 17.34	\$ 16.71	\$ 16.02	\$ 15.56	\$ 15.47

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

	Three months ended			Nine months ended	
	09/30/19	06/30/19	09/30/18	09/30/19	09/30/18
INTEREST INCOME					
Loans	\$ 3,376	\$ 3,210	\$ 2,818	\$ 9,716	\$ 8,022
Federal funds sold	61	60	-	135	-
Investment securities	55	55	73	173	229
Other	113	80	155	314	367
Total interest income	3,605	3,405	3,046	10,338	8,618
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	40	27	21	89	48
Money market and savings	243	206	165	665	437
Time deposits	397	373	279	1,114	709
Other	108	108	119	333	363
Total interest expense	788	714	584	2,201	1,557
Net interest income	2,817	2,691	2,462	8,137	7,061
Provision for credit losses	40	110	75	240	179
Net interest income after provision for credit losses	2,777	2,581	2,387	7,897	6,882
NON-INTEREST INCOME					
Service charges on deposit accounts	64	85	57	194	164
Gain on sale of loans	-	268	57	417	74
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	140	123	101	394	296
Total non-interest income	204	476	215	1,005	534
OPERATING EXPENSES					
Salaries and benefits	907	908	865	2,749	2,555
Premises and fixed assets	228	210	156	620	454
Other	621	657	637	1,918	1,773
Total operating expenses	1,756	1,775	1,658	5,287	4,782
Income before income taxes	1,225	1,282	944	3,615	2,634
Income taxes	353	371	278	1,047	742
NET INCOME	\$ 872	\$ 911	\$ 666	\$ 2,568	\$ 1,892
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.61	\$ 0.64	\$ 0.47	\$ 1.79	\$ 1.40
Diluted earnings per share	\$ 0.57	\$ 0.60	\$ 0.43	\$ 1.69	\$ 1.26
Average common shares outstanding	1,433,041	1,433,041	1,405,541	1,432,766	1,351,844
Average common and equivalent shares outstanding	1,519,531	1,519,821	1,551,475	1,518,688	1,497,759
PERFORMANCE MEASURES					
Return on average assets	1.18%	1.34%	1.06%	1.23%	1.05%
Return on average equity	14.18%	15.47%	12.37%	14.50%	12.59%
Net interest margin	4.15%	4.36%	4.14%	4.28%	4.16%
Efficiency ratio	58.13%	56.05%	61.94%	57.83%	62.96%