

## **Cornerstone Community Bancorp Reports Financial Results For the Fourth Quarter and Full Year Ended December 31, 2015**

**Red Bluff, CA – February 3, 2016** – Cornerstone Community Bancorp, (OTC Pink: CRSB), announced today its financial results for the fourth quarter and full year ended December 31, 2015.

The Company reported net income of \$144,000 for the three months ended December 31, 2015 compared to net income of \$229,000 for the same period last year. Diluted earnings per share for the three months ended December 31, 2015 were \$0.11 compared to \$0.17 for the same period last year.

Net income for the year ended December 31, 2015 was \$918,000, or \$0.68 per diluted share compared to net income of \$754,000, or \$0.57 per diluted share, for the year ended December 31, 2014.

The return on average assets for the three months ended December 31, 2015 was 0.33% and the return on average equity was 3.90%. For the year ended December 31, 2015, the return on average assets was 0.54% and the return on average equity was 6.41%.

President and CEO, Jeff Finck, stated, “In 2015, we formed the bank holding company and raised additional capital for future growth. Our book value increased by 7% to \$11.71 per share and our diluted earnings per share increased by 19% to \$0.68 per share. The capital raise and our 2015 operating performance set the stage for continued solid growth heading into 2016.”

### **Net Interest Income**

Net interest income was \$1,533,000 for the quarter ended December 31, 2015 compared to \$1,529,000 for the same quarter one year earlier. For the year ended December 31, 2015, net interest income was \$6,076,000 compared to \$5,764,000 for the year ended December 31, 2014 representing an increase of \$312,000, or 5%.

### **Provision for credit losses**

There was no provision for credit losses for the quarters ended December 31, 2015 and December 31, 2014. There was no provision for credit losses for the year ended December 31, 2015 compared to \$224,000 for the year ended December 31, 2014.

### **Non-Interest Income**

Non-interest income for the quarter ended December 31, 2015 was \$9,000 compared to \$162,000 for the quarter ended December 31, 2014. For the year ended December 31, 2015, non-interest income was \$900,000 compared to \$683,000 for the year ended December 31, 2014.

## **Non-Interest Expense**

Non-interest expense was \$1,298,000 for the quarter ended December 31, 2015 compared to \$1,291,000 for the same period one year earlier. For the year ended December 31, 2015, non-interest expense was \$5,417,000 compared to \$4,950,000 for the same period last year.

## **Balance Sheet**

The Company had total assets at December 31, 2015 of \$171.1 million, compared to \$149.1 million at December 31, 2014, representing growth of \$22.0 million, or 15%.

Total loans outstanding at December 31, 2015, were \$137.1 million compared to \$124.5 million at December 31, 2014, representing an increase of \$12.6 million, or 10%.

Total deposits were \$136.1 million at December 31, 2015 compared to total deposits of \$134.9 million at December 31, 2014, representing an increase of \$1.2 million, or 1%.

## **Credit Quality**

The allowance for loan losses was \$1,619,000, or 1.18% of loans, net of unearned income at December 31, 2015, compared to \$1,605,000, or 1.29% of loans, net of unearned income at December 31, 2014. Nonperforming assets at December 31, 2015 were \$381,000 compared to \$34,000 at December 31, 2014.

The bank recognized \$14,804 in net loan recoveries during the year ended December 31, 2015.

## **Capital**

At December 31, 2015, shareholders' equity totaled \$14.7 million compared to \$13.7 million at December 31, 2014.

## **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](http://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.*

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**CORNERSTONE COMMUNITY BANCORP**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(Dollars in Thousands)

	<u>12/31/15</u>	<u>09/30/15</u>	<u>06/30/15</u>	<u>03/31/15</u>	<u>12/31/14</u>
<b>ASSETS</b>					
Cash and due from banks	\$ 3,207	\$ 1,575	\$ 3,172	\$ 3,982	\$ 2,750
Federal funds sold	-	-	-	-	-
Interest-bearing deposits	15,877	15,647	16,364	21,281	6,070
Investment securities	9,640	9,906	10,097	10,511	11,149
Loans held for sale	-	-	3,309	-	-
Loans, net of unearned income	137,057	137,725	133,744	127,045	124,517
Allowance for loan losses	(1,619)	(1,613)	(1,612)	(1,608)	(1,605)
Loans, net	135,438	136,112	132,132	125,437	122,912
Premises and equipment, net	1,013	995	793	851	909
Other assets	5,903	8,092	5,313	5,157	5,295
Total assets	<u>\$ 171,078</u>	<u>\$ 172,327</u>	<u>\$ 171,180</u>	<u>\$ 167,219</u>	<u>\$ 149,085</u>
<b>LIABILITIES</b>					
Deposits:					
Demand noninterest-bearing	\$ 22,269	\$ 23,797	\$ 29,223	\$ 29,852	\$ 24,702
Demand interest-bearing	20,605	20,143	17,667	20,607	21,566
Money market and savings	45,256	43,381	39,605	54,169	42,114
Time deposits of less than \$100,000	15,092	15,125	16,277	16,239	17,939
Time deposits of \$100,000 or more	32,889	34,735	33,895	26,798	28,606
Total deposits	136,111	137,181	136,667	147,665	134,927
Federal Home Loan Bank borrowings	15,000	15,000	15,000	-	-
Subordinated debentures	4,874	4,874	4,872	4,870	-
Interest payable and other liabilities	430	736	512	668	456
Total liabilities	<u>156,415</u>	<u>157,791</u>	<u>157,051</u>	<u>153,203</u>	<u>135,383</u>
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	13,257	13,234	13,209	13,185	13,161
Retained Earnings	1,307	1,162	803	615	389
Accumulated other comprehensive income (loss)	99	140	117	216	152
Total shareholders' equity	<u>14,663</u>	<u>14,536</u>	<u>14,129</u>	<u>14,016</u>	<u>13,702</u>
Total liabilities and shareholders' equity	<u>\$ 171,078</u>	<u>\$ 172,327</u>	<u>\$ 171,180</u>	<u>\$ 167,219</u>	<u>\$ 149,085</u>
Total equity / total assets	8.57%	8.44%	8.25%	8.38%	9.19%
Book value per share	\$ 11.71	\$ 11.61	\$ 11.29	\$ 11.19	\$ 10.94

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

	Three months ended			Year ended	
	12/31/15	09/30/15	12/31/14	12/31/15	12/31/14
<b>INTEREST INCOME</b>					
Loans	\$ 1,754	\$ 1,754	\$ 1,552	\$ 6,766	\$ 5,789
Federal funds sold	-	-	-	-	-
Investment securities	74	73	83	300	411
Other	33	35	17	140	56
Total interest income	1,861	1,862	1,652	7,206	6,256
<b>INTEREST EXPENSE</b>					
Deposits:					
Interest-bearing demand	11	8	5	29	20
Money market and savings	62	55	27	196	163
Time deposits	115	115	91	418	307
Other	140	156	-	487	2
Total interest expense	328	334	123	1,130	492
Net interest income	1,533	1,528	1,529	6,076	5,764
Provision for credit losses	-	-	-	-	224
Net interest income after provision for credit losses	1,533	1,528	1,529	6,076	5,540
<b>NON-INTEREST INCOME</b>					
Service charges on deposit accounts	33	38	32	137	108
Gain on sale of loans	-	321	-	321	-
Gain (loss) on sale of other real estate owned	(100)	-	-	(100)	(23)
Gain (loss) on sale of securities	-	-	-	-	101
Other non-interest income	76	166	130	542	497
Total non-interest income	9	525	162	900	683
<b>OPERATING EXPENSES</b>					
Salaries and benefits	704	753	715	2,904	2,644
Premises and fixed assets	139	143	138	561	565
Other	455	546	438	1,952	1,741
Total operating expenses	1,298	1,442	1,291	5,417	4,950
Income before income taxes	244	611	400	1,559	1,273
Income taxes	100	251	171	641	519
<b>NET INCOME</b>	\$ 144	\$ 360	\$ 229	\$ 918	\$ 754
<b>EARNINGS PER SHARE</b>					
Basic earnings per share	\$ 0.12	\$ 0.29	\$ 0.18	\$ 0.73	\$ 0.62
Diluted earnings per share	\$ 0.11	\$ 0.27	\$ 0.17	\$ 0.68	\$ 0.57
Average common shares outstanding	1,252,000	1,252,000	1,247,652	1,252,000	1,222,192
Average common and equivalent shares outstanding	1,347,958	1,340,377	1,339,125	1,343,211	1,325,511
<b>PERFORMANCE MEASURES</b>					
Return on average assets	0.33%	0.83%	0.61%	0.54%	0.54%
Return on average equity	3.90%	9.96%	6.70%	6.41%	5.72%
Net interest margin	3.66%	3.65%	4.26%	3.74%	4.32%
Efficiency ratio	84.18%	70.24%	76.35%	77.65%	76.78%