

Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2021

Red Bluff, CA – July 22, 2021 – Cornerstone Community Bancorp (OTC Pink: **CRSB**) announced today its financial results for the second quarter ended June 30, 2021.

The Company reported net income of \$1,816,000 for the three months ended June 30, 2021 compared to net income of \$1,284,000 for the same period last year. Diluted earnings per share were \$1.20 for the three months ended June 30, 2021 compared to \$0.84 for the same period last year.

The return on average assets for the three months ended June 30, 2021 was 1.35% and the return on average equity was 22.17%. The tax-equivalent net interest margin was 3.33% for the three months ended June 30, 2021 compared to 3.06% for the same period last year and the efficiency ratio was 43.23% for the three months ended June 30, 2021 compared to 42.00% for the same period last year.

For the six months ended June 30, 2021, the Company reported net income of \$3,863,000 compared to net income of \$1,331,000 for the same period last year. Diluted earnings per share were \$2.58 for the six months ended June 30, 2021 compared to \$0.87 for the same period last year.

The return on average assets for the six months ended June 30, 2021 was 1.45% and the return on average equity was 24.24%.

President and CEO, Jeff Finck stated, “We continue to grow loans, deposits and earnings. Asset quality remains strong with no nonperforming assets.”

Net Interest Income

Net interest income increased to \$4,239,000 for the quarter ended June 30, 2021 compared to \$3,153,000 for the same quarter last year. For the six months ended June 30, 2021, net interest income increased to \$8,456,000 compared to \$5,995,000 for the same period last year.

Provision for credit losses

Provision for credit losses were \$100,000 for the quarter ended June 30, 2021 compared to \$150,000 for the same quarter last year. For the six months ended June 30, 2021, the Company recorded a \$500,000 provision for credit losses compared to \$1,600,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended June 30, 2021 was \$422,000 compared to \$204,000 for the quarter ended June 30, 2020. For the six months ended June 30, 2021, non-interest income was \$1,299,000 compared to \$598,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$2,015,000 for the quarter ended June 30, 2021 compared to \$1,410,000 for the same period last year. For the six months ended June 30, 2021, non-interest expense was \$3,828,000 compared to \$3,308,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income at June 30, 2021 were \$390.7 million compared to \$333.6 million at June 30, 2020.

Total deposits were \$473.3 million at June 30, 2021 compared to total deposits of \$341.4 million at June 30, 2020.

Credit Quality

The allowance for loan losses was \$4,509,000, or 1.15% of loans, net of unearned income at June 30, 2021, compared to \$4,009,000, or 1.20% of loans, net of unearned income at June 30, 2020. There were no nonperforming assets at June 30, 2021 and June 30, 2020.

Capital

At June 30, 2021, shareholders' equity totaled \$33.8 million compared to \$27.6 million at June 30, 2020. Book value was \$23.22 per share at June 30, 2021 compared to \$18.50 per share at June 30, 2020.

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 2021), 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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CORNERSTONE COMMUNITY BANCORP
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in Thousands)

	<u>06/30/21</u>	<u>03/31/21</u>	<u>12/31/20</u>	<u>09/30/20</u>	<u>06/30/20</u>
ASSETS					
Cash and due from banks	\$ 5,450	\$ 5,417	\$ 3,811	\$ 5,455	\$ 6,350
Federal funds sold	2,256	5,761	14,166	5,045	10,402
Interest-bearing deposits	28,549	68,283	77,045	62,110	73,310
Investment securities	75,258	52,084	50,336	50,699	16,173
Loans held for sale	-	1,102	-	-	-
Loans, net of unearned income	390,748	382,253	332,176	342,416	333,620
Allowance for loan losses	(4,509)	(4,409)	(4,009)	(4,009)	(4,009)
Loans, net	386,239	377,844	328,167	338,407	329,611
Premises and equipment, net	13,013	12,767	11,581	10,992	11,095
Other assets	14,972	13,974	12,724	12,577	11,882
Total assets	<u>\$ 525,737</u>	<u>\$ 537,232</u>	<u>\$ 497,830</u>	<u>\$ 485,285</u>	<u>\$ 458,823</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 126,107	\$ 126,481	\$ 108,147	\$ 103,824	\$ 96,395
Demand interest-bearing	126,724	122,506	108,097	104,819	90,633
Money market and savings	150,086	163,232	146,655	87,035	79,550
Time deposits of less than \$100,000	13,393	15,812	15,418	21,103	22,925
Time deposits of \$100,000 or more	56,993	57,299	55,021	54,695	51,919
Total deposits	473,303	485,330	433,338	371,476	341,422
Borrowings and other obligations	5,000	5,000	15,000	78,136	83,136
Subordinated debentures	11,709	11,703	16,645	4,923	4,920
Interest payable and other liabilities	1,933	3,776	2,763	1,854	1,765
Total liabilities	<u>491,945</u>	<u>505,809</u>	<u>467,746</u>	<u>456,389</u>	<u>431,243</u>
SHAREHOLDERS' EQUITY					
Common stock	14,771	14,681	14,584	15,462	15,440
Retained Earnings	18,999	17,183	15,136	13,077	11,841
Accumulated other comprehensive income (loss)	22	(441)	364	357	299
Total shareholders' equity	33,792	31,423	30,084	28,896	27,580
Total liabilities and shareholders' equity	<u>\$ 525,737</u>	<u>\$ 537,232</u>	<u>\$ 497,830</u>	<u>\$ 485,285</u>	<u>\$ 458,823</u>
Total equity / total assets	6.43%	5.85%	6.04%	5.95%	6.01%
Book value per share	\$ 23.22	\$ 21.65	\$ 20.87	\$ 19.38	\$ 18.50
Shares outstanding	1,455,091	1,451,091	1,441,241	1,491,041	1,491,041

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

	Three months ended			Six months ended	
	06/30/21	03/31/21	06/30/20	06/30/21	06/30/20
INTEREST INCOME					
Loans	\$ 4,379	\$ 4,451	\$ 3,612	\$ 8,830	\$ 6,968
Federal funds sold	1	2	4	3	21
Investment securities	217	162	82	379	172
Other	53	32	45	85	90
Total interest income	<u>4,650</u>	<u>4,647</u>	<u>3,743</u>	<u>9,297</u>	<u>7,251</u>
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	45	47	40	92	75
Money market and savings	93	87	119	180	305
Time deposits	114	124	260	238	591
Other	159	172	171	331	285
Total interest expense	<u>411</u>	<u>430</u>	<u>590</u>	<u>841</u>	<u>1,256</u>
Net interest income	4,239	4,217	3,153	8,456	5,995
Provision for credit losses	100	400	150	500	1,600
Net interest income after provision for credit losses	<u>4,139</u>	<u>3,817</u>	<u>3,003</u>	<u>7,956</u>	<u>4,395</u>
NON-INTEREST INCOME					
Service charges on deposit accounts	59	58	46	117	118
Gain on sale of loans	135	700	-	835	186
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	(45)	-	(45)	-
Other non-interest income	228	164	158	392	294
Total non-interest income	<u>422</u>	<u>877</u>	<u>204</u>	<u>1,299</u>	<u>598</u>
OPERATING EXPENSES					
Salaries and benefits	968	679	392	1,647	1,331
Premises and fixed assets	199	179	257	378	509
Other	848	956	761	1,803	1,468
Total operating expenses	<u>2,015</u>	<u>1,814</u>	<u>1,410</u>	<u>3,828</u>	<u>3,308</u>
Income before income taxes	2,546	2,880	1,797	5,427	1,685
Income taxes	730	834	513	1,564	354
NET INCOME	<u>\$ 1,816</u>	<u>\$ 2,046</u>	<u>\$ 1,284</u>	<u>\$ 3,863</u>	<u>\$ 1,331</u>
EARNINGS PER SHARE					
Basic earnings per share	<u>\$ 1.25</u>	<u>\$ 1.41</u>	<u>\$ 0.86</u>	<u>\$ 2.66</u>	<u>\$ 0.90</u>
Diluted earnings per share	<u>\$ 1.20</u>	<u>\$ 1.38</u>	<u>\$ 0.84</u>	<u>\$ 2.58</u>	<u>\$ 0.87</u>
Average common shares outstanding	<u>1,453,915</u>	<u>1,447,763</u>	<u>1,485,217</u>	<u>1,450,856</u>	<u>1,482,942</u>
Average common and equivalent shares outstanding	<u>1,510,621</u>	<u>1,485,953</u>	<u>1,523,322</u>	<u>1,497,565</u>	<u>1,528,547</u>
PERFORMANCE MEASURES					
Return on average assets	1.35%	1.56%	1.18%	1.45%	0.72%
Return on average equity	22.17%	26.41%	18.92%	24.24%	9.90%
Tax-equivalent net interest margin	3.33%	3.43%	3.06%	3.38%	3.48%
Efficiency ratio	43.23%	35.61%	42.00%	39.24%	50.17%