

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2023

Red Bluff, CA – October 23, 2023 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the third quarter ended September 30, 2023.

The Company reported net income of \$1,920,000 for the three months ended September 30, 2023 compared to net income of \$1,936,000 for the same period last year. Diluted earnings per share were \$1.26 for the three months ended September 30, 2023 compared to \$1.27 for the same period last year.

The return on average assets for the three months ended September 30, 2023 was 1.21% and the return on average equity was 19.58%. The tax-equivalent net interest margin was 3.68% for the three months ended September 30, 2023 compared to 3.60% for the same period last year.

For the nine months ended September 30, 2023, the Company reported net income of \$5,479,000 compared to net income of \$5,317,000 for the same period last year. Diluted earnings per share were \$3.60 for the nine months ended September 30, 2023 compared to \$3.48 for the same period last year.

The return on average assets for the nine months ended September 30, 2023 was 1.18% and the return on average equity was 19.51%.

President and CEO, Matt Moseley stated, “Cornerstone Community Bank continues to perform well in this challenging environment and enjoys strong community and customer support. I am proud of our team and our continued success.”

Net Interest Income

Net interest income increased to \$5,646,000 for the quarter ended September 30, 2023 compared to \$5,196,000 for the same quarter last year. For the nine months ended September 30, 2023, net interest income increased to \$16,366,000 compared to \$14,151,000 for the same period last year.

Provision for credit losses on loans

The Company recorded a \$200,000 provision for credit losses on loans during the three months ended September 30, 2023 compared to \$40,000 for the same period last year. For the nine months ended September 30, 2023, the Company recorded a \$530,000 provision for credit losses compared to \$113,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2023 was \$369,000 compared to \$265,000 for the quarter ended September 30, 2022. For the nine months ended September 30, 2023, noninterest income was \$1,031,000 compared to \$795,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$3,168,000 for the quarter ended September 30, 2023 compared to \$2,699,000 for the same period last year. For the nine months ended September 30, 2023, non-interest expense was \$9,276,000 compared to \$7,368,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income, at September 30, 2023 were \$470.1 million compared to \$400.5 million at September 30, 2022.

Total deposits were \$575.7 million at September 30, 2023 compared to total deposits of \$545.3 million at September 30, 2022.

Credit Quality

The allowance for credit losses on loans was \$5,813,000, or 1.24% of loans, net of unearned income, at September 30, 2023, compared to \$5,172,000, or 1.29% of loans, net of unearned income, at September 30, 2022. Nonperforming assets totaled \$229,000 at September 30, 2023. There were no nonperforming assets at September 30, 2022.

Capital

At September 30, 2023, shareholders' equity totaled \$38.5 million compared to \$30.6 million at September 30, 2022. At September 30, 2023, the Company's book value per common share was \$26.01 compared to \$20.81 at September 30, 2022.

At September 30, 2023, the Bank's estimated total risk-based capital ratio was 12.78% and its tier 1 capital to risk weighted assets ratio was 11.66%. 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.

Contacts

Matthew B. Moseley
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>09/30/23</u>	<u>06/30/23</u>	<u>03/31/23</u>	<u>12/31/22</u>	<u>09/30/22</u>
ASSETS					
Cash and due from banks	\$ 5,492	\$ 8,482	\$ 7,365	\$ 5,628	\$ 6,011
Federal funds sold	-	-	124	123	122
Interest-bearing deposits	23,970	34,076	44,706	25,212	57,618
Investment securities	90,086	93,889	95,139	94,435	95,511
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	470,060	447,339	431,475	420,415	400,480
Allowance for loan losses	(5,813)	(5,617)	(5,397)	(5,159)	(5,172)
Loans, net	464,247	441,722	426,079	415,256	395,308
Premises and equipment, net	14,437	14,492	14,492	14,601	14,671
Other assets	31,241	29,724	28,906	27,326	21,261
Total assets	<u>\$ 629,472</u>	<u>\$ 622,385</u>	<u>\$ 616,812</u>	<u>\$ 582,581</u>	<u>\$ 590,502</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 100,791	\$ 109,775	\$ 125,008	\$ 126,946	\$ 129,236
Demand interest-bearing	190,645	179,508	165,203	136,655	138,630
Money market and savings	176,373	177,976	180,996	182,787	201,316
Time deposits	107,894	101,991	94,542	88,430	76,121
Total deposits	575,703	569,250	565,749	534,818	545,303
Borrowings and other obligations	-	-	-	-	-
Subordinated debentures	11,762	11,756	11,750	11,744	11,738
Interest payable and other liabilities	3,512	3,070	2,954	2,755	2,892
Total liabilities	590,977	584,076	580,452	549,317	559,933
SHAREHOLDERS' EQUITY					
Common stock	15,130	15,140	15,113	15,075	14,964
Retained Earnings	35,747	33,827	31,963	30,294	28,368
Accumulated other comprehensive income (loss)	(12,382)	(10,658)	(10,716)	(12,105)	(12,763)
Total shareholders' equity	38,495	38,309	36,360	33,264	30,569
Total liabilities and shareholders' equity	<u>\$ 629,472</u>	<u>\$ 622,385</u>	<u>\$ 616,812</u>	<u>\$ 582,581</u>	<u>\$ 590,502</u>
Total equity / total assets	6.12%	6.16%	5.89%	5.71%	5.18%
Book value per share	\$ 26.01	\$ 25.89	\$ 24.57	\$ 22.48	\$ 20.81
Shares outstanding	1,479,862	1,479,862	1,479,862	1,479,862	1,469,091

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

	Three months ended			Nine months ended	
	09/30/23	06/30/23	09/30/22	09/30/23	09/30/22
INTEREST INCOME					
Loans	\$ 6,517	\$ 5,955	\$ 5,018	\$ 18,023	\$ 13,851
Federal funds sold	-	2	1	3	1
Investment securities	739	734	543	2,197	1,378
Other	558	667	354	1,692	558
Total interest income	7,814	7,358	5,916	21,915	15,788
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	289	209	130	745	240
Money market and savings	798	675	260	2,052	524
Time deposits	933	784	182	2,306	420
Other	148	149	148	446	453
Total interest expense	2,168	1,817	720	5,549	1,637
Net interest income	5,646	5,541	5,196	16,366	14,151
Provision for credit losses	200	220	40	530	113
Net interest income after provision for credit losses	5,446	5,321	5,156	15,836	14,038
NON-INTEREST INCOME					
Service charges on deposit accounts	63	75	67	200	200
Gain on sale of loans	-	-	-	-	-
Gain (loss) on sale of other real estate owned	-	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-	-
Other non-interest income	306	278	198	831	595
Total non-interest income	369	353	265	1,031	795
OPERATING EXPENSES					
Salaries and benefits	1,781	1,668	1,408	5,098	3,773
Premises and fixed assets	268	266	227	847	612
Other	1,119	1,151	1,064	3,331	2,983
Total operating expenses	3,168	3,085	2,699	9,276	7,368
Income before income taxes	2,647	2,589	2,722	7,591	7,465
Income taxes	727	725	786	2,112	2,148
NET INCOME	\$ 1,920	\$ 1,864	\$ 1,936	\$ 5,479	\$ 5,317
EARNINGS PER SHARE					
Basic earnings per share	\$ 1.30	\$ 1.26	\$ 1.31	\$ 3.70	\$ 3.61
Diluted earnings per share	\$ 1.26	\$ 1.22	\$ 1.27	\$ 3.60	\$ 3.48
Average common shares outstanding	1,479,862	1,479,862	1,473,276	1,479,862	1,471,582
Average common and equivalent shares outstanding	1,524,640	1,522,072	1,523,830	1,524,029	1,528,628
PERFORMANCE MEASURES					
Return on average assets	1.21%	1.20%	1.30%	1.18%	1.21%
Return on average equity	19.58%	19.71%	23.11%	19.51%	20.48%
Tax-equivalent net interest margin	3.68%	3.73%	3.60%	3.69%	3.37%
Efficiency ratio	52.67%	52.34%	49.42%	53.32%	49.30%