

Cornerstone Community Bancorp Reports Financial Results For the Third Quarter Ended September 30, 2024

Red Bluff, CA – October 16, 2024 – Cornerstone Community Bancorp (OTC Pink: CRSB) announced today its financial results for the third quarter ended September 30, 2024.

The Company reported a net loss of \$5,431,000 for the three months ended September 30, 2024 compared to net income of \$1,920,000 for the same period last year. Diluted loss per share was \$(3.56) for the three months ended September 30, 2024 compared to diluted earnings per share of \$1.26 for the same period last year.

During the third quarter, the Company charged-off three related agricultural loans in the aggregate amount of \$9.4 million due to the deteriorating financial condition of the borrowers. This represented 100% of the Company's exposure. Although two of the loans were secured by certain equipment and all three loans have guarantors, any future recoveries cannot be reasonably predicted. As a result of these charge-offs, the Company recorded a \$9.4 million provision for credit losses on loans for the third quarter.

For the nine months ended September 30, 2024, the Company reported a net loss of \$2,594,000 compared to net income of \$5,479,000 for the same period last year. Diluted loss per share was \$(1.70) for the nine months ended September 30, 2024 compared to earnings per share of \$3.60 for the same period last year.

President and CEO, Matt Moseley stated, "On August 1st, the bank charged off an agricultural loan relationship which negatively impacted net income by approximately \$7 million or \$4.60 per share and reversed the associated interest accrual for that relationship totaling \$558 thousand; both of which reduced net income and the latter reduced net interest margin for the quarter. We expect some level of recovery from the bank's collateral but the timing and amount is still unknown. Core earnings, absent of the charge off, were approximately \$1.6 million or \$1.04 per share. The bank is well positioned to generate solid earnings going forward and did not have any past due or non-accrual loans as of 9/30/24."

Net Interest Income

Net interest income decreased to \$4,420,000 for the quarter ended September 30, 2024 compared to \$5,646,000 for the same quarter last year. For the nine months ended September 30, 2024, net interest income decreased to \$14,412,000 compared to \$16,366,000 for the same period last year.

The tax-equivalent net interest margin was 2.75% for the quarter ended September 30, 2024 compared to 3.68% for the same quarter of last year. For the nine months ended September 30, 2024, the tax-equivalent net interest margin was 3.04% compared to 3.69% for the same period last year. The tax-equivalent net interest margin was negatively impacted during the third quarter by the reversal of accrued interest income on the three charged-off loans mentioned above and the acceleration of interest expense as a result of a call by the Company on one of its callable time deposits. The tax-equivalent net interest margin would have been 3.16% for the three months

ended September 30, 2024 and 3.18% for the nine months ended September 30, 2024 without the impact from these two items.

Provision for credit losses on loans

The Company recorded a \$9.4 million provision for credit losses on loans for the three months ended September 30, 2024 compared to \$200,000 for the three months ended September 30, 2023. For the nine months ended September 30, 2024, the Company recorded a \$9.7 million provision for credit losses on loans compared to \$530,000 for the same period last year.

Non-Interest Income

Non-interest income for the quarter ended September 30, 2024 was \$354,000 compared to \$369,000 for the quarter ended September 30, 2023. For the nine months ended September 30, 2024, noninterest income was \$1,077,000 compared to \$1,031,000 for the same period last year.

Non-Interest Expense

Non-interest expense was \$3,085,000 for the quarter ended September 30, 2024 compared to \$3,168,000 for the same period last year. For the nine months ended September 30, 2024, non-interest expense was \$9,598,000 compared to \$9,276,000 for the same period last year.

Balance Sheet

Total loans, net of unearned income, at September 30, 2024 were \$487.1 million compared to \$470.1 million at September 30, 2023.

Total deposits were \$589.1 million at September 30, 2024 compared to total deposits of \$575.7 million at September 30, 2023.

Credit Quality

The allowance for credit losses on loans was \$6,164,000, or 1.27% of loans, net of unearned income, at September 30, 2024, compared to \$5,813,000, or 1.24% of loans, net of unearned income, at September 30, 2023. There were no nonperforming assets at September 30, 2024 compared to \$229,000 at September 30, 2023.

Capital

At September 30, 2024, shareholders' equity totaled \$40.9 million compared to \$38.5 million at September 30, 2023. At September 30, 2024, the Company's book value per common share was \$27.44 compared to \$26.01 at September 30, 2023.

At September 30, 2024, the Bank's estimated total risk-based capital ratio was 12.01% and its tier 1 capital to risk weighted assets ratio was 10.88%. 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 2023), 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)

	09/30/24	06/30/24	03/31/24	12/31/23	09/30/23
ASSETS					
Cash and due from banks	\$ 9,127	\$ 7,571	\$ 6,389	\$ 8,623	\$ 5,492
Federal funds sold	-	-	-	-	-
Interest bearing deposits in other financial institutions	40,306	43,025	45,955	19,694	23,970
Available for sale debt securities, at fair value	90,616	89,089	90,767	93,065	90,086
Loans held for sale	-	-	-	-	-
Loans, net of unearned income	487,125	498,048	488,179	482,212	470,060
Allowance for credit losses on loans	(6,164)	(6,126)	(5,957)	(5,813)	(5,813)
Loans, net	480,962	491,922	482,222	476,399	464,247
Premises and equipment, net	14,405	14,418	14,433	14,326	14,437
Other assets	33,780	32,514	30,812	30,827	31,241
Total assets	<u>\$ 669,197</u>	<u>\$ 678,537</u>	<u>\$ 670,578</u>	<u>\$ 642,934</u>	<u>\$ 629,472</u>
LIABILITIES					
Deposits:					
Demand noninterest-bearing	\$ 91,936	\$ 102,419	\$ 99,278	\$ 101,396	\$ 100,791
Demand interest-bearing	166,505	167,720	159,542	166,221	190,645
Money market and savings	186,186	176,644	182,797	174,882	176,373
Time deposits	144,443	148,582	148,384	122,035	107,894
Total deposits	589,069	595,365	590,001	564,534	575,703
Borrowings and other obligations	20,000	20,000	20,000	20,000	-
Subordinated debentures	11,788	11,781	11,775	11,769	11,762
Interest payable and other liabilities	7,409	5,637	4,252	3,464	3,512
Total liabilities	<u>628,266</u>	<u>632,784</u>	<u>626,028</u>	<u>599,767</u>	<u>590,977</u>
SHAREHOLDERS' EQUITY					
Common stock	15,337	15,268	15,231	15,163	15,130
Retained Earnings	35,045	40,476	39,033	37,639	35,747
Accumulated other comprehensive income (loss)	(9,452)	(9,991)	(9,714)	(9,635)	(12,382)
Total shareholders' equity	<u>40,930</u>	<u>45,754</u>	<u>44,550</u>	<u>43,167</u>	<u>38,495</u>
Total liabilities and shareholders' equity	<u>\$ 669,197</u>	<u>\$ 678,537</u>	<u>\$ 670,578</u>	<u>\$ 642,934</u>	<u>\$ 629,472</u>
Total equity / total assets	6.12%	6.74%	6.64%	6.71%	6.12%
Book value per share	\$ 27.44	\$ 30.78	\$ 29.99	\$ 29.16	\$ 26.01
Shares outstanding	1,491,692	1,486,692	1,485,472	1,480,472	1,479,862

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

	Three months ended			Nine months ended	
	09/30/24	06/30/24	09/30/23	09/30/24	09/30/23
INTEREST INCOME					
Loans	\$ 6,795	\$ 7,363	\$ 6,517	\$ 21,164	\$ 18,023
Federal funds sold	-	-	-	-	3
Investment securities	819	792	739	2,339	2,197
Other	650	611	558	1,680	1,692
Total interest income	8,264	8,766	7,814	25,183	21,915
INTEREST EXPENSE					
Deposits:					
Interest-bearing demand	378	331	289	1,010	745
Money market and savings	1,268	1,217	798	3,631	2,052
Time deposits	1,806	1,722	933	4,960	2,306
Other	392	389	148	1,170	446
Total interest expense	3,844	3,659	2,168	10,771	5,549
Net interest income	4,420	5,107	5,646	14,412	16,366
Provision for credit losses on loans	9,400	169	200	9,713	530
Net interest income after provision for credit losses	(4,980)	4,938	5,446	4,699	15,836
NON-INTEREST INCOME					
Service charges on deposit accounts	69	72	63	216	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	285	295	306	861	831
Total non-interest income	354	367	369	1,077	1,031
OPERATING EXPENSES					
Salaries and benefits	1,615	1,880	1,781	5,296	5,098
Premises and fixed assets	266	265	268	798	847
Other	1,204	1,165	1,119	3,504	3,331
Total operating expenses	3,085	3,310	3,168	9,598	9,276
Income (loss) before income taxes	(7,711)	1,995	2,647	(3,822)	7,591
Income taxes (benefit)	(2,280)	552	727	(1,228)	2,112
NET (LOSS) INCOME	\$ (5,431)	\$ 1,443	\$ 1,920	\$ (2,594)	\$ 5,479
EARNINGS (LOSS) PER SHARE					
Basic earnings (loss) per share	\$ (3.65)	\$ 0.97	\$ 1.30	\$ (1.75)	\$ 3.70
Diluted earnings (loss) per share	\$ (3.56)	\$ 0.94	\$ 1.26	\$ (1.70)	\$ 3.60
Average common shares outstanding	1,487,344	1,486,370	1,479,862	1,486,016	1,479,862
Average common and equivalent shares outstanding	1,525,781	1,529,714	1,524,640	1,528,514	1,524,029
PERFORMANCE MEASURES					
Return on average assets	-3.24%	0.86%	1.21%	-0.52%	1.18%
Return on average equity	-51.59%	12.86%	19.58%	-7.93%	19.51%
Tax-equivalent net interest margin	2.75%	3.21%	3.68%	3.04%	3.69%
Efficiency ratio	64.62%	60.47%	52.67%	61.97%	53.32%