

Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2020

Red Bluff, CA – July 23, 2020 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the second quarter ended June 30, 2020.

The Company reported net income of \$1,284,000 for the three months ended June 30, 2020 compared to net income of \$911,000 for the same period last year. Diluted earnings per share were \$0.84 for the three months ended June 30, 2020 compared to \$0.60 for the same period last year.

The return on average assets for the three months ended June 30, 2020 was 1.18% and the return on average equity was 18.92%. The net interest margin was 3.06% for the three months ended June 30, 2020 compared to 4.36% for the same period last year and the efficiency ratio declined to 42.00% for the three months ended June 30, 2020 compared to 56.05% for the same period last year.

For the six months ended June 30, 2020, the Company reported net income of \$1,331,000 compared to net income of \$1,696,000 for the same period last year. Diluted earnings per share were \$0.87 for the six months ended June 30, 2020 compared to \$1.12 for the same period last year.

The return on average assets for the six months ended June 30, 2020 was 0.72% and the return on average equity was 9.90%.

Net income for the six months ended June 30, 2020 reflects a \$1.6 million provision for credit losses related to the economic uncertainties of the COVID-19 pandemic.

President and CEO, Jeff Finck stated, “We’ve funded \$82 million in Small Business Administration Paycheck Protection Program loans, with an average loan size of \$129,000, to 637 businesses, positively impacting over 10,000 employees throughout the greater Redding and Red Bluff areas. We’ve also helped 145 of our customers with loan payment relief requests.”

Net Interest Income

Net interest income increased to \$3,153,000 for the quarter ended June 30, 2020 compared to \$2,691,000 for the same quarter last year. For the six months ended June 30, 2020, net interest income increased to \$5,995,000 compared to \$5,320,000 for the same period last year.

The Company's net interest margin was 3.06% for the second quarter of 2020, down 103 basis points from 4.09% for the first quarter of 2020 primarily due to the decrease in short and long term interest rates that occurred in the first quarter and the increase in the percentage of interest earning assets invested in interest-bearing deposits.

Provision for credit losses

The Company recorded a \$150,000 provision for credit losses for the quarter ended June 30, 2020 compared to \$110,000 for the same quarter last year. For the six months ended June 30, 2020, the Company recorded a \$1,600,000 provision for credit losses compared to \$200,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended June 30, 2020 was \$204,000 compared to \$476,000 for the quarter ended June 30, 2019. For the six months ended June 30, 2020, non-interest income was \$598,000 compared to \$801,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,410,000 for the quarter ended June 30, 2020 compared to \$1,775,000 for the same period last year. For the six months ended June 30, 2020, non-interest expense was \$3,308,000 compared to \$3,531,000 for the same period last year. The decreases in non-interest expense were primarily due to lower salaries and benefits expense from Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”)-related deferred loan origination costs.

Income Taxes

The provision for income taxes for the six months ended June 30, 2020 was impacted by tax benefits from the exercise of stock options.

Balance Sheet

Interest-bearing deposits increased \$65.1 million at June 30, 2020 compared to June 30, 2019. The increase was primarily due to increases in SBA PPP borrowers' deposit accounts and the Company's participation in the Federal Reserve's Paycheck Protection Program Liquidity Facility.

Total loans, net of unearned income at June 30, 2020 were \$333.6 million compared to \$222.2 million at June 30, 2019. The increase was due, in large part, to the \$82 million in SBA PPP loans originated.

Total deposits were \$341.4 million at June 30, 2020 compared to total deposits of \$256.2 million at June 30, 2019. The increase was primarily due to increases in deposits from SBA PPP borrowers.

Borrowings and other obligations were \$83.1 million at June 30, 2020 compared to 3.0 million at June 30, 2019. The increase was primarily due to the Company's participation in the Federal Reserve's Paycheck Protection Program Liquidity Facility.

Credit Quality

The allowance for loan losses was \$4,009,000, or 1.20% of loans, net of unearned income at June 30, 2020, compared to \$2,345,000, or 1.06% of loans, net of unearned income at June 30, 2019. There were no nonperforming assets at June 30, 2020 and \$99,000 at June 30, 2019.

Capital

At June 30, 2020, shareholders' equity totaled \$27.6 million compared to \$24.0 million at June 30, 2019. Book value per share was \$18.50 per share at June 30, 2020 compared to \$16.71 per share at June 30, 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>06/30/20</u>	<u>03/31/20</u>	<u>12/31/19</u>	<u>09/30/19</u>	<u>06/30/19</u>
ASSETS					
Cash and due from banks	\$ 6,350	\$ 4,965	\$ 6,038	\$ 9,271	\$ 11,122
Federal funds sold	10,402	17,385	4,575	21,117	13,520
Interest-bearing deposits	73,310	18,928	2,825	15,779	8,166
Investment securities	16,173	13,144	13,355	5,577	7,010
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	333,620	250,353	241,662	233,342	222,199
Allowance for loan losses	(4,009)	(3,859)	(2,409)	(2,317)	(2,345)
Loans, net	329,611	246,494	239,253	231,025	219,854
Premises and equipment, net	11,095	11,180	11,216	11,297	11,316
Other assets	11,882	11,330	11,093	10,428	18,359
Total assets	<u>\$ 458,823</u>	<u>\$ 323,426</u>	<u>\$ 288,355</u>	<u>\$ 304,494</u>	<u>\$ 289,347</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 96,395	\$ 58,357	\$ 52,352	\$ 59,432	\$ 54,439
Demand interest-bearing	90,633	51,608	52,058	52,024	48,839
Money market and savings	79,550	77,273	74,560	81,926	79,614
Time deposits of less than \$100,000	22,925	26,503	18,395	18,957	19,331
Time deposits of \$100,000 or more	51,919	54,274	56,016	57,854	53,940
Total deposits	341,422	268,015	253,381	270,193	256,163
Borrowings and other obligations	83,136	23,000	3,000	3,000	3,000
Subordinated debentures	4,920	4,917	4,914	4,911	4,908
Interest payable and other liabilities	1,765	1,382	1,235	1,543	1,325
Total liabilities	<u>431,243</u>	<u>297,314</u>	<u>262,530</u>	<u>279,647</u>	<u>265,396</u>
SHAREHOLDERS' EQUITY					
Common stock	15,440	15,336	15,264	15,146	15,122
Retained Earnings	11,841	10,557	10,510	9,626	8,753
Accumulated other comprehensive income (loss)	299	219	51	75	76
Total shareholders' equity	<u>27,580</u>	<u>26,112</u>	<u>25,825</u>	<u>24,847</u>	<u>23,951</u>
Total liabilities and shareholders' equity	<u>\$ 458,823</u>	<u>\$ 323,426</u>	<u>\$ 288,355</u>	<u>\$ 304,494</u>	<u>\$ 289,347</u>
Total equity / total assets	6.01%	8.07%	8.96%	8.16%	8.28%
Book value per share	\$ 18.50	\$ 17.63	\$ 17.79	\$ 17.34	\$ 16.71
Shares outstanding	1,491,041	1,481,041	1,452,041	1,433,041	1,433,041

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

	Three months ended			Six months ended	
	06/30/20	03/31/20	06/30/19	06/30/20	06/30/19
INTEREST INCOME					
Loans	\$ 3,612	\$ 3,356	\$ 3,210	\$ 6,968	\$ 6,340
Federal funds sold	4	17	60	21	74
Investment securities	82	90	55	172	118
Other	45	45	80	90	201
Total interest income	<u>3,743</u>	<u>3,508</u>	<u>3,405</u>	<u>7,251</u>	<u>6,733</u>
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	40	35	27	75	49
Money market and savings	119	186	206	305	422
Time deposits	260	331	373	591	717
Other	171	114	108	285	225
Total interest expense	<u>590</u>	<u>666</u>	<u>714</u>	<u>1,256</u>	<u>1,413</u>
Net interest income	3,153	2,842	2,691	5,995	5,320
Provision for credit losses	150	1,450	110	1,600	200
Net interest income after provision for credit losses	<u>3,003</u>	<u>1,392</u>	<u>2,581</u>	<u>4,395</u>	<u>5,120</u>
NON-INTEREST INCOME					
Service charges on deposit accounts	46	72	85	118	130
Gain on sale of loans	-	186	268	186	417
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	158	136	123	294	254
Total non-interest income	<u>204</u>	<u>394</u>	<u>476</u>	<u>598</u>	<u>801</u>
OPERATING EXPENSES					
Salaries and benefits	392	939	908	1,331	1,842
Premises and fixed assets	257	252	210	509	392
Other	761	707	657	1,468	1,297
Total operating expenses	<u>1,410</u>	<u>1,898</u>	<u>1,775</u>	<u>3,308</u>	<u>3,531</u>
Income before income taxes	1,797	(112)	1,282	1,685	2,390
Income taxes	513	(159)	371	354	694
NET INCOME	<u>\$ 1,284</u>	<u>\$ 47</u>	<u>\$ 911</u>	<u>\$ 1,331</u>	<u>\$ 1,696</u>
EARNINGS PER SHARE					
Basic earnings per share	<u>\$ 0.86</u>	<u>\$ 0.03</u>	<u>\$ 0.64</u>	<u>\$ 0.90</u>	<u>\$ 1.18</u>
Diluted earnings per share	<u>\$ 0.84</u>	<u>\$ 0.03</u>	<u>\$ 0.60</u>	<u>\$ 0.87</u>	<u>\$ 1.12</u>
Average common shares outstanding	<u>1,485,217</u>	<u>1,480,668</u>	<u>1,433,041</u>	<u>1,482,942</u>	<u>1,432,627</u>
Average common and equivalent shares outstanding	<u>1,523,322</u>	<u>1,532,685</u>	<u>1,519,821</u>	<u>1,528,547</u>	<u>1,518,216</u>
PERFORMANCE MEASURES					
Return on average assets	1.18%	0.06%	1.34%	0.72%	1.26%
Return on average equity	18.92%	0.71%	15.47%	9.90%	14.67%
Net interest margin	3.06%	4.09%	4.36%	3.48%	4.35%
Efficiency ratio	42.00%	58.65%	56.05%	50.17%	57.69%