

Cornerstone Community Bancorp Reports Financial Results For the Second Quarter Ended June 30, 2016

Red Bluff, CA – July 18, 2016 – Cornerstone Community Bancorp, (OTC Pink: **CRSB**), announced today its financial results for the second quarter ended June 30, 2016.

The Company reported net income of \$361,000 for the three months ended June 30, 2016 compared to net income of \$188,000 for the same period last year. Diluted earnings per share increased 93% to \$0.27 for the three months ended June 30, 2016 compared to \$0.14 for the same period last year.

Net income for the six months ended June 30, 2016 was \$564,000, or \$0.42 per diluted share compared to net income of \$414,000, or \$0.31 per diluted share, for the six months ended June 30, 2015.

The return on average assets for the three months ended June 30, 2016 was 0.82% and the return on average equity was 9.50%. For the six months ended June 30, 2016, the return on average assets was 0.64% and the return on average equity was 7.49%.

President and CEO, Jeff Finck, stated, “We continue to grow loans at a steady pace. Year-over-year, the loan portfolio grew by \$12.2 million, or 9%. This loan growth contributed to the 35% increase in earnings per share during the first half of the year.”

Net Interest Income

Net interest income was \$1,636,000 for the quarter ended June 30, 2016 compared to \$1,502,000 for the same quarter last year. For the six months ended June 30, 2016, net interest income was \$3,174,000 compared to \$3,015,000 for the six months ended June 30, 2015 representing an increase of \$159,000, or 5%.

Provision for credit losses

There was no provision for credit losses for the quarters ended June 30, 2016 and June 30, 2015. There was also no provision for credit losses for the six months ended June 30, 2016 and June 30, 2015.

Non-Interest Income

Non-interest income for the quarter ended June 30, 2016 was \$257,000 compared to \$188,000 for the quarter ended June 30, 2015. For the six months ended June 30, 2016, non-interest income was \$372,000 compared to \$366,000 for the six months ended June 30, 2015.

Non-Interest Expense

Non-interest expense was \$1,281,000 for the quarter ended June 30, 2016 compared to \$1,370,000 for the same period last year. For the six months ended June 30, 2016, non-interest expense was \$2,590,000 compared to \$2,677,000 for the same period last year.

Balance Sheet

The Company had total assets at June 30, 2016 of \$178.5 million, compared to \$171.2 million at June 30, 2015.

Total loans outstanding at June 30, 2016, were \$145.9 million compared to \$133.7 million at June 30, 2015, representing an increase of \$12.2 million, or 9%.

Total deposits were \$145.5 million at June 30, 2016 compared to total deposits of \$136.7 million at June 30, 2015.

Credit Quality

The allowance for loan losses was \$1,620,000, or 1.11% of loans, net of unearned income at June 30, 2016, compared to \$1,612,000, or 1.21% of loans, net of unearned income at June 30, 2015. Nonperforming assets at June 30, 2016 were \$18,000 compared to \$428,000 at June 30, 2015.

Capital

At June 30, 2016, shareholders' equity totaled \$15.4 million compared to \$14.1 million at June 30, 2015.

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 a banking office 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)

	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>	<u>09/30/15</u>	<u>06/30/15</u>
ASSETS					
Cash and due from banks	\$ 2,630	\$ 3,007	\$ 3,206	\$ 1,575	\$ 3,172
Federal funds sold	20	20	-	-	-
Interest-bearing deposits	10,370	18,009	15,877	15,647	16,364
Investment securities	14,453	14,645	9,640	9,906	10,097
Loans held for sale	-	-	-	-	3,309
Loans, net of unearned income	145,939	139,660	137,057	137,725	133,744
Allowance for loan losses	(1,620)	(1,620)	(1,619)	(1,613)	(1,612)
Loans, net	144,319	138,040	135,438	136,112	132,132
Premises and equipment, net	1,038	1,051	1,013	995	793
Other assets	5,659	6,029	6,208	8,092	5,313
Total assets	<u>\$ 178,489</u>	<u>\$ 180,801</u>	<u>\$ 171,382</u>	<u>\$ 172,327</u>	<u>\$ 171,180</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 24,856	\$ 23,678	\$ 22,269	\$ 23,797	\$ 29,223
Demand interest-bearing	21,222	20,843	20,605	20,143	17,667
Money market and savings	52,239	53,240	45,256	43,381	39,605
Time deposits of less than \$100,000	12,498	14,334	15,092	15,125	16,277
Time deposits of \$100,000 or more	34,662	33,219	32,889	34,735	33,895
Total deposits	145,477	145,314	136,111	137,181	136,667
Federal Home Loan Bank borrowings	12,000	15,000	15,000	15,000	15,000
Subordinated debentures	4,878	4,876	4,874	4,874	4,872
Interest payable and other liabilities	765	697	734	736	512
Total liabilities	<u>163,120</u>	<u>165,887</u>	<u>156,719</u>	<u>157,791</u>	<u>157,051</u>
SHAREHOLDERS' EQUITY					
Common stock	13,303	13,280	13,257	13,234	13,209
Retained Earnings	1,871	1,510	1,307	1,162	803
Accumulated other comprehensive income (loss)	195	124	99	140	117
Total shareholders' equity	15,369	14,914	14,663	14,536	14,129
Total liabilities and shareholders' equity	<u>\$ 178,489</u>	<u>\$ 180,801</u>	<u>\$ 171,382</u>	<u>\$ 172,327</u>	<u>\$ 171,180</u>
Total equity / total assets	8.61%	8.25%	8.56%	8.44%	8.25%
Book value per share	\$ 12.28	\$ 11.91	\$ 11.71	\$ 11.61	\$ 11.29

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

	Three months ended			Six months ended	
	06/30/16	03/31/16	06/30/15	06/30/16	06/30/15
INTEREST INCOME					
Loans	\$ 1,844	\$ 1,750	\$ 1,671	\$ 3,594	\$ 3,258
Federal funds sold	-	-	-	-	-
Investment securities	89	75	76	164	153
Other	30	42	54	72	72
Total interest income	1,963	1,867	1,801	3,830	3,483
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	8	10	4	18	10
Money market and savings	72	69	44	141	79
Time deposits	114	115	101	229	188
Other	133	135	150	268	191
Total interest expense	327	329	299	656	468
Net interest income	1,636	1,538	1,502	3,174	3,015
Provision for credit losses	-	-	-	-	-
Net interest income after provision for credit losses	1,636	1,538	1,502	3,174	3,015
NON-INTEREST INCOME					
Service charges on deposit accounts	40	36	44	76	66
Gain on sale of SBA loans	208	-	-	208	-
Gain (loss) on sale of other real estate owned	(77)	-	-	(77)	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	86	79	144	165	300
Total non-interest income	257	115	188	372	366
OPERATING EXPENSES					
Salaries and benefits	668	702	714	1,370	1,447
Premises and fixed assets	156	141	139	297	279
Other	457	466	517	923	951
Total operating expenses	1,281	1,309	1,370	2,590	2,677
Income before income taxes	612	344	320	956	704
Income taxes	251	141	132	392	290
NET INCOME	\$ 361	\$ 203	\$ 188	\$ 564	\$ 414
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.29	\$ 0.16	\$ 0.15	\$ 0.45	\$ 0.33
Diluted earnings per share	\$ 0.27	\$ 0.15	\$ 0.14	\$ 0.42	\$ 0.31
Average common shares outstanding	1,252,000	1,252,000	1,252,000	1,252,000	1,252,000
Average common and equivalent shares outstanding	1,342,715	1,345,145	1,341,253	1,343,937	1,341,782
PERFORMANCE MEASURES					
Return on average assets	0.82%	0.46%	0.43%	0.64%	0.50%
Return on average equity	9.50%	5.44%	5.32%	7.49%	5.90%
Net interest margin	3.88%	3.65%	3.60%	3.76%	3.84%
Efficiency ratio	67.67%	79.19%	81.07%	73.04%	79.18%