

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2020

Red Bluff, CA – October 21, 2020 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the third quarter ended September 30, 2020.

The Company reported net income of \$1,236,000 for the three months ended September 30, 2020 compared to net income of \$872,000 for the same period last year. Diluted earnings per share were \$0.81 for the three months ended September 30, 2020 compared to \$0.57 for the same period last year.

The return on average assets for the three months ended September 30, 2020 was 1.05% and the return on average equity was 17.36%. The tax-equivalent net interest margin was 2.99% for the three months ended September 30, 2020 compared to 4.15% for the same period last year and the efficiency ratio declined to 52.81% for the three months ended September 30, 2020 compared to 58.13% for the same period last year.

For the nine months ended September 30, 2020, the Company reported net income of \$2,567,000 compared to net income of \$2,568,000 for the same period last year. Diluted earnings per share were \$1.68 for the nine months ended September 30, 2020 compared to \$1.69 for the same period last year.

The return on average assets for the nine months ended September 30, 2020 was 0.85% and the return on average equity was 12.49%.

Net income for the nine months ended September 30, 2020 reflects a \$1.6 million provision for credit losses related to the economic uncertainties of the COVID-19 pandemic.

President and CEO, Jeff Finck stated, “We had another solid quarter with strong growth in loans and deposits. Credit quality remains excellent with no nonperforming assets.”

Net Interest Income

Net interest income increased to \$3,376,000 for the quarter ended September 30, 2020 compared to \$2,817,000 for the same quarter last year. For the nine months ended September 30, 2020, net interest income increased to \$9,371,000 compared to \$8,137,000 for the same period last year.

The Company's tax-equivalent net interest margin was 2.99% for the second quarter of 2020 and 3.28% for the nine months ended September 30, 2020.

Provision for credit losses

There was no provision for credit losses recorded for the quarter ended September 30, 2020 compared to \$40,000 for the same quarter last year. For the nine months ended September 30,

2020, the Company recorded a \$1,600,000 provision for credit losses compared to \$240,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2020 was \$296,000 compared to \$204,000 for the quarter ended September 30, 2019. For the nine months ended September 30, 2020, non-interest income was \$894,000 compared to \$1,005,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,939,000 for the quarter ended September 30, 2020 compared to \$1,756,000 for the same period last year. For the nine months ended September 30, 2020, non-interest expense was \$5,247,000 compared to \$5,287,000 for the same period last year.

Income Taxes

The provision for income taxes for the nine months ended September 30, 2020 was impacted by tax benefits from the exercise of stock options.

Balance Sheet

Interest-bearing deposits increased \$46.3 million at September 30, 2020 compared to September 30, 2019. Investment securities increased \$45.1 million at September 30, 2020 compared to September 30, 2019. Both increases were primarily due to increases in SBA PPP borrowers' deposit accounts and the Company's participation in the Federal Reserve's Paycheck Protection Program Liquidity Facility.

Total loans, net of unearned income at September 30, 2020 were \$342.4 million compared to \$233.3 million at September 30, 2019. The increase was due, in large part, to the \$82 million in SBA PPP loans originated during the year.

Total deposits were \$371.5 million at September 30, 2020 compared to total deposits of \$270.2 million at September 30, 2019. The increase was primarily due to increases in deposits from SBA PPP borrowers.

Borrowings and other obligations were \$78.1 million at September 30, 2020 compared to 3.0 million at September 30, 2019. The increase was primarily due to the Company's participation in the Federal Reserve's Paycheck Protection Program Liquidity Facility.

Credit Quality

The allowance for loan losses was \$4,009,000, or 1.17% of loans, net of unearned income at September 30, 2020, compared to \$2,317,000, or 0.99% of loans, net of unearned income at September 30, 2019. There were no nonperforming assets at September 30, 2020 and \$32,000 at September 30, 2019.

Capital

At September 30, 2020, shareholders' equity totaled \$28.9 million compared to \$24.8 million at September 30, 2019. Book value was \$19.38 per share at September 30, 2020 compared to \$17.34 per share at September 30, 2019.

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 release may contain certain forward-looking statements that are based on management's current expectations regarding economic, legislative, and regulatory issues that may impact Cornerstone Community Bancorp's earnings in future periods. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "intend," "estimate" or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may." Factors that could cause future results to vary materially from current management expectations include, but are not limited to, natural disasters (such as wildfires and earthquakes), pandemics such as COVID-19 and the economic impact caused directly by the disease and by government responses thereto, general economic conditions, economic uncertainty in the United States and abroad, changes in interest rates, deposit flows, real estate values, costs or effects of acquisitions, competition, changes in accounting principles, policies or guidelines, legislation or regulation (including the Tax Cuts & Jobs Act of 2017 and the Coronavirus Aid, Relief and Economic Security Act of 2020), interruptions of utility service in our markets for sustained periods, and other economic, competitive, governmental, regulatory and technological factors (including external fraud and cybersecurity threats) affecting Cornerstone Community Bancorp's operations, pricing, products and services. 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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	09/30/20	06/30/20	03/31/20	12/31/19	09/30/19
ASSETS					
Cash and due from banks	\$ 5,455	\$ 6,350	\$ 4,965	\$ 6,038	\$ 9,271
Federal funds sold	5,045	10,402	17,385	4,575	21,117
Interest-bearing deposits	62,110	73,310	18,928	2,825	15,779
Investment securities	50,699	16,173	13,144	13,355	5,577
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	342,416	333,620	250,353	241,662	233,342
Allowance for loan losses	(4,009)	(4,009)	(3,859)	(2,409)	(2,317)
Loans, net	338,407	329,611	246,494	239,253	231,025
Premises and equipment, net	10,992	11,095	11,180	11,216	11,297
Other assets	12,577	11,882	11,330	11,093	10,428
Total assets	\$ 485,285	\$ 458,823	\$ 323,426	\$ 288,355	\$ 304,494
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 103,824	\$ 96,395	\$ 58,357	\$ 52,352	\$ 59,432
Demand interest-bearing	104,819	90,633	51,608	52,058	52,024
Money market and savings	87,035	79,550	77,273	74,560	81,926
Time deposits of less than \$100,000	21,103	22,925	26,503	18,395	18,957
Time deposits of \$100,000 or more	54,695	51,919	54,274	56,016	57,854
Total deposits	371,476	341,422	268,015	253,381	270,193
Borrowings and other obligations	78,136	83,136	23,000	3,000	3,000
Subordinated debentures	4,923	4,920	4,917	4,914	4,911
Interest payable and other liabilities	1,854	1,765	1,382	1,235	1,543
Total liabilities	456,389	431,243	297,314	262,530	279,647
SHAREHOLDERS' EQUITY					
Common stock	15,462	15,440	15,336	15,264	15,146
Retained Earnings	13,077	11,841	10,557	10,510	9,626
Accumulated other comprehensive income (loss)	357	299	219	51	75
Total shareholders' equity	28,896	27,580	26,112	25,825	24,847
Total liabilities and shareholders' equity	\$ 485,285	\$ 458,823	\$ 323,426	\$ 288,355	\$ 304,494
Total equity / total assets	5.95%	6.01%	8.07%	8.96%	8.16%
Book value per share	\$ 19.38	\$ 18.50	\$ 17.63	\$ 17.79	\$ 17.34
Shares Outstanding	1,491,041	1,491,041	1,481,041	1,452,041	1,433,041

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

	Three months ended			Nine months ended	
	09/30/20	06/30/20	09/30/19	09/30/20	09/30/19
INTEREST INCOME					
Loans	\$ 3,695	\$ 3,612	\$ 3,376	\$ 10,663	\$ 9,716
Federal funds sold	1	4	61	22	135
Investment securities	161	82	55	333	173
Other	33	45	113	123	314
Total interest income	3,890	3,743	3,605	11,141	10,338
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	51	40	40	126	89
Money market and savings	79	119	243	384	665
Time deposits	198	260	397	789	1,114
Other	186	171	108	471	333
Total interest expense	514	590	788	1,770	2,201
Net interest income	3,376	3,153	2,817	9,371	8,137
Provision for credit losses	-	150	40	1,600	240
Net interest income after provision for credit losses	3,376	3,003	2,777	7,771	7,897
NON-INTEREST INCOME					
Service charges on deposit accounts	49	46	64	167	194
Gain on sale of loans	-	-	-	186	417
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	91	-	-	91	-
Other non-interest income	156	158	140	450	394
Total non-interest income	296	204	204	894	1,005
OPERATING EXPENSES					
Salaries and benefits	979	392	907	2,310	2,749
Premises and fixed assets	200	257	228	709	620
Other	760	761	621	2,228	1,918
Total operating expenses	1,939	1,410	1,756	5,247	5,287
Income before income taxes	1,733	1,797	1,225	3,418	3,615
Income taxes	497	513	353	851	1,047
NET INCOME	\$ 1,236	\$ 1,284	\$ 872	\$ 2,567	\$ 2,568
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.83	\$ 0.86	\$ 0.61	\$ 1.73	\$ 1.79
Diluted earnings per share	\$ 0.81	\$ 0.84	\$ 0.57	\$ 1.68	\$ 1.69
Average common shares outstanding	1,491,041	1,485,217	1,433,041	1,485,661	1,432,766
Average common and equivalent shares outstanding	1,522,872	1,523,322	1,519,531	1,526,516	1,518,688
PERFORMANCE MEASURES					
Return on average assets	1.05%	1.18%	1.18%	0.85%	1.23%
Return on average equity	17.36%	18.92%	14.18%	12.49%	14.50%
Tax-equivalent net interest margin	2.99%	3.06%	4.15%	3.28%	4.28%
Efficiency ratio	52.81%	42.00%	58.13%	51.12%	57.83%