

Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2017

Red Bluff, CA – July 24, 2017 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the second quarter ended June 30, 2017.

The Company reported net income of \$508,000 for the three months ended June 30, 2017 compared to net income of \$361,000 for the same period last year. Diluted earnings per share were \$0.37 for the three months ended June 30, 2017 compared to \$0.27 for the same period last year.

The return on average assets for the three months ended June 30, 2017 was 0.99% and the return on average equity was 12.23%.

For the six months ended June 30, 2017, the Company reported net income of \$898,000 compared to net income of \$564,000 for the same period last year. Diluted earnings per share were \$0.67 for the six months ended June 30, 2017 compared to \$0.42 for the same period last year.

The return on average assets for the six months ended June 30, 2017 was 0.89% and the return on average equity was 10.97%.

President and CEO, Jeff Finck, stated, “We are pleased with our second quarter results. We achieved double-digit percentage growth in loans, deposits and earnings. Earlier this month, we opened our downtown Redding branch office which will provide us with additional lending and deposit generation opportunities.”

Net Interest Income

Net interest income increased by 21.3% to \$1,985,000 for the quarter ended June 30, 2017 compared to \$1,636,000 for the same quarter last year. For the six months ended June 30, 2017, net interest income increased by 18.7% to \$3,768,000 compared to \$3,174,000 for the same period last year.

Provision for credit losses

There was no provision for credit losses recorded during both the quarter ended June 30, 2017 and June 30, 2016.

The Company recorded a \$150,000 provision for credit losses for the six months ended June 30, 2017 compared to no provision for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended June 30, 2017 was \$216,000 compared to \$257,000 for the quarter ended June 30, 2016. For the six months ended June 30, 2017, non-interest income was \$591,000 compared to \$372,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,339,000 for the quarter ended June 30, 2017 compared to \$1,281,000 for the same period last year. For the six months ended June 30, 2017, non-interest expense was \$2,683,000 compared to \$2,590,000 for the same period last year.

Balance Sheet

The Company had total assets at June 30, 2017 of \$210.6 million compared to \$178.5 million at June 30, 2016.

Total loans outstanding at June 30, 2017 were \$171.7 million compared to \$145.9 million at June 30, 2016, representing an increase of \$25.8 million, or 17.7%.

Total deposits were \$179.1 million at June 30, 2017 compared to total deposits of \$145.5 million at June 30, 2016, representing an increase of \$33.6 million, or 23.1%.

Credit Quality

The allowance for loan losses was \$1,778,000, or 1.05% of loans, net of unearned income at June 30, 2017, compared to \$1,620,000, or 1.11% of loans, net of unearned income at June 30, 2016. Nonperforming assets at June 30, 2017 were \$4,000 compared to \$18,000 at June 30, 2016.

Capital

At June 30, 2017, shareholders' equity totaled \$16.8 million compared to \$15.4 million at June 30, 2016. Book value per share increased by 10.2% to \$13.53 per share at June 30, 2017 compared to \$12.28 per share at June 30, 2016.

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 press release contains forward-looking statements. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of Cornerstone Community Bancorp and on information available to management at the time these statements were made. There are a number of factors, many of which are beyond Cornerstone Community Bancorp's control, which could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may reduce interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards and tax laws, may adversely affect the businesses in which Cornerstone Community Bancorp is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than Cornerstone Community Bancorp; and (7) adverse changes may occur in the securities markets or with respect to inflation. 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>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>
ASSETS					
Cash and due from banks	\$ 3,516	\$ 3,809	\$ 3,360	\$ 2,937	\$ 2,630
Federal funds sold	20	20	20	20	20
Interest-bearing deposits	13,739	16,773	17,225	25,372	10,370
Investment securities	12,793	13,052	13,338	14,003	14,453
Loans held for sale	2,603	-	3,974	-	-
Loans, net of unearned income	169,070	159,768	150,413	147,477	145,939
Allowance for loan losses	(1,778)	(1,773)	(1,623)	(1,621)	(1,620)
Loans, net	167,292	157,995	148,790	145,856	144,319
Premises and equipment, net	2,006	1,854	1,032	1,086	1,038
Other assets	8,605	6,460	6,643	6,269	5,659
Total assets	<u>\$ 210,574</u>	<u>\$ 199,963</u>	<u>\$ 194,382</u>	<u>\$ 195,543</u>	<u>\$ 178,489</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 33,101	\$ 27,439	\$ 23,042	\$ 27,460	\$ 24,856
Demand interest-bearing	24,610	23,392	22,490	22,212	21,222
Money market and savings	59,759	60,877	62,161	65,426	52,239
Time deposits of less than \$100,000	19,020	18,984	18,595	12,692	12,498
Time deposits of \$100,000 or more	42,565	35,317	34,804	34,771	34,662
Total deposits	179,055	166,009	161,092	162,561	145,477
Federal Home Loan Bank borrowings	9,000	12,000	12,000	12,000	12,000
Subordinated debentures	4,887	4,885	4,883	4,880	4,878
Interest payable and other liabilities	868	865	746	850	765
Total liabilities	<u>193,810</u>	<u>183,759</u>	<u>178,721</u>	<u>180,291</u>	<u>163,120</u>
SHAREHOLDERS' EQUITY					
Common stock	13,115	13,092	12,925	12,847	13,303
Retained Earnings	3,557	3,050	2,659	2,202	1,871
Accumulated other comprehensive income (loss)	92	62	77	203	195
Total shareholders' equity	<u>16,764</u>	<u>16,204</u>	<u>15,661</u>	<u>15,252</u>	<u>15,369</u>
Total liabilities and shareholders' equity	<u>\$ 210,574</u>	<u>\$ 199,963</u>	<u>\$ 194,382</u>	<u>\$ 195,543</u>	<u>\$ 178,489</u>
Total equity / total assets	7.96%	8.10%	8.06%	7.80%	8.61%
Book value per share	\$ 13.53	\$ 13.08	\$ 12.90	\$ 12.67	\$ 12.28

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

	Three months ended			Six months ended	
	06/30/17	03/31/17	06/30/16	06/30/17	06/30/16
INTEREST INCOME					
Loans	\$ 2,209	\$ 1,999	\$ 1,844	\$ 4,208	\$ 3,594
Federal funds sold	-	-	-	-	-
Investment securities	78	81	89	159	164
Other	76	65	30	141	72
Total interest income	2,363	2,145	1,963	4,508	3,830
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	10	11	8	21	18
Money market and savings	95	94	72	189	141
Time deposits	146	126	114	272	229
Other	127	131	133	258	268
Total interest expense	378	362	327	740	656
Net interest income	1,985	1,783	1,636	3,768	3,174
Provision for credit losses	-	150	-	150	-
Net interest income after provision for credit losses	1,985	1,633	1,636	3,618	3,174
NON-INTEREST INCOME					
Service charges on deposit accounts	46	44	40	90	76
Gain on sale of loans	78	243	208	321	208
Gain (loss) on sale of other real estate owned	-	-	(77)	-	(77)
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	92	88	86	180	165
Total non-interest income	216	375	257	591	372
OPERATING EXPENSES					
Salaries and benefits	732	737	668	1,469	1,370
Premises and fixed assets	134	144	156	278	297
Other	473	463	457	936	923
Total operating expenses	1,339	1,344	1,281	2,683	2,590
Income before income taxes	862	664	612	1,526	956
Income taxes	354	274	251	628	392
NET INCOME	\$ 508	\$ 390	\$ 361	\$ 898	\$ 564
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.41	\$ 0.32	\$ 0.29	\$ 0.73	\$ 0.45
Diluted earnings per share	\$ 0.37	\$ 0.29	\$ 0.27	\$ 0.67	\$ 0.42
Average common shares outstanding	1,239,256	1,233,978	1,252,000	1,236,632	1,252,000
Average common and equivalent shares outstanding	1,358,631	1,338,511	1,342,715	1,349,363	1,343,937
PERFORMANCE MEASURES					
Return on average assets	0.99%	0.78%	0.82%	0.89%	0.64%
Return on average equity	12.23%	9.68%	9.50%	10.97%	7.49%
Net interest margin	4.04%	3.78%	3.88%	3.91%	3.76%
Efficiency ratio	60.84%	62.28%	67.67%	61.55%	73.04%