

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2021

Red Bluff, CA – October 19, 2021 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the third quarter ended September 30, 2021.

The Company reported record net income of \$2,085,000 for the three months ended September 30, 2021 compared to net income of \$1,236,000 for the same period last year. Diluted earnings per share were \$1.38 for the three months ended September 30, 2021 compared to \$0.81 for the same period last year.

The return on average assets for the three months ended September 30, 2021 was 1.53% and the return on average equity was 23.52%. The tax-equivalent net interest margin was 3.66% for the three months ended September 30, 2021 compared to 2.99% for the same period last year and the efficiency ratio was 39.07% for the three months ended September 30, 2021 compared to 52.81% for the same period last year.

For the nine months ended September 30, 2021, the Company reported net income of \$5,948,000 compared to net income of \$2,567,000 for the same period last year. Diluted earnings per share were \$3.96 for the nine months ended September 30, 2021 compared to \$1.68 for the same period last year.

The return on average assets for the nine months ended September 30, 2021 was 1.48% and the return on average equity was 23.98%.

President and CEO, Jeff Finck stated, “We posted record profits in the third quarter as loan and deposit totals continued to grow at a solid pace.”

Net Interest Income

Net interest income increased to \$4,756,000 for the quarter ended September 30, 2021 compared to \$3,376,000 for the same quarter last year. For the nine months ended September 30, 2021, net interest income increased to \$13,212,000 compared to \$9,371,000 for the same period last year.

Provision for credit losses

Provision for credit losses were \$400,000 for the quarter ended September 30, 2021 compared to no provision for the same quarter last year. For the nine months ended September 30, 2021, the Company recorded a \$900,000 provision for credit losses compared to \$1,600,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2021 was \$714,000 compared to \$296,000 for the quarter ended September 30, 2020. For the nine months ended September 30, 2021, non-interest income was \$2,013,000 compared to \$894,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$2,137,000 for the quarter ended September 30, 2021 compared to \$1,939,000 for the same period last year. For the nine months ended September 30, 2021, non-interest expense was \$5,965,000 compared to \$5,247,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income at September 30, 2021 were \$388.5 million compared to \$342.4 million at September 30, 2020.

Total deposits were \$500.1 million at September 30, 2021 compared to total deposits of \$371.5 million at September 30, 2020.

Credit Quality

The allowance for loan losses was \$4,909,000, or 1.26% of loans, net of unearned income at September 30, 2021, compared to \$4,009,000, or 1.17% of loans, net of unearned income at September 30, 2020. There were no nonperforming assets at September 30, 2021 and September 30, 2020.

Capital

At September 30, 2021, shareholders' equity totaled \$35.5 million compared to \$28.9 million at September 30, 2020. Book value was \$24.37 per share at September 30, 2021 compared to \$19.38 per share at September 30, 2020.

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 2021), 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>09/30/21</u>	<u>06/30/21</u>	<u>03/31/21</u>	<u>12/31/20</u>	<u>09/30/20</u>
ASSETS					
Cash and due from banks	\$ 4,765	\$ 5,450	\$ 5,417	\$ 3,811	\$ 5,455
Federal funds sold	2,600	2,256	5,761	14,166	5,045
Interest-bearing deposits	24,636	28,549	68,283	77,045	62,110
Investment securities	110,470	75,258	52,084	50,336	50,699
Loans held for sale	-	-	1,102	-	-
Loans, net of unearned income	388,532	390,748	382,253	332,176	342,416
Allowance for loan losses	(4,909)	(4,509)	(4,409)	(4,009)	(4,009)
Loans, net	383,623	386,239	377,844	328,167	338,407
Premises and equipment, net	13,567	13,013	12,767	11,581	10,992
Other assets	14,863	14,972	13,974	12,724	12,577
Total assets	<u>\$ 554,524</u>	<u>\$ 525,737</u>	<u>\$ 537,232</u>	<u>\$ 497,830</u>	<u>\$ 485,285</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 141,734	\$ 126,107	\$ 126,481	\$ 108,147	\$ 103,824
Demand interest-bearing	131,964	126,724	122,506	108,097	104,819
Money market and savings	150,149	150,086	163,232	146,655	87,035
Time deposits of less than \$100,000	13,180	13,393	15,812	15,418	21,103
Time deposits of \$100,000 or more	63,111	56,993	57,299	55,021	54,695
Total deposits	500,138	473,303	485,330	433,338	371,476
Borrowings and other obligations	5,000	5,000	5,000	15,000	78,136
Subordinated debentures	11,715	11,709	11,703	16,645	4,923
Interest payable and other liabilities	2,151	1,933	3,776	2,763	1,854
Total liabilities	<u>519,004</u>	<u>491,945</u>	<u>505,809</u>	<u>467,746</u>	<u>456,389</u>
SHAREHOLDERS' EQUITY					
Common stock	14,814	14,771	14,681	14,584	15,462
Retained Earnings	21,084	18,999	17,183	15,136	13,077
Accumulated other comprehensive income (loss)	(378)	22	(441)	364	357
Total shareholders' equity	35,520	33,792	31,423	30,084	28,896
Total liabilities and shareholders' equity	<u>\$ 554,524</u>	<u>\$ 525,737</u>	<u>\$ 537,232</u>	<u>\$ 497,830</u>	<u>\$ 485,285</u>
Total equity / total assets	6.41%	6.43%	5.85%	6.04%	5.95%
Book value per share	\$ 24.37	\$ 23.22	\$ 21.65	\$ 20.87	\$ 19.38
Shares outstanding	1,457,591	1,455,091	1,451,091	1,441,241	1,491,041

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

	Three months ended			Nine months ended	
	09/30/21	06/30/21	09/30/20	09/30/21	09/30/20
INTEREST INCOME					
Loans	\$ 4,772	\$ 4,379	\$ 3,695	\$ 13,602	\$ 10,663
Federal funds sold	-	1	1	3	22
Investment securities	360	217	161	739	333
Other	35	53	33	120	123
Total interest income	5,167	4,650	3,890	14,464	11,141
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	46	45	51	138	126
Money market and savings	96	93	79	276	384
Time deposits	107	114	198	345	789
Other	162	159	186	493	471
Total interest expense	411	411	514	1,252	1,770
Net interest income	4,756	4,239	3,376	13,212	9,371
Provision for credit losses	400	100	-	900	1,600
Net interest income after provision for credit losses	4,356	4,139	3,376	12,312	7,771
NON-INTEREST INCOME					
Service charges on deposit accounts	62	59	49	179	167
Gain on sale of loans	396	135	-	1,231	186
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	91	(45)	91
Other non-interest income	256	228	156	648	450
Total non-interest income	714	422	296	2,013	894
OPERATING EXPENSES					
Salaries and benefits	1,048	968	979	2,695	2,310
Premises and fixed assets	212	199	200	590	709
Other	877	848	760	2,680	2,228
Total operating expenses	2,137	2,015	1,939	5,965	5,247
Income before income taxes	2,933	2,546	1,733	8,360	3,418
Income taxes	848	730	497	2,412	851
NET INCOME	\$ 2,085	\$ 1,816	\$ 1,236	\$ 5,948	\$ 2,567
EARNINGS PER SHARE					
Basic earnings per share	\$ 1.43	\$ 1.25	\$ 0.83	\$ 4.09	\$ 1.73
Diluted earnings per share	\$ 1.38	\$ 1.20	\$ 0.81	\$ 3.96	\$ 1.68
Average common shares outstanding	1,456,531	1,453,915	1,491,041	1,452,768	1,485,661
Average common and equivalent shares outstanding	1,512,738	1,510,621	1,522,872	1,503,150	1,526,516
PERFORMANCE MEASURES					
Return on average assets	1.53%	1.35%	1.05%	1.48%	0.85%
Return on average equity	23.52%	22.17%	17.36%	23.98%	12.49%
Tax-equivalent net interest margin	3.66%	3.33%	2.99%	3.48%	3.28%
Efficiency ratio	39.07%	43.23%	52.81%	39.18%	51.12%