

Cornerstone Community Bancorp Reports Financial Results For the Fourth Quarter and Full Year Ended December 31, 2022

Red Bluff, CA – January 24, 2023 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the fourth quarter and full year ended December 31, 2022.

The Company reported net income of \$1,926,000 for the three months ended December 31, 2022 compared to net income of \$1,967,000 for the same period last year. Diluted earnings per share were \$1.27 for the three months ended December 31, 2022 compared to \$1.29 for the same period last year.

The return on average assets for the three months ended December 31, 2022 was 1.32% and the return on average equity was 24.23%. The tax-equivalent net interest margin was 3.61% for the three months ended December 31, 2022 compared to 3.59% for the same period last year and the efficiency ratio was 50.73% for the three months ended December 31, 2022 compared to 43.14% for the same period last year.

For the year ended December 31, 2022, the Company reported net income of \$7,243,000 compared to net income of \$7,915,000 for the same period last year. Diluted earnings per share were \$4.74 for the year ended December 31, 2022 compared to \$5.25 for the same period last year.

The return on average assets for the year ended December 31, 2022 was 1.24% and the return on average equity was 21.36%.

President and CEO, Matt Moseley stated, “We are pleased with our 2022 operating results. We are excited to begin the new year with the team and infrastructure we put in place in 2022.”

Net Interest Income

Net interest income increased to \$5,156,000 for the quarter ended December 31, 2022 compared to \$4,781,000 for the same quarter last year. For the year ended December 31, 2022, net interest income increased to \$19,307,000 compared to \$17,993,000 for the same period last year.

Provision for credit losses

There was no provision for credit losses recorded for the quarter ended December 31, 2022 compared to \$150,000 for the same quarter last year. For the year ended December 31, 2022, the Company recorded a \$113,000 provision for credit losses compared to \$1,050,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended December 31, 2022 was \$265,000 compared to \$339,000 for the quarter ended December 31, 2021. For the year ended December 31, 2022, non-interest income was \$1,060,000 compared to \$2,245,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$2,750,000 for the quarter ended December 31, 2022 compared to \$2,209,000 for the same period last year. For the year ended December 31, 2022, non-interest expense was \$10,118,000 compared to \$8,067,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income, at December 31, 2022 were \$420.4 million compared to \$387.4 million at December 31, 2021.

Total deposits were \$534.8 million at December 31, 2022 compared to total deposits of \$547.7 million at December 31, 2021.

Credit Quality

The allowance for loan losses was \$5,159,000, or 1.23% of loans, net of unearned income, at December 31, 2022, compared to \$5,059,000, or 1.31% of loans, net of unearned income, at December 31, 2021. There were no nonperforming assets at December 31, 2022 and December 31, 2021.

Capital

At December 31, 2022, shareholders' equity totaled \$33.3 million compared to \$37.0 million at December 31, 2021. At December 31, 2022, the Company's book value per common share was \$22.48 compared to \$25.31 at December 31, 2021. During the year ended December 31, 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 \$(12,105,000) at December 31, 2022, compared to \$(945,000) at December 31, 2021. Excluding AOCI, book value increased to \$30.66 at December 31, 2022, compared to \$25.96 at December 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 December 31, 2022, the Bank's estimated total risk-based capital ratio was 12.61% and its tier 1 capital to risk weighted assets ratio was 11.52%. 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

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

	<u>12/31/22</u>	<u>09/30/22</u>	<u>06/30/22</u>	<u>03/31/22</u>	<u>12/31/21</u>
ASSETS					
Cash and due from banks	\$ 5,628	\$ 6,011	\$ 5,230	\$ 4,175	\$ 4,552
Federal funds sold	123	122	121	121	121
Interest-bearing deposits	25,212	57,618	48,277	73,629	77,933
Investment securities	94,435	95,511	102,692	99,748	108,253
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	420,415	400,480	399,156	375,369	387,374
Allowance for loan losses	(5,159)	(5,172)	(5,132)	(5,077)	(5,059)
Loans, net	415,256	395,308	394,024	370,292	382,315
Premises and equipment, net	14,601	14,671	14,691	14,757	14,784
Other assets	27,326	21,261	20,588	16,930	15,622
Total assets	<u>\$ 582,581</u>	<u>\$ 590,502</u>	<u>\$ 585,623</u>	<u>\$ 579,652</u>	<u>\$ 603,580</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 126,946	\$ 129,236	\$ 130,249	\$ 131,136	\$ 174,282
Demand interest-bearing	136,655	138,630	131,623	126,331	131,368
Money market and savings	182,787	201,316	201,106	196,653	163,946
Time deposits	88,430	76,121	76,576	78,167	78,111
Total deposits	534,818	545,303	539,554	532,287	547,707
Borrowings and other obligations	-	-	-	-	5,000
Subordinated debentures	11,744	11,738	11,732	11,726	11,720
Interest payable and other liabilities	2,755	2,892	2,631	1,899	2,134
Total liabilities	549,317	559,933	553,917	545,912	566,561
SHAREHOLDERS' EQUITY					
Common stock	15,075	14,964	15,079	15,009	14,913
Retained Earnings	30,294	28,368	26,432	24,726	23,051
Accumulated other comprehensive income (loss)	(12,105)	(12,763)	(9,805)	(5,995)	(945)
Total shareholders' equity	33,264	30,569	31,706	33,740	37,019
Total liabilities and shareholders' equity	<u>\$ 582,581</u>	<u>\$ 590,502</u>	<u>\$ 585,623</u>	<u>\$ 579,652</u>	<u>\$ 603,580</u>
Total equity / total assets	5.71%	5.18%	5.41%	5.82%	6.13%
Book value per share	\$ 22.48	\$ 20.81	\$ 21.51	\$ 22.93	\$ 25.31
Shares outstanding	1,479,862	1,469,091	1,474,091	1,471,591	1,462,591

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

	Three months ended			Year ended	
	12/31/22	09/30/22	12/31/21	12/31/22	12/31/21
INTEREST INCOME					
Loans	\$ 5,178	\$ 5,018	\$ 4,759	\$ 19,029	\$ 18,361
Federal funds sold	1	1	1	2	4
Investment securities	676	543	385	2,054	1,124
Other	515	354	60	1,073	180
Total interest income	6,370	5,916	5,205	22,158	19,669
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	214	130	49	454	187
Money market and savings	450	260	109	974	385
Time deposits	401	182	107	821	452
Other	149	148	159	602	652
Total interest expense	1,214	720	424	2,851	1,676
Net interest income	5,156	5,196	4,781	19,307	17,993
Provision for credit losses	-	40	150	113	1,050
Net interest income after provision for credit losses	5,156	5,156	4,631	19,194	16,943
NON-INTEREST INCOME					
Service charges on deposit accounts	66	67	65	266	244
Gain on sale of loans	-	-	-	-	1,231
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	(45)
Other non-interest income	199	198	274	794	815
Total non-interest income	265	265	339	1,060	2,245
OPERATING EXPENSES					
Salaries and benefits	1,567	1,408	1,175	5,340	3,870
Premises and fixed assets	242	227	166	854	649
Other	941	1,064	868	3,924	3,548
Total operating expenses	2,750	2,699	2,209	10,118	8,067
Income before income taxes	2,671	2,722	2,761	10,136	11,121
Income taxes	745	786	794	2,893	3,206
NET INCOME	\$ 1,926	\$ 1,936	\$ 1,967	\$ 7,243	\$ 7,915
EARNINGS PER SHARE					
Basic earnings per share	\$ 1.31	\$ 1.31	\$ 1.35	\$ 4.92	\$ 5.44
Diluted earnings per share	\$ 1.27	\$ 1.27	\$ 1.29	\$ 4.74	\$ 5.25
Average common shares outstanding	1,474,754	1,473,276	1,459,667	1,472,381	1,454,507
Average common and equivalent shares outstanding	1,520,935	1,523,830	1,518,908	1,526,734	1,507,561
PERFORMANCE MEASURES					
Return on average assets	1.32%	1.30%	1.41%	1.24%	1.46%
Return on average equity	24.23%	23.11%	21.63%	21.36%	23.35%
Tax-equivalent net interest margin	3.61%	3.60%	3.59%	3.43%	3.50%
Efficiency ratio	50.73%	49.42%	43.14%	49.68%	39.86%