

Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2022

Red Bluff, CA – July 21, 2022 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the second quarter ended June 30, 2022.

The Company reported net income of \$1,706,000 for the three months ended June 30, 2022 compared to net income of \$1,816,000 for the same period last year. Diluted earnings per share were \$1.12 for the three months ended June 30, 2022 compared to \$1.20 for the same period last year.

The return on average assets for the three months ended June 30, 2022 was 1.18% and the return on average equity was 20.33%. The tax-equivalent net interest margin was 3.32% for the three months ended June 30, 2022 compared to 3.33% for the same period last year and the efficiency ratio was 49.80% for the three months ended June 30, 2022 compared to 42.68% for the same period last year.

For the six months ended June 30, 2022, the Company reported net income of \$3,381,000 compared to net income of \$3,863,000 for the same period last year. Diluted earnings per share were \$2.21 for the six months ended June 30, 2022 compared to \$2.58 for the same period last year.

The return on average assets for the six months ended June 30, 2022 was 1.17% and the return on average equity was 19.23%.

President and CEO, Matt Moseley stated, “We produced solid returns in the second quarter even with the added expenses involved with opening our Anderson branch earlier this year and adding staff in some key positions in order to create the infrastructure needed for the bank’s continued growth.”

Net Interest Income

Net interest income increased to \$4,605,000 for the quarter ended June 30, 2022 compared to \$4,239,000 for the same quarter last year. For the six months ended June 30, 2022, net interest income increased to \$8,955,000 compared to \$8,456,000 for the same period last year.

Provision for credit losses

Provision for credit losses were \$55,000 for the quarter ended June 30, 2022 compared to \$100,000 for the same quarter last year. For the six months ended June 30, 2022, the Company recorded a \$73,000 provision for credit losses compared to \$500,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended June 30, 2022 was \$266,000 compared to \$377,000 for the quarter ended June 30, 2021. For the six months ended June 30, 2022, non-interest income was \$530,000 compared to \$1,254,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$2,426,000 for the quarter ended June 30, 2022 compared to \$1,970,000 for the same period last year. For the six months ended June 30, 2022, non-interest expense was \$4,669,000 compared to \$3,783,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income, at June 30, 2022 were \$399.2 million compared to \$390.7 million at June 30, 2021.

Total deposits were \$539.6 million at June 30, 2022 compared to total deposits of \$473.3 million at June 30, 2021.

Credit Quality

The allowance for loan losses was \$5,132,000, or 1.29% of loans, net of unearned income, at June 30, 2022, compared to \$4,509,000, or 1.15% of loans, net of unearned income, at June 30, 2021. There were no nonperforming assets at June 30, 2022 and June 30, 2021.

Capital

At June 30, 2022, shareholders' equity totaled \$31.7 million compared to \$33.8 million at June 30, 2021. At June 30, 2022, the Company's book value per common share was \$21.51 compared to \$22.93 at March 31, 2022 and \$23.22 at June 30, 2021. During the six months ended June 30, 2022, increasing interest rates resulted in a decline in the fair value of available for sale investment securities. This impact is reflected in the decline in accumulated other comprehensive income (AOCI) to (\$9,805,000) at June 30, 2022, compared to (\$5,995,000) at March 31, 2022 and \$22,000 at June 30, 2021. Excluding AOCI, book value increased to \$28.16 at June 30, 2022, compared to \$27.00 at March 31, 2022 and \$23.21 at June 30, 2021.

AOCI has no effect on Cornerstone Community Bank's (the Bank) regulatory capital ratios as the Bank opted to exclude it from regulatory capital calculations. At June 30, 2022, the Bank's total risk-based capital ratio was 13.00% and its tier 1 capital to risk weighted assets ratio was 11.80%. The Bank remains well capitalized under the regulatory framework for prompt corrective action.

About Cornerstone Community Bancorp

Cornerstone Community Bancorp, a bank holding company headquartered in Red Bluff, California, serves the Red Bluff, Redding and Anderson communities through its wholly-owned subsidiary, Cornerstone Community Bank with a headquarters office in Red Bluff, two banking

offices in Redding and one in Anderson. 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 Coronavirus Aid, Relief and Economic Security Act of 2022), 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>06/30/22</u>	<u>03/31/22</u>	<u>12/31/21</u>	<u>09/30/21</u>	<u>06/30/21</u>
ASSETS					
Cash and due from banks	\$ 5,230	\$ 4,175	\$ 4,552	\$ 4,765	\$ 5,450
Federal funds sold	121	121	121	2,600	2,256
Interest-bearing deposits	48,277	73,629	77,933	24,636	28,549
Investment securities	102,692	99,748	108,253	110,470	75,258
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	399,156	375,369	387,374	388,532	390,748
Allowance for loan losses	(5,132)	(5,077)	(5,059)	(4,909)	(4,509)
Loans, net	394,024	370,292	382,315	383,623	386,239
Premises and equipment, net	14,691	14,757	14,784	13,567	13,013
Other assets	20,588	16,930	15,622	14,863	14,972
Total assets	<u>\$ 585,623</u>	<u>\$ 579,652</u>	<u>\$ 603,580</u>	<u>\$ 554,524</u>	<u>\$ 525,737</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 130,249	\$ 131,136	\$ 174,282	\$ 141,734	\$ 126,107
Demand interest-bearing	131,623	126,331	131,368	131,964	126,724
Money market and savings	201,106	196,653	163,946	150,149	150,086
Time deposits	76,576	78,167	78,111	76,291	70,386
Total deposits	539,554	532,287	547,707	500,138	473,303
Borrowings and other obligations	-	-	5,000	5,000	5,000
Subordinated debentures	11,732	11,726	11,720	11,715	11,709
Interest payable and other liabilities	2,631	1,899	2,134	2,151	1,933
Total liabilities	<u>553,917</u>	<u>545,912</u>	<u>566,561</u>	<u>519,004</u>	<u>491,945</u>
SHAREHOLDERS' EQUITY					
Common stock	15,079	15,009	14,913	14,814	14,771
Retained Earnings	26,432	24,726	23,051	21,084	18,999
Accumulated other comprehensive income (loss)	(9,805)	(5,995)	(945)	(378)	22
Total shareholders' equity	31,706	33,740	37,019	35,520	33,792
Total liabilities and shareholders' equity	<u>\$ 585,623</u>	<u>\$ 579,652</u>	<u>\$ 603,580</u>	<u>\$ 554,524</u>	<u>\$ 525,737</u>
Total equity / total assets	5.41%	5.82%	6.13%	6.41%	6.43%
Book value per share	\$ 21.51	\$ 22.93	\$ 25.31	\$ 24.37	\$ 23.22
Shares outstanding	1,474,091	1,471,591	1,462,591	1,457,591	1,455,091

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

	Three months ended			Six months ended	
	06/30/22	03/31/22	06/30/21	06/30/22	06/30/21
INTEREST INCOME					
Loans	\$ 4,485	\$ 4,348	\$ 4,379	\$ 8,833	\$ 8,830
Federal funds sold	-	-	1	-	3
Investment securities	464	371	217	835	379
Other	146	58	53	204	85
Total interest income	5,095	4,777	4,650	9,872	9,297
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	64	46	45	110	92
Money market and savings	147	117	93	264	180
Time deposits	131	107	114	238	238
Other	148	157	159	305	331
Total interest expense	490	427	411	917	841
Net interest income	4,605	4,350	4,239	8,955	8,456
Provision for credit losses	55	18	100	73	500
Net interest income after provision for credit losses	4,550	4,332	4,139	8,882	7,956
NON-INTEREST INCOME					
Service charges on deposit accounts	62	71	59	133	117
Gain on sale of loans	-	-	135	-	835
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	(45)
Other non-interest income	204	193	183	397	347
Total non-interest income	266	264	377	530	1,254
OPERATING EXPENSES					
Salaries and benefits	1,219	1,146	968	2,365	1,647
Premises and fixed assets	194	191	154	385	332
Other	1,013	906	848	1,919	1,804
Total operating expenses	2,426	2,243	1,970	4,669	3,783
Income before income taxes	2,390	2,353	2,546	4,743	5,427
Income taxes	684	678	730	1,362	1,564
NET INCOME	\$ 1,706	\$ 1,675	\$ 1,816	\$ 3,381	\$ 3,863
EARNINGS PER SHARE					
Basic earnings per share	\$ 1.16	\$ 1.14	\$ 1.25	\$ 2.30	\$ 2.66
Diluted earnings per share	\$ 1.12	\$ 1.09	\$ 1.20	\$ 2.21	\$ 2.58
Average common shares outstanding	1,472,168	1,469,258	1,453,915	1,470,721	1,450,856
Average common and equivalent shares outstanding	1,529,540	1,532,163	1,510,621	1,530,890	1,497,565
PERFORMANCE MEASURES					
Return on average assets	1.18%	1.15%	1.35%	1.17%	1.45%
Return on average equity	20.33%	18.22%	22.17%	19.23%	24.24%
Tax-equivalent net interest margin	3.32%	3.17%	3.33%	3.25%	3.38%
Efficiency ratio	49.80%	48.61%	42.68%	49.23%	38.96%