

**Cornerstone Community Bancorp Reports Financial Results
For the Fourth Quarter and Full Year Ended December 31, 2016 and
Appoints Bruce Dean Director**

Red Bluff, CA – January 20, 2017 – Cornerstone Community Bancorp, (OTC Pink: CRSB), announced today its financial results for the fourth quarter and full year ended December 31, 2016.

The Company reported net income of \$457,000 for the three months ended December 31, 2016 compared to net income of \$144,000 for the same period last year. Diluted earnings per share were \$0.35 for the three months ended December 31, 2016 compared to \$0.11 for the same period last year.

Net income for the year ended December 31, 2016 was \$1,353,000, or \$1.02 per diluted share compared to net income of \$918,000, or \$0.68 per diluted share, for the year ended December 31, 2015.

The return on average assets for the three months ended December 31, 2016 was 0.94% and the return on average equity was 11.74%. For the year ended December 31, 2016, the return on average assets was 0.73% and the return on average equity was 8.85%.

President and CEO, Jeff Finck, stated, “2016 was another great year for the Company. The continued momentum in loan and deposit growth led to a 50% increase in diluted earnings per share and a 10% increase in book value per share.”

Net Interest Income

Net interest income was \$1,819,000 for the quarter ended December 31, 2016 compared to \$1,533,000 for the same quarter last year. For the year ended December 31, 2016, net interest income was \$6,679,000 compared to \$6,076,000 for the year ended December 31, 2015 representing an increase of \$603,000, or 10%.

Provision for credit losses

There was no provision for credit losses for the quarter ended December 31, 2016 and December 31, 2015. There was also no provision for credit losses for the year ended December 31, 2016 and December 31, 2015.

Non-Interest Income

Non-interest income for the quarter ended December 31, 2016 was \$257,000 compared to \$9,000 for the quarter ended December 31, 2015.

For the year ended December 31, 2016, non-interest income was \$760,000 compared to \$900,000 for the year ended December 31, 2015. The decline in non-interest income was primarily due to the reduction in mortgage income.

Non-Interest Expense

Non-interest expense was \$1,301,000 for the quarter ended December 31, 2016 compared to \$1,298,000 for the same period last year. For the year ended December 31, 2016, non-interest expense was \$5,145,000 compared to \$5,417,000 for the same period last year.

Balance Sheet

The Company had total assets at December 31, 2016 of \$194.4 million, compared to \$171.4 million at December 31, 2015.

Total loans outstanding at December 31, 2016, were \$154.4 million compared to \$137.1 million at December 31, 2015, representing an increase of \$17.3 million, or 12.6%.

Total deposits were \$161.1 million at December 31, 2016 compared to total deposits of \$136.1 million at December 31, 2015, representing an increase of \$25.0 million, or 18.4%.

Credit Quality

The allowance for loan losses was \$1,623,000, or 1.08% of loans, net of unearned income at December 31, 2016, compared to \$1,619,000, or 1.18% of loans, net of unearned income at December 31, 2015. Nonperforming assets at December 31, 2016 were \$11,000, or 0.01% of total assets, compared to \$381,000, or 0.22% of total assets at December 31, 2015.

Capital

At December 31, 2016, shareholders' equity totaled \$15.7 million compared to \$14.7 million at December 31, 2015. Book value per share increased by 10.2% to \$12.90 per share at December 31, 2016 compared to \$11.71 per share at December 31, 2015.

During 2016, the Company, pursuant to its existing stock repurchase plan, repurchased 47,744 shares of its common stock at an average price of \$10.04 per share, for a total of \$479,185.

Board of Directors Welcome New Member

Bruce Dean, President and Chief Executive Officer of Black Bear Diner, has joined the Cornerstone Community Bancorp and Cornerstone Community Bank Board of Directors. "Mr. Dean is a restaurant industry veteran with 40 plus years of experience and oversees all facets of Black Bear Diner's business, franchise, and menu development. We are honored to have Mr. Dean join our Board of Directors," said Ken Robison, Chairman of Cornerstone Community Bancorp's Board of Directors. "His business knowledge and experience, coupled with his

involvement in Redding and the North State makes him a valuable addition to our growing company.”

Mr. Dean is the co-founder of Black Bear Diner. He holds a B.S. degree in business administration from the University of California, Davis. In 2015, Mr. Dean served as the California Restaurant Association’s Chairman of the Board.

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 a banking office 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>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>
ASSETS					
Cash and due from banks	\$ 3,360	\$ 2,937	\$ 2,630	\$ 3,007	\$ 3,206
Federal funds sold	20	20	20	20	-
Interest-bearing deposits	17,225	25,372	10,370	18,009	15,877
Investment securities	13,338	14,003	14,453	14,645	9,640
Loans held for sale	3,974	-	-	-	-
Loans, net of unearned income	150,413	147,477	145,939	139,660	137,057
Allowance for loan losses	(1,623)	(1,621)	(1,620)	(1,620)	(1,619)
Loans, net	148,790	145,856	144,319	138,040	135,438
Premises and equipment, net	1,032	1,086	1,038	1,051	1,013
Other assets	6,628	6,269	5,659	6,029	6,208
Total assets	<u>\$ 194,367</u>	<u>\$ 195,543</u>	<u>\$ 178,489</u>	<u>\$ 180,801</u>	<u>\$ 171,382</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 23,042	\$ 27,460	\$ 24,856	\$ 23,678	\$ 22,269
Demand interest-bearing	22,490	22,212	21,222	20,843	20,605
Money market and savings	62,161	65,426	52,239	53,240	45,256
Time deposits of less than \$100,000	18,595	12,692	12,498	14,334	15,092
Time deposits of \$100,000 or more	34,804	34,771	34,662	33,219	32,889
Total deposits	161,092	162,561	145,477	145,314	136,111
Federal Home Loan Bank borrowings	12,000	12,000	12,000	15,000	15,000
Subordinated debentures	4,883	4,880	4,878	4,876	4,874
Interest payable and other liabilities	731	850	765	697	734
Total liabilities	<u>178,706</u>	<u>180,291</u>	<u>163,120</u>	<u>165,887</u>	<u>156,719</u>
SHAREHOLDERS' EQUITY					
Common stock	12,925	12,847	13,303	13,280	13,257
Retained Earnings	2,659	2,202	1,871	1,510	1,307
Accumulated other comprehensive income (loss)	77	203	195	124	99
Total shareholders' equity	15,661	15,252	15,369	14,914	14,663
Total liabilities and shareholders' equity	<u>\$ 194,367</u>	<u>\$ 195,543</u>	<u>\$ 178,489</u>	<u>\$ 180,801</u>	<u>\$ 171,382</u>
Total equity / total assets	8.06%	7.80%	8.61%	8.25%	8.56%
Book value per share	\$ 12.90	\$ 12.67	\$ 12.28	\$ 11.91	\$ 11.71

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

	Three months ended			Year ended	
	12/31/16	09/30/16	12/31/15	12/31/16	12/31/15
INTEREST INCOME					
Loans	\$ 2,002	\$ 1,897	\$ 1,754	\$ 7,493	\$ 6,766
Federal funds sold	-	-	-	-	-
Investment securities	79	81	74	324	300
Other	91	45	33	208	140
Total interest income	2,172	2,023	1,861	8,025	7,206
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	11	10	11	39	29
Money market and savings	92	83	62	316	196
Time deposits	117	110	115	456	418
Other	133	134	140	535	487
Total interest expense	353	337	328	1,346	1,130
Net interest income	1,819	1,686	1,533	6,679	6,076
Provision for credit losses	-	-	-	-	-
Net interest income after provision for credit losses	1,819	1,686	1,533	6,679	6,076
NON-INTEREST INCOME					
Service charges on deposit accounts	45	44	33	165	137
Gain on sale of loans	127	-	-	335	321
Gain (loss) on sale of other real estate owned	-	-	(100)	(77)	(100)
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	85	87	76	337	542
Total non-interest income	257	131	9	760	900
OPERATING EXPENSES					
Salaries and benefits	730	666	704	2,766	2,904
Premises and fixed assets	137	140	139	574	561
Other	434	448	455	1,805	1,952
Total operating expenses	1,301	1,254	1,298	5,145	5,417
Income before income taxes	775	563	244	2,294	1,559
Income taxes	318	231	100	941	641
NET INCOME	\$ 457	\$ 332	\$ 144	\$ 1,353	\$ 918
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.38	\$ 0.27	\$ 0.12	\$ 1.09	\$ 0.73
Diluted earnings per share	\$ 0.35	\$ 0.25	\$ 0.11	\$ 1.02	\$ 0.68
Average common shares outstanding	1,206,756	1,234,156	1,252,000	1,236,141	1,252,000
Average common and equivalent shares outstanding	1,304,164	1,330,424	1,347,958	1,330,522	1,343,211
PERFORMANCE MEASURES					
Return on average assets	0.94%	0.70%	0.33%	0.73%	0.54%
Return on average equity	11.74%	8.58%	3.90%	8.85%	6.41%
Net interest margin	3.85%	3.70%	3.66%	3.78%	3.74%
Efficiency ratio	62.67%	69.01%	84.18%	69.16%	77.65%