

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2022

Red Bluff, CA – October 20, 2022 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the third quarter ended September 30, 2022.

The Company reported net income of \$1,936,000 for the three months ended September 30, 2022 compared to net income of \$2,085,000 for the same period last year. Diluted earnings per share were \$1.27 for the three months ended September 30, 2022 compared to \$1.38 for the same period last year.

The return on average assets for the three months ended September 30, 2022 was 1.30% and the return on average equity was 23.11%. The tax-equivalent net interest margin was 3.60% for the three months ended September 30, 2022 compared to 3.66% for the same period last year and the efficiency ratio was 49.42% for the three months ended September 30, 2022 compared to 38.37% for the same period last year.

For the nine months ended September 30, 2022, the Company reported net income of \$5,317,000 compared to net income of \$5,948,000 for the same period last year. Diluted earnings per share were \$3.48 for the nine months ended September 30, 2022 compared to \$3.96 for the same period last year.

The return on average assets for the nine months ended September 30, 2022 was 1.21% and the return on average equity was 20.48%.

President and CEO, Matt Moseley stated, “We continue to produce strong returns on assets and equity. Credit quality remains strong with no nonperforming assets. Operating expenses have increased as the bank continues to hire and build its infrastructure for future growth.”

Net Interest Income

Net interest income increased to \$5,196,000 for the quarter ended September 30, 2022 compared to \$4,756,000 for the same quarter last year. For the nine months ended September 30, 2022, net interest income increased to \$14,151,000 compared to \$13,212,000 for the same period last year.

Provision for credit losses

Provision for credit losses were \$40,000 for the quarter ended September 30, 2022 compared to \$400,000 for the same quarter last year. For the nine months ended September 30, 2022, the Company recorded a \$113,000 provision for credit losses compared to \$900,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2022 was \$265,000 compared to \$652,000 for the quarter ended September 30, 2021. For the nine months ended September 30, 2022, non-interest income was \$795,000 compared to \$2,013,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$2,699,000 for the quarter ended September 30, 2022 compared to \$2,075,000 for the same period last year. For the nine months ended September 30, 2022, non-interest expense was \$7,368,000 compared to \$5,965,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income, at September 30, 2022 were \$400.5 million compared to \$388.5 million at September 30, 2021.

Total deposits were \$545.3 million at September 30, 2022 compared to total deposits of \$500.1 million at September 30, 2021.

Credit Quality

The allowance for loan losses was \$5,172,000, or 1.29% of loans, net of unearned income, at September 30, 2022, compared to \$4,909,000, or 1.26% of loans, net of unearned income, at September 30, 2021. There were no nonperforming assets at September 30, 2022 and September 30, 2021.

Capital

At September 30, 2022, shareholders' equity totaled \$30.6 million compared to \$35.5 million at September 30, 2021. At September 30, 2022, the Company's book value per common share was \$20.81 compared to \$24.37 at September 30, 2021. During the nine months ended September 30, 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 \$(12,763,000) at September 30, 2022, compared to \$(378,000) at September 30, 2021. Excluding AOCI, book value increased to \$29.50 at September 30, 2022, compared to \$24.63 at September 30, 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 September 30, 2022, the Bank's total risk-based capital ratio was 13.39% and its tier 1 capital to risk weighted assets ratio was 12.18%. 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.

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CORNERSTONE COMMUNITY BANCORP
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in Thousands)

	<u>09/30/22</u>	<u>06/30/22</u>	<u>03/31/22</u>	<u>12/31/21</u>	<u>09/30/21</u>
ASSETS					
Cash and due from banks	\$ 6,011	\$ 5,230	\$ 4,175	\$ 4,552	\$ 4,765
Federal funds sold	122	121	121	121	2,600
Interest-bearing deposits	57,618	48,277	73,629	77,933	24,636
Investment securities	95,511	102,692	99,748	108,253	110,470
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	400,480	399,156	375,369	387,374	388,532
Allowance for loan losses	(5,172)	(5,132)	(5,077)	(5,059)	(4,909)
Loans, net	395,308	394,024	370,292	382,315	383,623
Premises and equipment, net	14,671	14,691	14,757	14,784	13,567
Other assets	21,261	20,588	16,930	15,622	14,863
Total assets	<u>\$ 590,502</u>	<u>\$ 585,623</u>	<u>\$ 579,652</u>	<u>\$ 603,580</u>	<u>\$ 554,524</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 129,236	\$ 130,249	\$ 131,136	\$ 174,282	\$ 141,734
Demand interest-bearing	138,630	131,623	126,331	131,368	131,964
Money market and savings	201,316	201,106	196,653	163,946	150,149
Time deposits	76,121	76,576	78,167	78,111	76,291
Total deposits	545,303	539,554	532,287	547,707	500,138
Borrowings and other obligations	-	-	-	5,000	5,000
Subordinated debentures	11,738	11,732	11,726	11,720	11,715
Interest payable and other liabilities	2,892	2,631	1,899	2,134	2,151
Total liabilities	<u>559,933</u>	<u>553,917</u>	<u>545,912</u>	<u>566,561</u>	<u>519,004</u>
SHAREHOLDERS' EQUITY					
Common stock	14,964	15,079	15,009	14,913	14,814
Retained Earnings	28,368	26,432	24,726	23,051	21,084
Accumulated other comprehensive income (loss)	(12,763)	(9,805)	(5,995)	(945)	(378)
Total shareholders' equity	<u>30,569</u>	<u>31,706</u>	<u>33,740</u>	<u>37,019</u>	<u>35,520</u>
Total liabilities and shareholders' equity	<u>\$ 590,502</u>	<u>\$ 585,623</u>	<u>\$ 579,652</u>	<u>\$ 603,580</u>	<u>\$ 554,524</u>
Total equity / total assets	5.18%	5.41%	5.82%	6.13%	6.41%
Book value per share	\$ 20.81	\$ 21.51	\$ 22.93	\$ 25.31	\$ 24.37
Shares outstanding	1,469,091	1,474,091	1,471,591	1,462,591	1,457,591

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

	Three months ended			Nine months ended	
	09/30/22	06/30/22	09/30/21	09/30/22	09/30/21
INTEREST INCOME					
Loans	\$ 5,018	\$ 4,485	\$ 4,772	\$ 13,851	\$ 13,602
Federal funds sold	1	-	-	1	3
Investment securities	543	464	360	1,378	739
Other	354	146	35	558	120
Total interest income	<u>5,916</u>	<u>5,095</u>	<u>5,167</u>	<u>15,788</u>	<u>14,464</u>
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	130	64	46	240	138
Money market and savings	260	147	96	524	276
Time deposits	182	131	107	420	345
Other	148	148	162	453	493
Total interest expense	<u>720</u>	<u>490</u>	<u>411</u>	<u>1,637</u>	<u>1,252</u>
Net interest income	5,196	4,605	4,756	14,151	13,212
Provision for credit losses	40	55	400	113	900
Net interest income after provision for credit losses	<u>5,156</u>	<u>4,550</u>	<u>4,356</u>	<u>14,038</u>	<u>12,312</u>
NON-INTEREST INCOME					
Service charges on deposit accounts	67	62	62	200	179
Gain on sale of loans	-	-	396	-	1,231
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	(45)
Other non-interest income	198	204	194	595	648
Total non-interest income	<u>265</u>	<u>266</u>	<u>652</u>	<u>795</u>	<u>2,013</u>
OPERATING EXPENSES					
Salaries and benefits	1,408	1,219	1,048	3,773	2,695
Premises and fixed assets	227	194	150	612	590
Other	1,064	1,013	877	2,983	2,680
Total operating expenses	<u>2,699</u>	<u>2,426</u>	<u>2,075</u>	<u>7,368</u>	<u>5,965</u>
Income before income taxes	2,722	2,390	2,933	7,465	8,360
Income taxes	786	684	848	2,148	2,412
NET INCOME	<u>\$ 1,936</u>	<u>\$ 1,706</u>	<u>\$ 2,085</u>	<u>\$ 5,317</u>	<u>\$ 5,948</u>
EARNINGS PER SHARE					
Basic earnings per share	<u>\$ 1.31</u>	<u>\$ 1.16</u>	<u>\$ 1.43</u>	<u>\$ 3.61</u>	<u>\$ 4.09</u>
Diluted earnings per share	<u>\$ 1.27</u>	<u>\$ 1.12</u>	<u>\$ 1.38</u>	<u>\$ 3.48</u>	<u>\$ 3.96</u>
Average common shares outstanding	<u>1,473,276</u>	<u>1,472,168</u>	<u>1,456,531</u>	<u>1,471,582</u>	<u>1,452,768</u>
Average common and equivalent shares outstanding	<u>1,523,830</u>	<u>1,529,540</u>	<u>1,512,738</u>	<u>1,528,628</u>	<u>1,503,150</u>
PERFORMANCE MEASURES					
Return on average assets	1.30%	1.18%	1.53%	1.21%	1.48%
Return on average equity	23.11%	20.33%	23.52%	20.48%	23.98%
Tax-equivalent net interest margin	3.60%	3.32%	3.66%	3.37%	3.48%
Efficiency ratio	49.42%	49.80%	38.37%	49.30%	39.18%