

Cornerstone Community Bancorp Reports Financial Results For the First Quarter Ended March 31, 2022

Red Bluff, CA – April 21, 2022 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the first quarter ended March 31, 2022.

The Company reported net income of \$1,675,000 for the three months ended March 31, 2022 compared to net income of \$2,046,000 for the same period last year. Diluted earnings per share were \$1.09 for the three months ended March 31, 2022 compared to \$1.38 for the same period last year. First quarter 2022 results were impacted by the decline in PPP (Paycheck Protection Program) fees and related interest income due to loan forgiveness.

The return on average assets for the three months ended March 31, 2022 was 1.15% and the return on average equity was 18.22%. The tax-equivalent net interest margin was 3.17% for the three months ended March 31, 2022 compared to 3.43% for the same period last year and the efficiency ratio was 48.61% for the three months ended March 31, 2022 compared to 35.61% for the same period last year.

President and CEO, Jeff Finck stated, “Even with the decline in PPP income, we were able to generate strong returns on average assets and average equity during the first quarter. Also during the first quarter, we opened our Anderson branch and we look forward to building relationships with the small businesses and individuals in that community in 2022.”

Net Interest Income

Net interest income increased to \$4,350,000 for the quarter ended March 31, 2022 compared to \$4,217,000 for the same quarter last year.

Provision for credit losses

Provision for credit losses were \$18,000 for the quarter ended March 31, 2022 compared to \$400,000 for the same quarter last year.

Non-Interest Income

Non-interest income for the quarter ended March 31, 2022 was \$264,000 compared to \$877,000 for the quarter ended March 31, 2021.

Non-Interest Expense

Non-interest expense was \$2,243,000 for the quarter ended March 31, 2022 compared to \$1,814,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income, at March 31, 2022 were \$375.4 million compared to \$382.3 million at March 31, 2021.

Total deposits were \$532.3 million at March 31, 2022 compared to total deposits of \$485.3 million at March 31, 2021.

Credit Quality

The allowance for loan losses was \$5,077,000, or 1.35% of loans, net of unearned income, at March 31, 2022, compared to \$4,409,000, or 1.15% of loans, net of unearned income, at March 31, 2021. There were no nonperforming assets at March 31, 2022 and March 31, 2021.

Capital

At March 31, 2022, shareholders' equity totaled \$33.7 million compared to \$31.4 million at March 31, 2021. At March 31, 2022, the Company's book value per common share was \$22.93 compared to \$25.31 at December 31, 2021 and \$21.65 at March 31, 2021. During the first quarter of 2022, increasing interest rates resulted in a decline in the fair value of available for sale investment securities. This impact is reflected in the decline in accumulated other comprehensive income (AOCI) to (\$5,995,000), compared to (\$945,000) at December 31, 2021 and (\$441,000) at March 31, 2021. Excluding AOCI, book value increased to \$27.00 at March 31, 2022, compared to \$25.96 at December 31, 2021 and \$21.96 at March 31, 2021.

AOCI has no effect on Cornerstone Community Bank's (the Bank) regulatory capital ratios as the Bank opted to exclude it from regulatory capital calculations. At March 31, 2022, the Bank's total risk-based capital ratio was 13.25% and its tier 1 capital to risk weighted assets ratio was 12.00%. The Bank remains well capitalized under the regulatory framework for prompt corrective action.

About Cornerstone Community Bancorp

Cornerstone Community Bancorp, a bank holding company headquartered in Red Bluff, California, serves the Red Bluff, Redding and Anderson communities through its wholly-owned subsidiary, Cornerstone Community Bank with a headquarters office in Red Bluff, two banking offices in Redding and one in Anderson. 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 Coronavirus Aid, Relief and Economic Security Act of 2022), 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.

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>03/31/22</u>	<u>12/31/21</u>	<u>09/30/21</u>	<u>06/30/21</u>	<u>03/31/21</u>
ASSETS					
Cash and due from banks	\$ 4,175	\$ 4,552	\$ 4,765	\$ 5,450	\$ 5,417
Federal funds sold	121	121	2,600	2,256	5,761
Interest-bearing deposits	73,629	77,933	24,636	28,549	68,283
Investment securities	99,748	108,253	110,470	75,258	52,084
Loans held for sale	-	-	-	-	1,102
Loans, net of unearned income	375,369	387,374	388,532	390,748	382,253
Allowance for loan losses	(5,077)	(5,059)	(4,909)	(4,509)	(4,409)
Loans, net	370,292	382,315	383,623	386,239	377,844
Premises and equipment, net	14,757	14,784	13,567	13,013	12,767
Other assets	16,930	15,622	14,863	14,972	13,974
Total assets	<u>\$ 579,652</u>	<u>\$ 603,580</u>	<u>\$ 554,524</u>	<u>\$ 525,737</u>	<u>\$ 537,232</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 131,136	\$ 174,282	\$ 141,734	\$ 126,107	\$ 126,481
Demand interest-bearing	126,331	131,368	131,964	126,724	122,506
Money market and savings	196,653	163,946	150,149	150,086	163,232
Time deposits	78,167	78,111	76,291	70,386	73,111
Total deposits	532,287	547,707	500,138	473,303	485,330
Borrowings and other obligations	-	5,000	5,000	5,000	5,000
Subordinated debentures	11,726	11,720	11,715	11,709	11,703
Interest payable and other liabilities	1,899	2,134	2,151	1,933	3,776
Total liabilities	545,912	566,561	519,004	491,945	505,809
SHAREHOLDERS' EQUITY					
Common stock	15,009	14,913	14,814	14,771	14,681
Retained Earnings	24,726	23,051	21,084	18,999	17,183
Accumulated other comprehensive income (loss)	(5,995)	(945)	(378)	22	(441)
Total shareholders' equity	33,740	37,019	35,520	33,792	31,423
Total liabilities and shareholders' equity	<u>\$ 579,652</u>	<u>\$ 603,580</u>	<u>\$ 554,524</u>	<u>\$ 525,737</u>	<u>\$ 537,232</u>
Total equity / total assets	5.82%	6.13%	6.41%	6.43%	5.85%
Book value per share	\$ 22.93	\$ 25.31	\$ 24.37	\$ 23.22	\$ 21.65
Shares outstanding	1,471,591	1,462,591	1,457,591	1,455,091	1,451,091

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

	Three months ended		
	03/31/22	12/31/21	03/31/21
INTEREST INCOME			
Loans	\$ 4,348	\$ 4,759	\$ 4,451
Federal funds sold	-	1	2
Investment securities	371	385	162
Other	58	60	32
Total interest income	<u>4,777</u>	<u>5,205</u>	<u>4,647</u>
INTEREST EXPENSE			
Deposits:			
Interest-bearing demand	46	49	47
Money market and savings	117	109	87
Time deposits	107	107	124
Other	157	159	172
Total interest expense	<u>427</u>	<u>424</u>	<u>430</u>
Net interest income	4,350	4,781	4,217
Provision for credit losses	18	150	400
Net interest income after provision for credit losses	<u>4,332</u>	<u>4,631</u>	<u>3,817</u>
NON-INTEREST INCOME			
Service charges on deposit accounts	71	65	58
Gain on sale of loans	-	-	700
Gain (loss) on sale of other real estate owned	-	-	-
Gain (loss) on sale of securities	-	-	(45)
Other non-interest income	193	274	164
Total non-interest income	<u>264</u>	<u>339</u>	<u>877</u>
OPERATING EXPENSES			
Salaries and benefits	1,146	1,175	679
Premises and fixed assets	191	166	179
Other	906	868	956
Total operating expenses	<u>2,243</u>	<u>2,209</u>	<u>1,814</u>
Income before income taxes	2,353	2,761	2,880
Income taxes	678	794	834
NET INCOME	<u>\$ 1,675</u>	<u>\$ 1,967</u>	<u>\$ 2,046</u>
EARNINGS PER SHARE			
Basic earnings per share	<u>\$ 1.14</u>	<u>\$ 1.35</u>	<u>\$ 1.41</u>
Diluted earnings per share	<u>\$ 1.09</u>	<u>\$ 1.29</u>	<u>\$ 1.38</u>
Average common shares outstanding	<u>1,469,258</u>	<u>1,459,667</u>	<u>1,447,763</u>
Average common and equivalent shares outstanding	<u>1,532,163</u>	<u>1,518,908</u>	<u>1,485,953</u>
PERFORMANCE MEASURES			
Return on average assets	1.15%	1.41%	1.56%
Return on average equity	18.22%	21.63%	26.41%
Tax-equivalent net interest margin	3.17%	3.59%	3.43%
Efficiency ratio	48.61%	43.14%	35.61%