

Cornerstone Community Bank Reports Financial Results For the Third Quarter Ended September 30, 2014

Red Bluff, CA – October 22, 2014 – Cornerstone Community Bank, (OTCBB: **CRSB**), announced today its financial results for the third quarter ended September 30, 2014.

The Bank reported net income of \$225,000 for the three months ended September 30, 2014 compared to net income of \$295,000 for the same period last year. Current quarter results were impacted by the \$151,000 provision for income taxes as the Bank became fully taxable during 2014. Income before income taxes increased by 27% for the three months ended September 30, 2014 compared to the same period last year. Diluted earnings per share for the three months ended September 30, 2014 were \$0.17 compared to \$0.23 for the same period last year.

Net income for the nine months ended September 30, 2014 was \$525,000, or \$0.40 per diluted share compared to net income of \$817,000, or \$0.63 per diluted share, for the nine months ended September 30, 2013. Current year results were impacted by the \$348,000 provision for income taxes as the Bank became fully taxable during 2014. Income before income taxes increased by 7% for the nine months ended September 30, 2014 compared to the same period last year.

The return on average assets for the three months ended September 30, 2014 was 0.60% and the return on average equity was 6.78%. For the nine months ended September 30, 2014, the return on average assets was 0.51% and the return on average equity was 5.38%.

President and CEO, Jeff Finck, stated “During the last twelve months, the loan portfolio has increased by an average of \$2.4 million per month. Credit quality remains excellent with only \$60,000 in nonperforming assets at quarter-end. Our continuing growth is the direct result of a dedicated staff and customers who appreciate a true community bank experience.”

Net Interest Income

Net interest income of \$1,563,000 for the quarter ended September 30, 2014 represented an increase of \$387,000, or 33%, from \$1,176,000 for the same quarter one year earlier. The net interest margin increased to 4.32% during the quarter ended September 30, 2014 compared to 4.10% during the same quarter last year. For the nine months ended September 30, 2014, net interest income was \$4,235,000 compared to \$3,545,000 for the nine months ended September 30, 2013 representing an increase of \$690,000, or 19%. The net interest margin increased to 4.35% for the nine months ended September 30, 2014 compared to 4.26% for the nine months ended September 30, 2013.

Provision for credit losses

The provision for credit losses for the quarter ended September 30, 2014 was \$150,000. The Bank recorded a negative provision for credit losses of \$50,000 for the quarter ended September 30, 2013. The provision for credit losses for the nine months ended September 30, 2014 was \$224,000 compared to \$35,000 for the nine months ended September 30, 2013.

Non-Interest Income

The Bank's non-interest income for the quarter ended September 30, 2014 was \$251,000 compared to \$148,000 for the quarter ended September 30, 2013. For the nine months ended September 30, 2014 and 2013, non-interest income was \$521,000.

Non-Interest Expense

Non-interest expense was \$1,288,000 for the quarter ended September 30, 2014 compared to \$1,079,000 for the same period one year earlier. For the nine months ended September 30, 2014, non-interest expense was \$3,659,000 compared to \$3,214,000 for the same period last year.

Balance Sheet

The Bank had total assets at September 30, 2014 of \$144.9 million, compared to \$122.8 million at September 30, 2013, representing growth of \$22.1 million, or 18%.

Total loans outstanding at September 30, 2014, were \$116.0 million compared to \$87.4 million at September 30, 2013, representing an increase of \$28.6 million, or 33%.

Total deposits were \$131.1 million at September 30, 2014 compared to total deposits of \$110.2 million at September 30, 2013, representing an increase of \$20.9 million, or 19%.

Credit Quality

The allowance for loan losses was \$1,607,000, or 1.39% of loans, net of unearned income at September 30, 2014, compared to \$1,397,000, or 1.65% of loans, net of unearned income at September 30, 2013. Nonperforming assets at September 30, 2014 were \$60,000 compared to \$250,000 at September 30, 2013.

The bank recognized \$15,000 in net loan charge-offs during the nine months ended September 30, 2014, representing 0.02% of average loans on an annualized basis.

Capital Adequacy

At September 30, 2014, shareholders' equity totaled \$13.3 million compared to \$12.2 million at September 30, 2013. At September 30, 2014, the total risk-based capital ratio, tier one capital ratio, and leverage ratio was 11.81%, 10.56% and 8.81%, 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)

	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13
ASSETS					
Cash and due from banks	\$ 2,657	\$ 4,268	\$ 3,203	\$ 2,025	\$ 2,717
Federal funds sold	-	-	-	-	-
Interest-bearing deposits	10,401	11,113	533	875	6,296
Investment securities	11,378	14,988	15,250	21,131	21,866
Loans held for sale	-	3,072	3,134	2,726	2,622
Loans, net of unearned income	115,954	108,796	99,960	90,173	84,751
Allowance for loan losses	(1,607)	(1,464)	(1,415)	(1,399)	(1,397)
Loans, net	114,347	107,332	98,545	88,774	83,354
Premises and equipment, net	958	1,010	1,049	1,109	1,015
Other assets	5,202	5,288	5,134	5,234	4,900
Total assets	\$ 144,943	\$ 147,071	\$ 126,848	\$ 121,874	\$ 122,770

LIABILITIES

Deposits:

Demand noninterest-bearing	\$ 23,566	\$ 23,434	\$ 19,198	\$ 15,984	\$ 20,377
Demand interest-bearing	15,817	17,128	19,404	17,521	18,220
Money market and savings	45,221	45,942	41,072	42,814	41,044
Time deposits of less than \$100,000	17,824	17,719	13,298	11,045	11,118
Time deposits of \$100,000 or more	28,656	29,321	18,579	18,736	19,416
Total deposits	131,084	133,544	111,551	106,100	110,175
Other borrowings	-	-	2,000	3,000	-
Other liabilities	510	454	464	300	391
Total liabilities	131,594	133,998	114,015	109,400	110,566

SHAREHOLDERS' EQUITY

Common stock	12,171	12,057	12,057	12,057	11,959
Additional paid-in capital	924	924	903	877	886
Retained Earnings	160	(65)	(234)	(365)	(623)
Accumulated other comprehensive income (loss)	94	157	107	(95)	(18)
Total shareholders' equity	13,349	13,073	12,833	12,474	12,204
Total liabilities and shareholders' equity	\$ 144,943	\$ 147,071	\$ 126,848	\$ 121,874	\$ 122,770

CAPITAL ADEQUACY

Tier I leverage ratio	8.81%	9.70%	9.81%	10.00%	9.97%
Tier I risk-based capital ratio	10.56%	10.57%	11.35%	12.02%	12.36%
Total risk-based capital ratio	11.81%	11.78%	12.60%	13.27%	13.61%
Total equity / total assets	9.21%	8.89%	10.12%	10.24%	9.94%
Book value per share	\$ 10.84	\$ 10.79	\$ 10.59	\$ 10.29	\$ 10.17

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

	Three months ended			Nine months ended	
	09/30/14	06/30/14	09/30/13	09/30/14	09/30/13
INTEREST INCOME					
Loans	\$ 1,565	\$ 1,397	\$ 1,150	\$ 4,237	\$ 3,477
Federal funds sold	-	-	-	-	-
Investment securities	104	69	152	328	485
Other	19	10	15	39	19
Total interest income	1,688	1,476	1,317	4,604	3,981
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	5	5	6	15	19
Money market and savings	31	47	66	136	215
Time deposits	89	70	69	216	202
Other	-	1	-	2	-
Total interest expense	125	123	141	369	436
Net interest income	1,563	1,353	1,176	4,235	3,545
Provision for credit losses	150	50	(50)	224	35
Net interest income after provision for credit losses	1,413	1,303	1,226	4,011	3,510
NON-INTEREST INCOME					
Service charges on deposit accounts	31	26	27	76	87
Gain on sale of SBA loans	-	-	-	-	-
Gain (loss) on sale of other real estate owned	(23)	-	-	(23)	-
Gain on sale of securities	107	-	-	101	86
Other non-interest income	136	134	121	367	348
Total non-interest income	251	160	148	521	521
OPERATING EXPENSES					
Salaries and benefits	671	620	535	1,929	1,643
Premises and fixed assets	149	139	137	427	391
Other	468	420	407	1,303	1,180
Total operating expenses	1,288	1,179	1,079	3,659	3,214
Income before income taxes	376	284	295	873	817
Income taxes	151	115	-	348	-
NET INCOME	\$ 225	\$ 169	\$ 295	\$ 525	\$ 817
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.18	\$ 0.14	\$ 0.25	\$ 0.43	\$ 0.68
Diluted earnings per share	\$ 0.17	\$ 0.13	\$ 0.23	\$ 0.40	\$ 0.63
Average common shares outstanding	1,216,783	1,212,000	1,200,000	1,213,612	1,200,000
Average common and equivalent shares outstanding	1,324,252	1,321,752	1,302,209	1,321,085	1,297,859
PERFORMANCE MEASURES					
Return on average assets	0.60%	0.51%	0.98%	0.51%	0.93%
Return on average equity	6.78%	5.18%	9.74%	5.38%	9.00%
Net interest margin	4.32%	4.32%	4.10%	4.35%	4.26%
Efficiency ratio	71.00%	77.92%	81.50%	76.93%	79.05%