

Cornerstone Community Bank Reports Financial Results For the Second Quarter Ended June 30, 2014

Red Bluff, CA – July 18, 2014 – Cornerstone Community Bank, (OTCBB: CRSB), announced today its financial results for the second quarter ended June 30, 2014.

The Bank reported net income of \$169,000 for the three months ended June 30, 2014 compared to net income of \$282,000 for the same period last year. Prior year results were impacted by an \$86,000 gain on the sale of securities and current year results were impacted by the \$115,000 provision for income taxes as the Bank became fully taxable during 2014. Diluted earnings per share for the three months ended June 30, 2014 were \$0.13 compared to \$0.22 for the same period last year. Net income for the six months ended June 30, 2014 was \$300,000, or \$0.23 per diluted share compared to net income of \$522,000, or \$0.40 per diluted share, for the six months ended June 30, 2013. Prior year results were impacted by an \$86,000 gain on the sale of securities and current year results were impacted by the \$197,000 provision for income taxes as the Bank became fully taxable during 2014.

The return on average assets for the three months ended June 30, 2014 was 0.51% compared to 0.97% for the same period last year. The return on average equity was 5.18% for the three months ended June 30, 2014 compared to 9.24% for the same period last year. For the six months ended June 30, 2014, the return on average assets was 0.46% and the return on average equity was 4.66% compared to 0.91% and 8.63%, respectively, for the six months ended June 30, 2013.

“The positive trends in loan and deposit growth continue. Year-over-year loan growth of 32% and deposit growth of 26% position the bank well for the remainder of the year,” said President and CEO Jeff Finck.

Net Interest Income

Net interest income of \$1,353,000 for the quarter ended June 30, 2014 represented an increase of \$191,000, or 16%, from \$1,162,000 for the same quarter one year earlier. The net interest margin increased to 4.32% during the quarter ended June 30, 2014 compared to 4.20% during the same quarter last year. For the six months ended June 30, 2014, net interest income was \$2,672,000 compared to \$2,369,000 for the six months ending June 30, 2013 representing an increase of \$303,000, or 13%. The net interest margin increased to 4.37% for the six months ended June 30, 2014 compared to 4.34% for the six months ended June 30, 2013.

Provision for credit losses

The provision for credit losses for the quarter ended June 30, 2014 was \$50,000. There was no provision for credit losses for the quarter ended June 30, 2013. The provision for credit losses

for the six months ended June 30, 2014 was \$74,000 compared to \$85,000 for the six months ended June 30, 2013.

Non-Interest Income

The Bank's non-interest income for the quarter ended June 30, 2014 was \$160,000 compared to \$234,000 for the quarter ended June 30, 2013. For the six months ended June 30, 2014, non-interest income was \$270,000 compared to \$373,000 for the same period last year. Prior year results for both the three and six months ended June 30, 2013 included an \$86,000 gain on the sale of securities.

Non-Interest Expense

Non-interest expense was \$1,179,000 for the quarter ended June 30, 2014 compared to \$1,114,000 for the same period one year earlier. For the six months ended June 30, 2014, non-interest expense was \$2,371,000 compared to \$2,135,000 for the same period last year.

Balance Sheet

The Bank had total assets at June 30, 2014 of \$147.1 million, compared to \$118.3 million at June 30, 2013, representing growth of \$28.8 million, or 24%.

Total loans outstanding, including loans held for sale, at June 30, 2014, were \$111.9 million compared to \$85.0 million at June 30, 2013, representing an increase of \$26.9 million, or 32%.

Total deposits were \$133.5 million at June 30, 2014 compared to total deposits of \$105.9 million at June 30, 2013, representing an increase of \$27.6 million, or 26%.

Credit Quality

The allowance for loan losses was \$1,464,000, or 1.35% of loans, net of unearned income at June 30, 2014, compared to \$1,450,000, or 1.76% of loans, net of unearned income at June 30, 2013. Nonperforming assets at June 30, 2014 were \$183,000 compared to \$268,000 at June 30, 2013.

The bank recognized \$8,000 in net loan charge-offs during the six months ended June 30, 2014, representing 0.02% of average loans on an annualized basis.

Capital Adequacy

At June 30, 2014, shareholders' equity totaled \$13.1 million compared to \$12.0 million at June 30, 2013. At June 30, 2014, the total risk-based capital ratio, tier one capital ratio, and leverage ratio was 11.78%, 10.57% and 9.70%, respectively, all exceeding the regulatory standards for "well-capitalized" institutions of 10.00%, 6.00% and 5.00%, respectively.

About Cornerstone Community Bank

Cornerstone Community Bank is a California state-chartered bank with its headquarters office in Red Bluff and a branch office in Redding. The Bank provides commercial banking services, including a wide variety of deposit products and real estate, construction, commercial and consumer loans to small businesses, professionals and 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 Bank 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 Bank'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 Bank is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than Cornerstone Community Bank; 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 Bank does not undertake to update forward-looking statements to reflect subsequent circumstances or events.

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

	06/30/14	03/31/14	12/31/13	09/30/13	06/30/13
ASSETS					
Cash and due from banks	\$ 4,268	\$ 3,203	\$ 2,025	\$ 2,717	\$ 2,950
Federal funds sold	-	-	-	-	-
Interest-bearing deposits	11,113	533	875	6,296	2,796
Investment securities	14,988	15,250	21,131	21,866	23,104
Loans held for sale	3,072	3,134	2,726	2,622	2,603
Loans, net of unearned income	108,796	99,960	90,173	84,751	82,381
Allowance for loan losses	(1,464)	(1,415)	(1,399)	(1,397)	(1,450)
Loans, net	107,332	98,545	88,774	83,354	80,931
Premises and equipment, net	1,010	1,049	1,109	1,015	1,041
Other assets	5,288	5,134	5,234	4,900	4,854
Total assets	\$ 147,071	\$ 126,848	\$ 121,874	\$ 122,770	\$ 118,279

LIABILITIES

Deposits:

Demand noninterest-bearing	\$ 23,434	\$ 19,198	\$ 15,984	\$ 20,377	\$ 19,892
Demand interest-bearing	17,128	19,404	17,521	18,220	16,110
Money market and savings	45,942	41,072	42,814	41,044	40,123
Time deposits of less than \$100,000	17,719	13,298	11,045	11,118	11,236
Time deposits of \$100,000 or more	29,321	18,579	18,736	19,416	18,578
Total deposits	133,544	111,551	106,100	110,175	105,939
Other borrowings	-	2,000	3,000	-	-
Other liabilities	454	464	300	391	311
Total liabilities	133,998	114,015	109,400	110,566	106,250

SHAREHOLDERS' EQUITY

Common stock	12,057	12,057	12,057	11,959	11,959
Additional paid-in capital	924	903	877	886	859
Accumulated deficit	(65)	(234)	(365)	(623)	(917)
Accumulated other comprehensive income (loss)	157	107	(95)	(18)	128
Total shareholders' equity	13,073	12,833	12,474	12,204	12,029
Total liabilities and shareholders' equity	\$ 147,071	\$ 126,848	\$ 121,874	\$ 122,770	\$ 118,279

CAPITAL ADEQUACY

Tier I leverage ratio	9.70%	9.81%	10.00%	9.97%	10.06%
Tier I risk-based capital ratio	10.57%	11.35%	12.02%	12.36%	12.45%
Total risk-based capital ratio	11.78%	12.60%	13.27%	13.61%	13.71%
Total equity / total assets	8.89%	10.12%	10.24%	9.94%	10.17%
Book value per share	\$ 10.79	\$ 10.59	\$ 10.29	\$ 10.17	\$ 10.02

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

	Three months ended			Six months ended	
	06/30/14	03/31/14	06/30/13	06/30/14	06/30/13
INTEREST INCOME					
Loans	\$ 1,397	\$ 1,275	\$ 1,143	\$ 2,672	\$ 2,327
Federal funds sold	-	-	-	-	-
Investment securities	69	155	163	224	333
Other	10	10	2	20	4
Total interest income	1,476	1,440	1,308	2,916	2,664
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	5	5	7	10	13
Money market and savings	47	58	75	105	149
Time deposits	70	57	64	127	133
Other	1	1	-	2	-
Total interest expense	123	121	146	244	295
Net interest income	1,353	1,319	1,162	2,672	2,369
Provision for credit losses	50	24	-	74	85
Net interest income after provision for credit losses	1,303	1,295	1,162	2,598	2,284
NON-INTEREST INCOME					
Service charges on deposit accounts	26	19	33	45	60
Gain on sale of SBA loans	-	-	-	-	-
Gain on sale of securities	-	(6)	86	(6)	86
Other non-interest income	134	97	115	231	227
Total non-interest income	160	110	234	270	373
OPERATING EXPENSES					
Salaries and benefits	620	638	554	1,258	1,108
Premises and fixed assets	139	139	128	278	254
Other	420	415	432	835	773
Total operating expenses	1,179	1,192	1,114	2,371	2,135
Income before income taxes	284	213	282	497	522
Income taxes	115	82	-	197	-
NET INCOME	\$ 169	\$ 131	\$ 282	\$ 300	\$ 522
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.14	\$ 0.11	\$ 0.24	\$ 0.25	\$ 0.44
Diluted earnings per share	\$ 0.13	\$ 0.10	\$ 0.22	\$ 0.23	\$ 0.40
Average common shares outstanding	1,212,000	1,212,000	1,200,000	1,212,000	1,200,000
Average common and equivalent shares outstanding	1,321,752	1,316,906	1,298,059	1,319,415	1,295,561
PERFORMANCE MEASURES					
Return on average assets	0.51%	0.41%	0.97%	0.46%	0.91%
Return on average equity	5.18%	4.11%	9.24%	4.66%	8.63%
Net interest margin	4.32%	4.42%	4.20%	4.37%	4.34%
Efficiency ratio	77.92%	83.41%	79.80%	80.59%	77.86%