

Cornerstone Community Bancorp Reports Financial Results For the First Quarter Ended March 31, 2020

Red Bluff, CA – April 24, 2020 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the first quarter ended March 31, 2020.

The Company reported net income of \$47,000 for the three months ended March 31, 2020 compared to net income of \$785,000 for the same period last year. Diluted earnings per share were \$0.03 for the three months ended March 31, 2020 compared to \$0.52 for the same period last year. Net income reflected a \$1.5 million provision for credit losses related to the economic uncertainties of the COVID-19 pandemic.

President and CEO, Jeff Finck, stated, “We’ve been focused on the health and safety of our employees and customers and helping them with loan payment deferrals and government relief programs. The Company is well-capitalized and has sufficient liquidity and financial strength to continue to meet the needs our community during this time of crisis. Our entire team has been working hard to serve our customers. We are participating in the Small Business Administration’s Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. To date, we’ve funded over 300 loans totaling over \$65 million under the Paycheck Protection Program.”

Net Interest Income

Net interest income increased to \$2,842,000 for the quarter ended March 31, 2020 compared to \$2,629,000 for the same quarter last year.

Provision for credit losses

The Company recorded a \$1,450,000 provision for credit losses for the quarter ended March 31, 2020 compared to \$90,000 for the same quarter last year.

Non-Interest Income

Non-interest income for the quarter ended March 31, 2020 was \$394,000 compared to \$325,000 for the quarter ended March 31, 2019.

Non-Interest Expense

Non-interest expense was \$1,898,000 for the quarter ended March 31, 2020 compared to \$1,756,000 for the same period last year.

Income Taxes

The first quarter 2020 provision for income tax was impacted by tax benefits from the exercise of stock options.

Balance Sheet

The Company had total assets at March 31, 2020 of \$323.4 million compared to \$266.0 million at March 31, 2019.

Total loans, net of unearned income at March 31, 2020 were \$250.4 million compared to \$214.5 million at March 31, 2019.

Total deposits were \$268.0 million at March 31, 2020 compared to total deposits of \$231.0 million at March 31, 2019.

Credit Quality

The allowance for loan losses was \$3,859,000, or 1.54% of loans, net of unearned income at March 31, 2020, compared to \$2,235,000, or 1.04% of loans, net of unearned income at March 31, 2019. There were no nonperforming assets at March 31, 2020 and March 31, 2019.

Capital

At March 31, 2020, shareholders' equity totaled \$26.1 million compared to \$23.0 million at March 31, 2019. Book value per share was \$17.63 per share at March 31, 2020 compared to \$16.02 per share at March 31, 2019.

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 release may contain certain forward-looking statements that are based on management's current expectations regarding economic, legislative, and regulatory issues that may impact Cornerstone Community Bancorp's earnings in future periods. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "intend," "estimate" or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may." Factors that could cause future results to vary materially from current management expectations include, but are not limited to, natural disasters (such as wildfires and earthquakes), pandemics such as

COVID-19 and the economic impact caused directly by the disease and by government responses thereto, general economic conditions, economic uncertainty in the United States and abroad, changes in interest rates, deposit flows, real estate values, costs or effects of acquisitions, competition, changes in accounting principles, policies or guidelines, legislation or regulation (including the Tax Cuts & Jobs Act of 2017 and the Coronavirus Aid, Relief and Economic Security Act of 2020), interruptions of utility service in our markets for sustained periods, and other economic, competitive, governmental, regulatory and technological factors (including external fraud and cybersecurity threats) affecting Cornerstone Community Bancorp's operations, pricing, products and services. 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>03/31/20</u>	<u>12/31/19</u>	<u>09/30/19</u>	<u>06/30/19</u>	<u>03/31/19</u>
ASSETS					
Cash and due from banks	\$ 4,965	\$ 6,038	\$ 9,271	\$ 11,122	\$ 5,744
Federal funds sold	17,385	4,575	21,117	13,520	8,836
Interest-bearing deposits	18,928	2,825	15,779	8,166	11,186
Investment securities	13,144	13,355	5,577	7,010	7,720
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	250,353	241,662	233,342	222,199	214,476
Allowance for loan losses	(3,859)	(2,409)	(2,317)	(2,345)	(2,235)
Loans, net	246,494	239,253	231,025	219,854	212,241
Premises and equipment, net	11,180	11,216	11,297	11,316	10,154
Other assets	11,330	11,093	10,428	18,359	10,151
Total assets	<u>\$ 323,426</u>	<u>\$ 288,355</u>	<u>\$ 304,494</u>	<u>\$ 289,347</u>	<u>\$ 266,032</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 58,357	\$ 52,352	\$ 59,432	\$ 54,439	\$ 50,564
Demand interest-bearing	51,608	52,058	52,024	48,839	38,434
Money market and savings	77,273	74,560	81,926	79,614	74,628
Time deposits of less than \$100,000	26,503	18,395	18,957	19,331	15,099
Time deposits of \$100,000 or more	54,274	56,016	57,854	53,940	52,250
Total deposits	268,015	253,381	270,193	256,163	230,975
Federal Home Loan Bank borrowings	23,000	3,000	3,000	3,000	6,000
Subordinated debentures	4,917	4,914	4,911	4,908	4,906
Interest payable and other liabilities	1,382	1,235	1,543	1,325	1,190
Total liabilities	<u>297,314</u>	<u>262,530</u>	<u>279,647</u>	<u>265,396</u>	<u>243,071</u>
SHAREHOLDERS' EQUITY					
Common stock	15,336	15,264	15,146	15,122	15,088
Retained Earnings	10,557	10,510	9,626	8,753	7,842
Accumulated other comprehensive income (loss)	219	51	75	76	31
Total shareholders' equity	26,112	25,825	24,847	23,951	22,961
Total liabilities and shareholders' equity	<u>\$ 323,426</u>	<u>\$ 288,355</u>	<u>\$ 304,494</u>	<u>\$ 289,347</u>	<u>\$ 266,032</u>
Total equity / total assets	8.07%	8.96%	8.16%	8.28%	8.63%
Book value per share	\$ 17.63	\$ 17.79	\$ 17.34	\$ 16.71	\$ 16.02
Shares outstanding	1,481,041	1,452,041	1,433,041	1,433,041	1,433,041

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

	Three months ended		
	03/31/20	12/31/19	03/31/19
INTEREST INCOME			
Loans	\$ 3,356	\$ 3,349	\$ 3,130
Federal funds sold	17	40	14
Investment securities	90	65	63
Other	45	130	121
Total interest income	<u>3,508</u>	<u>3,584</u>	<u>3,328</u>
INTEREST EXPENSE			
Deposits:			
Interest-bearing demand	35	50	22
Money market and savings	186	241	216
Time deposits	331	351	344
Other	114	108	117
Total interest expense	<u>666</u>	<u>750</u>	<u>699</u>
Net interest income	2,842	2,834	2,629
Provision for credit losses	<u>1,450</u>	<u>100</u>	<u>90</u>
Net interest income after provision for credit losses	<u>1,392</u>	<u>2,734</u>	<u>2,539</u>
NON-INTEREST INCOME			
Service charges on deposit accounts	72	61	45
Gain on sale of loans	186	-	149
Gain (loss) on sale of other real estate owned	-	-	-
Gain (loss) on sale of securities	-	-	-
Other non-interest income	<u>136</u>	<u>140</u>	<u>131</u>
Total non-interest income	<u>394</u>	<u>201</u>	<u>325</u>
OPERATING EXPENSES			
Salaries and benefits	939	887	934
Premises and fixed assets	252	239	182
Other	<u>707</u>	<u>658</u>	<u>640</u>
Total operating expenses	<u>1,898</u>	<u>1,784</u>	<u>1,756</u>
Income before income taxes	(112)	1,151	1,108
Income taxes	<u>(159)</u>	<u>267</u>	<u>323</u>
NET INCOME	<u>\$ 47</u>	<u>\$ 884</u>	<u>\$ 785</u>
EARNINGS PER SHARE			
Basic earnings per share	<u>\$ 0.03</u>	<u>\$ 0.61</u>	<u>\$ 0.55</u>
Diluted earnings per share	<u>\$ 0.03</u>	<u>\$ 0.58</u>	<u>\$ 0.52</u>
Average common shares outstanding	<u>1,480,668</u>	<u>1,442,639</u>	<u>1,432,208</u>
Average common and equivalent shares outstanding	<u>1,532,685</u>	<u>1,527,238</u>	<u>1,516,515</u>
PERFORMANCE MEASURES			
Return on average assets	0.06%	1.16%	1.18%
Return on average equity	0.71%	13.87%	13.84%
Net interest margin	4.09%	4.03%	4.35%
Efficiency ratio	58.65%	58.78%	59.44%