

## **Cornerstone Community Bank Reports Financial Results For the Fourth Quarter and Full Year Ended December 31, 2014**

**Red Bluff, CA – February 5, 2015** – Cornerstone Community Bank announced today its financial results for the fourth quarter and full year ended December 31, 2014.

The Bank reported net income of \$254,000 for the three months ended December 31, 2014 compared to net income of \$256,000 for the same period last year. Current quarter results were impacted by the \$171,000 provision for income taxes as the Bank became fully taxable during 2014. Income before income taxes increased by 59% for the three months ended December 31, 2014 compared to the same period last year. Diluted earnings per share for the three months ended December 31, 2014 were \$0.19 compared to \$0.20 for the same period last year.

Net income for the year ended December 31, 2014 was \$779,000, or \$0.59 per diluted share compared to net income of \$1,073,000, or \$0.83 per diluted share, for the year ended December 31, 2013. Current year results were impacted by the \$519,000 provision for income taxes as the Bank became fully taxable during 2014. Income before income taxes increased by 20% for the year ended December 31, 2014 compared to the same period last year.

The return on average assets for the three months ended December 31, 2014 was 0.68% and the return on average equity was 7.43%. For the year ended December 31, 2014, the return on average assets was 0.55% and the return on average equity was 5.91%.

President and CEO, Jeff Finck, commented “We are pleased with our fourth quarter and full year results, particularly the 59% growth in income before income taxes during the fourth quarter and the 38% growth in loans during the year. This performance and our recent formation of the bank holding company, Cornerstone Community Bancorp, position us well for future growth and opportunities.”

Yesterday, Cornerstone Community Bancorp, (**OTCQB: CRSB**), announced the completion of the process of forming a bank holding company and the transfer of ownership of Cornerstone Community Bank to Cornerstone Community Bancorp. On January 30, 2015, Cornerstone Community Bank became a wholly-owned subsidiary of Cornerstone Community Bancorp. Yesterday, the company’s stock began trading under the name Cornerstone Community Bancorp instead of Cornerstone Community Bank using the same ticker symbol – CRSB.

### **Net Interest Income**

Net interest income was \$1,529,000 for the quarter ended December 31, 2014 representing an increase of \$292,000, or 24%, from \$1,237,000 for the same period one year earlier. The net interest margin increased to 4.26% during the quarter ended December 31, 2014 compared to 4.18% during the same period last year. For the year ended December 31, 2014, net interest income was \$5,764,000 compared to \$4,782,000 for the year ended December 31, 2013

representing an increase of \$982,000, or 21%. The net interest margin increased to 4.32% for the year ended December 31, 2014 compared to 4.24% for the year ended December 31, 2013.

### **Provision for credit losses**

There was no provision for credit losses recorded for the quarters ended December 31, 2014 and December 31, 2013. The provision for credit losses for the year ended December 31, 2014 was \$224,000 compared to \$35,000 for the year ended December 31, 2013.

### **Non-Interest Income**

The Bank's non-interest income for the quarter ended December 31, 2014 was \$162,000 compared to \$154,000 for the quarter ended December 31, 2013. For the year ended December 31, 2014, non-interest income was \$683,000 compared to \$675,000 for the year ended December 31, 2013.

### **Non-Interest Expense**

Non-interest expense was \$1,266,000 for the quarter ended December 31, 2014 compared to \$1,123,000 for the same period one year earlier. For the year ended December 31, 2014, non-interest expense was \$4,925,000 compared to \$4,337,000 for the same period last year.

### **Balance Sheet**

The Bank had total assets at December 31, 2014 of \$149.2 million, compared to \$121.9 million at December 31, 2013, representing growth of \$27.3 million, or 22%.

Total loans outstanding at December 31, 2014 were \$124.5 million compared to \$90.2 million at December 31, 2013, representing an increase of \$34.3 million, or 38%.

Total deposits were \$134.9 million at December 31, 2014 compared to total deposits of \$106.1 million at December 31, 2013, representing an increase of \$28.8 million, or 27%.

### **Credit Quality**

The allowance for loan losses was \$1,605,000, or 1.29% of loans, net of unearned income at December 31, 2014, compared to \$1,399,000, or 1.55% of loans, net of unearned income at December 31, 2013. Nonperforming assets at December 31, 2014 were \$34,000 compared to \$207,000 at December 31, 2013. The bank recognized \$17,000 in net loan charge-offs during the year ended December 31, 2014, representing 0.02% of average loans.

### **Capital Adequacy**

At December 31, 2014, shareholders' equity totaled \$13.8 million compared to \$12.5 million at December 31, 2013. At December 31, 2014, the total risk-based capital ratio, tier one capital ratio, and leverage ratio was 11.32%, 10.09% and 9.11%, 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](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 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)

	<u>12/31/14</u>	<u>09/30/14</u>	<u>06/30/14</u>	<u>03/31/14</u>	<u>12/31/13</u>
<b>ASSETS</b>					
Cash and due from banks	\$ 2,750	\$ 2,657	\$ 4,268	\$ 3,203	\$ 2,025
Federal funds sold	-	-	-	-	-
Interest-bearing deposits	6,070	10,401	11,113	533	875
Investment securities	11,149	11,378	14,988	15,250	21,131
Loans held for sale	-	-	3,072	3,134	2,726
Loans, net of unearned income	124,547	115,954	108,796	99,960	90,173
Allowance for loan losses	(1,605)	(1,607)	(1,464)	(1,415)	(1,399)
Loans, net	122,942	114,347	107,332	98,545	88,774
Premises and equipment, net	909	958	1,010	1,049	1,109
Other assets	5,340	5,202	5,288	5,134	5,234
Total assets	<u>\$ 149,160</u>	<u>\$ 144,943</u>	<u>\$ 147,071</u>	<u>\$ 126,848</u>	<u>\$ 121,874</u>

**LIABILITIES**

Deposits:

Demand noninterest-bearing	\$ 24,707	\$ 23,566	\$ 23,434	\$ 19,198	\$ 15,984
Demand interest-bearing	21,566	15,817	17,128	19,404	17,521
Money market and savings	42,114	45,221	45,942	41,072	42,814
Time deposits of less than \$100,000	18,799	17,824	17,719	13,298	11,045
Time deposits of \$100,000 or more	27,746	28,656	29,321	18,579	18,736
Total deposits	134,932	131,084	133,544	111,551	106,100
Other borrowings	-	-	-	2,000	3,000
Other liabilities	448	510	454	464	300
Total liabilities	<u>135,380</u>	<u>131,594</u>	<u>133,998</u>	<u>114,015</u>	<u>109,400</u>

**SHAREHOLDERS' EQUITY**

Common stock	12,285	12,171	12,057	12,057	12,057
Additional paid-in capital	929	924	924	903	877
Retained Earnings	414	160	(65)	(234)	(365)
Accumulated other comprehensive income (loss)	152	94	157	107	(95)
Total shareholders' equity	13,780	13,349	13,073	12,833	12,474
Total liabilities and shareholders' equity	<u>\$ 149,160</u>	<u>\$ 144,943</u>	<u>\$ 147,071</u>	<u>\$ 126,848</u>	<u>\$ 121,874</u>

**CAPITAL ADEQUACY**

Tier I leverage ratio	9.11%	8.81%	9.70%	9.81%	10.00%
Tier I risk-based capital ratio	10.09%	10.56%	10.57%	11.35%	12.02%
Total risk-based capital ratio	11.32%	11.81%	11.78%	12.60%	13.27%
Total equity / total assets	9.24%	9.21%	8.89%	10.12%	10.24%
Book value per share	\$ 11.01	\$ 10.84	\$ 10.79	\$ 10.59	\$ 10.29

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

	Three months ended			Year ended	
	12/31/14	09/30/14	12/31/13	12/31/14	12/31/13
<b>INTEREST INCOME</b>					
Loans	\$ 1,552	\$ 1,565	\$ 1,200	\$ 5,789	\$ 4,677
Federal funds sold	-	-	-	-	-
Investment securities	83	104	161	411	646
Other	17	19	10	56	29
Total interest income	1,652	1,688	1,371	6,256	5,352
<b>INTEREST EXPENSE</b>					
Deposits:					
Interest-bearing demand	5	5	6	20	25
Money market and savings	27	31	63	163	278
Time deposits	91	89	65	307	267
Other	-	-	-	2	-
Total interest expense	123	125	134	492	570
Net interest income	1,529	1,563	1,237	5,764	4,782
Provision for credit losses	-	150	-	224	35
Net interest income after provision for credit losses	1,529	1,413	1,237	5,540	4,747
<b>NON-INTEREST INCOME</b>					
Service charges on deposit accounts	32	31	22	108	109
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	130	136	132	497	480
Total non-interest income	162	251	154	683	675
<b>OPERATING EXPENSES</b>					
Salaries and benefits	715	671	605	2,644	2,248
Premises and fixed assets	138	149	139	565	530
Other	413	468	379	1,716	1,559
Total operating expenses	1,266	1,288	1,123	4,925	4,337
Income before income taxes	425	376	268	1,298	1,085
Income taxes	171	151	12	519	12
<b>NET INCOME</b>	<b>\$ 254</b>	<b>\$ 225</b>	<b>\$ 256</b>	<b>\$ 779</b>	<b>\$ 1,073</b>
<b>EARNINGS PER SHARE</b>					
Basic earnings per share	\$ 0.20	\$ 0.18	\$ 0.21	\$ 0.64	\$ 0.89
Diluted earnings per share	\$ 0.19	\$ 0.17	\$ 0.20	\$ 0.59	\$ 0.83
Average common shares outstanding	1,247,652	1,216,783	1,206,130	1,222,192	1,201,545
Average common and equivalent shares outstanding	1,339,125	1,324,252	1,307,931	1,325,511	1,300,406
<b>PERFORMANCE MEASURES</b>					
Return on average assets	0.68%	0.60%	0.82%	0.55%	0.90%
Return on average equity	7.43%	6.78%	8.21%	5.91%	8.80%
Net interest margin	4.26%	4.32%	4.18%	4.32%	4.24%
Efficiency ratio	74.87%	71.00%	80.73%	76.39%	79.48%