

Cornerstone Community Bancorp Reports Financial Results For the Fourth Quarter and Full Year Ended December 31, 2019

Red Bluff, CA – January 29, 2020 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the fourth quarter ended December 31, 2019.

The Company reported net income of \$884,000 for the three months ended December 31, 2019 compared to net income of \$884,000 for the same period last year. Diluted earnings per share were \$0.58 for the three months ended December 31, 2019 compared to \$0.57 for the same period last year.

The return on average assets for the three months ended December 31, 2019 was 1.16% and the return on average equity was 13.87%. The net interest margin was 4.03% for the three months ended December 31, 2019 compared to 4.26% for the same period last year and the efficiency ratio declined to 58.78% for the three months ended December 31, 2019 compared to 60.76% for the same period last year.

For the year ended December 31, 2019, the Company reported net income of \$3,452,000 compared to net income of \$2,776,000 for the same period last year. Diluted earnings per share were \$2.27 for the year ended December 31, 2019 compared to \$1.84 for the same period last year.

The return on average assets for the year ended December 31, 2019 was 1.22% and the return on average equity was 14.33%.

President and CEO, Jeff Finck, stated, “The Company experienced solid loan, deposit and earnings growth in 2019. As we begin the new decade, we look forward to continuing to deliver outstanding service to our customers and moving local dreams forward.”

Net Interest Income

Net interest income increased to \$2,834,000 for the quarter ended December 31, 2019 compared to \$2,599,000 for the same quarter last year. For the year ended December 31, 2019, net interest income increased to \$10,971,000 compared to \$9,660,000 for the same period last year.

Provision for credit losses

The Company recorded a \$100,000 provision for credit losses for the quarter ended December 31, 2019 compared to \$130,000 for the same quarter last year. For the year ended December 31, 2019, the Company recorded a \$340,000 provision for credit losses compared to \$309,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended December 31, 2019 was \$201,000 compared to \$161,000 for the quarter ended December 31, 2018. For the year ended December 31, 2019, non-interest income was \$1,206,000 compared to \$695,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,784,000 for the quarter ended December 31, 2019 compared to \$1,677,000 for the same period last year. For the year ended December 31, 2019, non-interest expense was \$7,071,000 compared to \$6,459,000 for the same period last year.

Income Taxes

Fourth quarter 2018 income tax expense was impacted by tax benefits from the exercise of stock options.

Balance Sheet

The Company had total assets at December 31, 2019 of \$288.4 million compared to \$266.4 million at December 31, 2018.

Total loans, net of unearned income at December 31, 2019 were \$241.7 million compared to \$209.3 million at December 31, 2018.

Total deposits were \$253.4 million at December 31, 2019 compared to total deposits of \$232.3 million at December 31, 2018.

Credit Quality

The allowance for loan losses was \$2,409,000, or 1.00% of loans, net of unearned income at December 31, 2019, compared to \$2,152,000, or 1.03% of loans, net of unearned income at December 31, 2018. There were no nonperforming assets at December 31, 2019 and December 31, 2018.

Capital

At December 31, 2019, shareholders' equity totaled \$25.8 million compared to \$22.1 million at December 31, 2018. Book value per share was \$17.79 per share at December 31, 2019 compared to \$15.56 per share at December 31, 2018. During the second quarter of 2018, the Company completed a private placement of \$2.1 million of its common stock. In the offering, the Company issued 119,285 shares of its common stock at a purchase price of \$17.5 per share.

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 two banking offices

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.

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

	12/31/19	09/30/19	06/30/19	03/31/19	12/31/18
ASSETS					
Cash and due from banks	\$ 6,038	\$ 9,271	\$ 11,122	\$ 5,744	\$ 7,002
Federal funds sold	4,575	21,117	13,520	8,836	20
Interest-bearing deposits	2,825	15,779	8,166	11,186	24,730
Investment securities	13,355	5,577	7,010	7,720	9,284
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	241,662	233,342	222,199	214,476	209,330
Allowance for loan losses	(2,409)	(2,317)	(2,345)	(2,235)	(2,152)
Loans, net	239,253	231,025	219,854	212,241	207,178
Premises and equipment, net	11,216	11,297	11,316	10,154	8,740
Other assets	11,093	10,428	18,359	10,151	9,407
Total assets	<u>\$ 288,355</u>	<u>\$ 304,494</u>	<u>\$ 289,347</u>	<u>\$ 266,032</u>	<u>\$ 266,361</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 52,352	\$ 59,432	\$ 54,439	\$ 50,564	\$ 50,862
Demand interest-bearing	52,058	52,024	48,839	38,434	37,875
Money market and savings	74,560	81,926	79,614	74,628	75,015
Time deposits of less than \$100,000	18,395	18,957	19,331	15,099	15,778
Time deposits of \$100,000 or more	56,016	57,854	53,940	52,250	52,763
Total deposits	253,381	270,193	256,163	230,975	232,293
Federal Home Loan Bank borrowings	3,000	3,000	3,000	6,000	6,000
Subordinated debentures	4,914	4,911	4,908	4,906	4,903
Interest payable and other liabilities	1,235	1,543	1,325	1,190	1,100
Total liabilities	<u>262,530</u>	<u>279,647</u>	<u>265,396</u>	<u>243,071</u>	<u>244,296</u>
SHAREHOLDERS' EQUITY					
Common stock	15,264	15,146	15,122	15,088	15,001
Retained Earnings	10,510	9,626	8,753	7,842	7,058
Accumulated other comprehensive income (loss)	51	75	76	31	6
Total shareholders' equity	25,825	24,847	23,951	22,961	22,065
Total liabilities and shareholders' equity	<u>\$ 288,355</u>	<u>\$ 304,494</u>	<u>\$ 289,347</u>	<u>\$ 266,032</u>	<u>\$ 266,361</u>
Total equity / total assets	8.96%	8.16%	8.28%	8.63%	8.28%
Book value per share	\$ 17.79	\$ 17.34	\$ 16.71	\$ 16.02	\$ 15.56
Shares outstanding	1,452,041	1,433,041	1,433,041	1,433,041	1,418,041

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

	Three months ended			Year ended	
	12/31/19	09/30/19	12/31/18	12/31/19	12/31/18
INTEREST INCOME					
Loans	\$ 3,349	\$ 3,376	\$ 2,966	\$ 13,065	\$ 10,988
Federal funds sold	40	61	-	175	-
Investment securities	65	55	70	238	299
Other	130	113	198	444	565
Total interest income	<u>3,584</u>	<u>3,605</u>	<u>3,234</u>	<u>13,922</u>	<u>11,852</u>
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	50	40	22	139	70
Money market and savings	241	243	177	906	614
Time deposits	351	397	317	1,465	1,026
Other	108	108	119	441	482
Total interest expense	<u>750</u>	<u>788</u>	<u>635</u>	<u>2,951</u>	<u>2,192</u>
Net interest income	2,834	2,817	2,599	10,971	9,660
Provision for credit losses	100	40	130	340	309
Net interest income after provision for credit losses	<u>2,734</u>	<u>2,777</u>	<u>2,469</u>	<u>10,631</u>	<u>9,351</u>
NON-INTEREST INCOME					
Service charges on deposit accounts	61	64	59	255	223
Gain on sale of loans	-	-	-	417	74
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	140	140	102	534	398
Total non-interest income	<u>201</u>	<u>204</u>	<u>161</u>	<u>1,206</u>	<u>695</u>
OPERATING EXPENSES					
Salaries and benefits	887	907	887	3,636	3,442
Premises and fixed assets	239	228	173	859	627
Other	658	621	617	2,576	2,390
Total operating expenses	<u>1,784</u>	<u>1,756</u>	<u>1,677</u>	<u>7,071</u>	<u>6,459</u>
Income before income taxes	1,151	1,225	953	4,766	3,587
Income taxes	267	353	69	1,314	811
NET INCOME	<u>\$ 884</u>	<u>\$ 872</u>	<u>\$ 884</u>	<u>\$ 3,452</u>	<u>\$ 2,776</u>
EARNINGS PER SHARE					
Basic earnings per share	<u>\$ 0.61</u>	<u>\$ 0.61</u>	<u>\$ 0.63</u>	<u>\$ 2.41</u>	<u>\$ 2.03</u>
Diluted earnings per share	<u>\$ 0.58</u>	<u>\$ 0.57</u>	<u>\$ 0.57</u>	<u>\$ 2.27</u>	<u>\$ 1.84</u>
Average common shares outstanding	<u>1,442,639</u>	<u>1,433,041</u>	<u>1,407,785</u>	<u>1,435,255</u>	<u>1,365,944</u>
Average common and equivalent shares outstanding	<u>1,527,238</u>	<u>1,519,531</u>	<u>1,541,133</u>	<u>1,521,093</u>	<u>1,508,684</u>
PERFORMANCE MEASURES					
Return on average assets	1.16%	1.18%	1.36%	1.22%	1.13%
Return on average equity	13.87%	14.18%	15.99%	14.33%	13.51%
Net interest margin	4.03%	4.15%	4.26%	4.21%	4.18%
Efficiency ratio	58.78%	58.13%	60.76%	58.07%	62.38%