

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2018

Red Bluff, CA – October 18, 2018 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the third quarter ended September 30, 2018.

The Company reported net income of \$666,000 for the three months ended September 30, 2018 compared to net income of \$556,000 for the same period last year. Diluted earnings per share were \$0.43 for the three months ended September 30, 2018 compared to \$0.41 for the same period last year.

The return on average assets for the three months ended September 30, 2018 was 1.06% and the return on average equity was 12.37%.

For the nine months ended September 30, 2018, the Company reported net income of \$1,892,000 compared to net income of \$1,454,000 for the same period last year. Diluted earnings per share were \$1.26 for the nine months ended September 30, 2018 compared to \$1.07 for the same period last year.

The return on average assets for the nine months ended September 30, 2018 was 1.05% and the return on average equity was 12.59%.

President and CEO, Jeff Finck, stated, “The Company continues to show solid growth in loans, deposits and earnings. Last week, our newly constructed Red Bluff building along the riverfront opened for business. We invite all of our customers to stop by and take a look.”

Net Interest Income

Net interest income increased to \$2,462,000 for the quarter ended September 30, 2018 compared to \$2,106,000 for the same quarter last year. For the nine months ended September 30, 2018, net interest income increased to \$7,061,000 compared to \$5,874,000 for the same period last year.

Provision for credit losses

The Company recorded a \$75,000 provision for credit losses for the quarter ended September 30, 2018 compared to \$65,000 for the same period last year. For the nine months ended September 30, 2018, the Company recorded a \$179,000 provision for credit losses compared to \$215,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2018 was \$215,000 compared to \$389,000 for the quarter ended September 30, 2017. For the nine months ended September 30, 2018, non-interest income was \$534,000 compared to \$980,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$1,658,000 for the quarter ended September 30, 2018 compared to \$1,485,000 for the same period last year. For the nine months ended September 30, 2018, non-interest expense was \$4,782,000 compared to \$4,168,000 for the same period last year.

Balance Sheet

The Company had total assets at September 30, 2018 of \$253.5 million compared to \$223.6 million at September 30, 2017.

Total loans, net of unearned income at September 30, 2018 were \$202.3 million compared to \$173.5 million at September 30, 2017.

Total deposits were \$219.7 million at September 30, 2018 compared to total deposits of \$191.3 million at September 30, 2017.

Credit Quality

The allowance for loan losses was \$2,022,000, or 1.00% of loans, net of unearned income at September 30, 2018, compared to \$1,847,000, or 1.06% of loans, net of unearned income at September 30, 2017. There were no nonperforming assets at September 30, 2018 compared to \$3,000 at September 30, 2017.

Capital

At September 30, 2018, shareholders' equity totaled \$21.7 million compared to \$17.5 million at September 30, 2017. Book value per share increased by 11.3% to \$15.47 per share at September 30, 2018 compared to \$13.90 per share at September 30, 2017. 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.

Contacts

Jeffrey P. Finck
President & CEO
530.222.1460

Patrick E. Phelan
Chief Financial Officer
530.222.1460

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

	<u>09/30/18</u>	<u>06/30/18</u>	<u>03/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>
ASSETS					
Cash and due from banks	\$ 5,275	\$ 4,139	\$ 3,364	\$ 4,630	\$ 4,465
Federal funds sold	20	20	20	20	20
Interest-bearing deposits	23,686	24,066	24,932	17,077	24,930
Investment securities	9,548	10,651	10,942	12,274	12,486
Loans held for sale	-	-	1,849	-	-
Loans, net of unearned income	202,300	193,989	188,883	184,814	173,452
Allowance for loan losses	(2,022)	(1,947)	(1,907)	(1,847)	(1,847)
Loans, net	200,278	192,042	186,976	182,967	171,605
Premises and equipment, net	7,777	6,958	5,846	5,121	3,102
Other assets	6,930	6,877	6,753	6,950	7,001
Total assets	<u>\$ 253,514</u>	<u>\$ 244,753</u>	<u>\$ 240,682</u>	<u>\$ 229,039</u>	<u>\$ 223,609</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 49,063	\$ 44,751	\$ 42,223	\$ 38,348	\$ 37,977
Demand interest-bearing	34,312	29,565	27,514	26,311	25,434
Money market and savings	71,729	72,319	73,936	68,715	65,909
Time deposits of less than \$100,000	16,456	19,482	17,959	18,510	18,333
Time deposits of \$100,000 or more	48,155	45,671	45,933	44,731	43,658
Total deposits	219,715	211,788	207,565	196,615	191,311
Federal Home Loan Bank borrowings	6,000	6,000	9,000	9,000	9,000
Subordinated debentures	4,900	4,897	4,895	4,892	4,890
Interest payable and other liabilities	1,161	1,021	933	821	955
Total liabilities	<u>231,776</u>	<u>223,706</u>	<u>222,393</u>	<u>211,328</u>	<u>206,156</u>
SHAREHOLDERS' EQUITY					
Common stock	15,584	15,551	13,429	13,333	13,258
Retained Earnings	6,173	5,507	4,843	4,282	4,113
Accumulated other comprehensive income (loss)	(19)	(11)	17	96	82
Total shareholders' equity	<u>21,738</u>	<u>21,047</u>	<u>18,289</u>	<u>17,711</u>	<u>17,453</u>
Total liabilities and shareholders' equity	<u>\$ 253,514</u>	<u>\$ 244,753</u>	<u>\$ 240,682</u>	<u>\$ 229,039</u>	<u>\$ 223,609</u>
Total equity / total assets	8.57%	8.60%	7.60%	7.73%	7.81%
Book value per share	\$ 15.47	\$ 14.97	\$ 14.22	\$ 13.99	\$ 13.90

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

	Three months ended			Nine months ended	
	09/30/18	06/30/18	09/30/17	09/30/18	09/30/17
INTEREST INCOME					
Loans	\$ 2,818	\$ 2,673	\$ 2,365	\$ 8,022	\$ 6,573
Federal funds sold	-	-	-	-	-
Investment securities	73	78	76	229	235
Other	155	124	78	367	219
Total interest income	3,046	2,875	2,519	8,618	7,027
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	21	13	13	48	34
Money market and savings	165	145	106	437	295
Time deposits	279	227	166	709	438
Other	119	119	128	363	386
Total interest expense	584	504	413	1,557	1,153
Net interest income	2,462	2,371	2,106	7,061	5,874
Provision for credit losses	75	40	65	179	215
Net interest income after provision for credit losses	2,387	2,331	2,041	6,882	5,659
NON-INTEREST INCOME					
Service charges on deposit accounts	57	58	44	164	134
Gain on sale of loans	57	-	239	74	560
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	101	100	106	296	286
Total non-interest income	215	158	389	534	980
OPERATING EXPENSES					
Salaries and benefits	865	814	790	2,555	2,259
Premises and fixed assets	156	148	141	454	419
Other	637	584	554	1,773	1,490
Total operating expenses	1,658	1,546	1,485	4,782	4,168
Income before income taxes	944	943	945	2,634	2,471
Income taxes	278	279	389	742	1,017
NET INCOME	\$ 666	\$ 664	\$ 556	\$ 1,892	\$ 1,454
EARNINGS PER SHARE					
Basic earnings per share	\$ 0.47	\$ 0.48	\$ 0.45	\$ 1.40	\$ 1.17
Diluted earnings per share	\$ 0.43	\$ 0.44	\$ 0.41	\$ 1.26	\$ 1.07
Average common shares outstanding	1,405,541	1,371,656	1,243,006	1,351,844	1,238,780
Average common and equivalent shares outstanding	1,551,475	1,515,943	1,367,810	1,497,759	1,356,082
PERFORMANCE MEASURES					
Return on average assets	1.06%	1.11%	1.02%	1.05%	0.93%
Return on average equity	12.37%	13.13%	12.80%	12.59%	11.60%
Net interest margin	4.14%	4.23%	4.03%	4.16%	3.95%
Efficiency ratio	61.94%	61.13%	59.52%	62.96%	60.81%