

Cornerstone Community Bancorp Reports Financial Results For the First Quarter Ended March 31, 2023

Red Bluff, CA – April 21, 2023 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the first quarter ended March 31, 2023.

The Company reported net income of \$1,695,000 for the three months ended March 31, 2023 compared to net income of \$1,675,000 for the same period last year. Diluted earnings per share were \$1.11 for the three months ended March 31, 2023 compared to \$1.09 for the same period last year.

The return on average assets for the three months ended March 31, 2023 was 1.13% and the return on average equity was 19.20%. The tax-equivalent net interest margin was 3.65% for the three months ended March 31, 2023 compared to 3.17% for the same period last year.

President and CEO, Matt Moseley stated, “Cornerstone Community Bank continues to be a well performing bank due to our strong team and loyal customer base. While elevated levels of deposits have exited banks nation-wide, Cornerstone experienced deposit growth in the 1st quarter compared to both year-end 2022 and 1st quarter of 2022. The bank has a well-positioned liquidity profile with a diversified deposit base. Our estimated level of uninsured deposits at March 31, 2023 was 37% and the bank maintains both on and off balance sheet liquidity of \$283 million. We have and will continue to focus on our core business practices. We are confident that our business model and our presence in the communities we serve will continue to deliver positive results to our shareholders and customers alike.”

Net Interest Income

Net interest income increased to \$5,180,000 for the quarter ended March 31, 2023 compared to \$4,350,000 for the same quarter last year.

Provision for credit losses on loans

The Company recorded a \$110,000 provision for credit losses on loans during the three months ended March 31, 2023 compared to \$18,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended March 31, 2023 was \$310,000 compared to \$264,000 for the quarter ended March 31, 2022.

Non-Interest Expense

Non-interest expense was \$3,024,000 for the quarter ended March 31, 2023 compared to \$2,243,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income, at March 31, 2023 were \$431.5 million compared to \$375.4 million at March 31, 2022.

Total deposits were \$565.7 million at March 31, 2023 compared to total deposits of \$532.3 million at March 31, 2022.

Credit Quality

The allowance for credit losses on loans was \$5,397,000, or 1.25% of loans, net of unearned income, at March 31, 2023, compared to \$5,077,000, or 1.35% of loans, net of unearned income, at March 31, 2022. Nonperforming assets totaled \$233,000 at March 31, 2023. There were no nonperforming assets at March 31, 2022.

Adoption of CECL

The Company adopted the current expected credit loss ("CECL") accounting standard on January 1, 2023. Upon adoption of the CECL standard, the Company increased the allowance for credit losses on loans by \$127,549 and reduced the allowance for credit losses on unfunded loan commitments by \$90,366. The Company adopted this standard using a modified retrospective approach through a cumulative-effect adjustment to retained earnings of \$26,191.

Capital

At March 31, 2023, shareholders' equity totaled \$36.4 million compared to \$33.7 million at March 31, 2022. At March 31, 2023, the Company's book value per common share was \$24.57 compared to \$22.93 at March 31, 2022.

At March 31, 2023, the Bank's estimated total risk-based capital ratio was 12.95% and its tier 1 capital to risk weighted assets ratio was 11.84%. 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>03/31/23</u>	<u>12/31/22</u>	<u>09/30/22</u>	<u>06/30/22</u>	<u>03/31/22</u>
ASSETS					
Cash and due from banks	\$ 7,365	\$ 5,628	\$ 6,011	\$ 5,230	\$ 4,175
Federal funds sold	124	123	122	121	121
Interest-bearing deposits	44,706	25,212	57,618	48,277	73,629
Investment securities	95,139	94,435	95,511	102,692	99,748
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	431,475	420,415	400,480	399,156	375,369
Allowance for credit losses on loans	(5,397)	(5,159)	(5,172)	(5,132)	(5,077)
Loans, net	426,079	415,256	395,308	394,024	370,292
Premises and equipment, net	14,492	14,601	14,671	14,691	14,757
Other assets	28,906	27,326	21,261	20,588	16,930
Total assets	<u>\$ 616,812</u>	<u>\$ 582,581</u>	<u>\$ 590,502</u>	<u>\$ 585,623</u>	<u>\$ 579,652</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 125,008	\$ 126,946	\$ 129,236	\$ 130,249	\$ 131,136
Demand interest-bearing	165,203	136,655	138,630	131,623	126,331
Money market and savings	180,996	182,787	201,316	201,106	196,653
Time deposits	94,542	88,430	76,121	76,576	78,167
Total deposits	565,749	534,818	545,303	539,554	532,287
Borrowings and other obligations	-	-	-	-	-
Subordinated debentures	11,750	11,744	11,738	11,732	11,726
Interest payable and other liabilities	2,954	2,755	2,892	2,631	1,899
Total liabilities	<u>580,452</u>	<u>549,317</u>	<u>559,933</u>	<u>553,917</u>	<u>545,912</u>
SHAREHOLDERS' EQUITY					
Common stock	15,113	15,075	14,964	15,079	15,009
Retained Earnings	31,963	30,294	28,368	26,432	24,726
Accumulated other comprehensive income (loss)	(10,716)	(12,105)	(12,763)	(9,805)	(5,995)
Total shareholders' equity	<u>36,360</u>	<u>33,264</u>	<u>30,569</u>	<u>31,706</u>	<u>33,740</u>
Total liabilities and shareholders' equity	<u>\$ 616,812</u>	<u>\$ 582,581</u>	<u>\$ 590,502</u>	<u>\$ 585,623</u>	<u>\$ 579,652</u>
Total equity / total assets	5.89%	5.71%	5.18%	5.41%	5.82%
Book value per share	\$ 24.57	\$ 22.48	\$ 20.81	\$ 21.51	\$ 22.93
Shares outstanding	1,479,862	1,479,862	1,469,091	1,474,091	1,471,591

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

	Three months ended		
	03/31/23	12/31/22	03/31/22
INTEREST INCOME			
Loans	\$ 5,551	\$ 5,178	\$ 4,348
Federal funds sold	1	1	-
Investment securities	724	676	371
Other	467	515	58
Total interest income	<u>6,744</u>	<u>6,370</u>	<u>4,777</u>
INTEREST EXPENSE			
Deposits:			
Interest-bearing demand	247	214	46
Money market and savings	579	450	117
Time deposits	589	401	107
Other	149	149	157
Total interest expense	<u>1,564</u>	<u>1,214</u>	<u>427</u>
Net interest income	5,180	5,156	4,350
Provision for credit losses on loans	110	-	18
Net interest income after provision for credit losses	<u>5,070</u>	<u>5,156</u>	<u>4,332</u>
NON-INTEREST INCOME			
Service charges on deposit accounts	62	66	71
Gain on sale of loans	-	-	-
Gain (loss) on sale of other real estate owned	-	-	-
Gain (loss) on sale of securities	-	-	-
Other non-interest income	247	199	193
Total non-interest income	<u>310</u>	<u>265</u>	<u>264</u>
OPERATING EXPENSES			
Salaries and benefits	1,649	1,567	1,146
Premises and fixed assets	313	242	191
Other	1,061	941	906
Total operating expenses	<u>3,024</u>	<u>2,750</u>	<u>2,243</u>
Income before income taxes	2,355	2,671	2,353
Income taxes	660	745	678
NET INCOME	<u>\$ 1,695</u>	<u>\$ 1,926</u>	<u>\$ 1,675</u>
EARNINGS PER SHARE			
Basic earnings per share	<u>\$ 1.15</u>	<u>\$ 1.31</u>	<u>\$ 1.14</u>
Diluted earnings per share	<u>\$ 1.11</u>	<u>\$ 1.27</u>	<u>\$ 1.09</u>
Average common shares outstanding	<u>1,479,862</u>	<u>1,474,754</u>	<u>1,469,258</u>
Average common and equivalent shares outstanding	<u>1,525,267</u>	<u>1,520,935</u>	<u>1,532,163</u>
PERFORMANCE MEASURES			
Return on average assets	1.13%	1.32%	1.15%
Return on average equity	19.20%	24.23%	18.22%
Tax-equivalent net interest margin	3.65%	3.61%	3.17%
Efficiency ratio	55.09%	50.73%	48.61%