

RED BLUFF, Calif.--([BUSINESS WIRE](#))--Cornerstone Community Bank, (**OTCBB:CRSB**), announced today its financial results for the third quarter ended September 30, 2013 and the appointment of Mark Korth to the Board of Directors.

The Bank reported net income of \$295,000 for the three months ended September 30, 2013 compared to net income of \$414,000 for the same period last year which included a severance-related accrual reversal. Diluted earnings per share for the three months ended September 30, 2013 were \$0.23 compared to \$0.32 for the same period last year. Net income for the nine months ended September 30, 2013 was \$817,000, or \$0.63 per diluted share compared to net income of \$886,000, or \$0.70 per diluted share, for the nine months ended September 30, 2012.

The return on average assets for the three months ended September 30, 2013 was 0.98% compared to 1.54% for the same period last year. The return on average equity was 9.74% for the three months ended September 30, 2013 compared to 14.88% for the same period last year. For the nine months ended September 30, 2013, the return on average assets was 0.93% and the return on average equity was 9.00% compared to 1.17% and 11.03%, respectively, for the nine months ended September 30, 2012.

President and CEO, Jeff Finck stated, "With year-over-year loan and deposit growth of 20% and 17%, respectively, the Bank continues to make solid progress in serving the Red Bluff and Redding communities."

Net Interest Income

Net interest income for the three months ended September 30, 2013 was \$1,176,000 compared to \$1,063,000 for the same period last year. The net interest margin of 4.10% was consistent with the net interest margin for the same period last year. For the nine months ended September 30, 2013, net interest income was \$3,545,000 compared to \$3,240,000 for the nine months ended September 30, 2012, representing an increase of \$305,000, or 9%. The net interest margin decreased to 4.26% for the nine months ended September 30, 2013 compared to 4.47% for the nine months ended September 30, 2012.

Provision for credit losses

The Bank recorded a negative provision for credit losses for the quarter ended September 30, 2013 of \$50,000 compared to a provision for credit losses of \$150,000 for the same period last year. The provision for credit losses for the nine months ended September 30, 2013 was \$35,000 compared to \$285,000 for the nine months ended September 30, 2012.

Non-Interest Income

The Bank's non-interest income for the quarter ended September 30, 2013 was \$148,000 compared to \$454,000 for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, non-interest income was \$521,000 compared to \$691,000 for the same period last year. Non-interest income for the three and nine months ended September 30, 2012 was impacted by a severance-related accrual reversal.

Non-Interest Expense

Non-interest expense was \$1,079,000 for the quarter ended September 30, 2013 compared to \$977,000 for the same period one year earlier. For the nine months ended September 30, 2013, non-interest expense was \$3,214,000 compared to \$2,832,000 for the same period last year.

Balance Sheet

The Bank had total assets at September 30, 2013 of \$122.8 million, compared to \$106.9 million at September 30, 2012, representing growth of \$15.8 million, or 15%.

Total loans outstanding, including loans held for sale, at September 30, 2013, were \$87.4 million compared to \$72.8 million at September 30, 2012, representing an increase of \$14.6 million, or 20%.

Total deposits were \$110.2 million at September 30, 2013 compared to total deposits of \$94.2 million at September 30, 2012, representing an increase of \$15.9 million, or 17%.

Credit Quality

The allowance for loan losses was \$1,397,000, or 1.65% of loans, net of unearned income at September 30, 2013, compared to \$1,469,000, or 2.03% of loans, net of unearned income at September 30, 2012. Nonperforming assets at September 30, 2013 were \$250,000 compared to \$75,000 at September 30, 2012.

The bank recognized \$100,000 in net loan charge-offs during the nine months ended September 30, 2013, representing 0.16% of average loans.

Capital Adequacy

At September 30, 2013, shareholders' equity totaled \$12.2 million compared to \$11.4 million at September 30, 2012. At September 30, 2013, the total risk-based capital ratio, tier one capital ratio, and leverage ratio was 13.61%, 12.36% and 9.97%, respectively, all exceeding the regulatory standards for "well-capitalized" institutions of 10.00%, 6.00% and 5.00%, respectively.

Board of Directors Welcome New Member

Mark Korth, President of Dignity Health North State and Mercy Medical Center Redding, has joined the Cornerstone Community Bank Board of Directors. Dignity Health

North State includes Mercy Medical Center Mt. Shasta, Mercy Medical Center Redding and St. Elizabeth Community Hospital in Red Bluff. "Mr. Korth's skills and experience, along with his relationships in the medical profession and the related professional healthcare disciplines, will be a tremendous asset to the Bank and we welcome him to our Board," stated Ken Robison, Chairman of Cornerstone Community Bank.

About Cornerstone Community Bank

Cornerstone Community Bank is a California state-chartered bank with its headquarters office in Red Bluff and a branch office in Redding. The Bank provides commercial banking services, including a wide variety of deposit products and real estate, construction, commercial and consumer loans to small businesses, professionals and 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 Bank 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 Bank'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 Bank is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than Cornerstone Community Bank; and (7) adverse changes may occur in the securities markets or with respect to inflation.

Written by Australian Business

Forward-looking statements speak only as of the date they are made. Except as required by law, Cornerstone Community Bank does not undertake to update forward-looking statements to reflect subsequent circumstances or events.

**CORNERSTONE COMMUNITY BANK
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in Thousands)**

09/30/13

ASSETS

Cash and due from banks	\$	2,717
-------------------------	----	-------

Cornerstone Community Bank Reports Financial Results for the Third Quarter Ended September 30, 2013

Written by Australian Business

Federal funds sold	-	-
Interest-bearing deposits	6,296	2,796
Investment securities	21,866	23,104
Loans held for sale	2,622	2,603
Loans, net of unearned income	84,751	82,381
Allowance for loan losses		(1,397)

Loans, net	83,354	80,931
Premises and equipment, net	1,015	1,041
Other assets		4,900

Total assets	\$	122,770
--------------	----	---------

LIABILITIES

Deposits:

Demand noninterest-bearing	\$	20,377
----------------------------	----	--------

Demand interest-bearing	18,220	16,110
-------------------------	--------	--------

Money market and savings	41,044	
--------------------------	--------	--

Cornerstone Community Bank Reports Financial Results for the Third Quarter Ended September 30, 2013

Written by Australian Business

		40,123
Time deposits of less than \$100,000	11,118	11,236
Time deposits of \$100,000 or more		19,416
Total deposits	110,175	105,939
Other borrowings	-	-

Other liabilities

391

Total liabilities

110,566

SHAREHOLDERS' EQUITY

Common stock	11,959	11,959
Additional paid-in capital	886	859
Accumulated deficit	(623)
Accumulated other comprehensive income (loss)		(18

Total shareholders' equity		12,204
----------------------------	--	--------

Total liabilities and shareholders' equity	\$	122,770
--	----	---------

CAPITAL ADEQUACY

Tier I leverage ratio	9.97	%
-----------------------	------	---

Tier I risk-based capital ratio	12.36	%
---------------------------------	-------	---

Total risk-based capital ratio	13.61	%
--------------------------------	-------	---

Total equity / total assets	9.94	%
-----------------------------	------	---

Book value per share	\$	10.17
----------------------	----	-------

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

Three months ended

Nine months ended

09/30/13

06/30/13

INTEREST INCOME

Loans	\$	1,150
-------	----	-------

Federal funds sold	-	-
Investment securities	152	163
Other		15
Total interest income		1,317

INTEREST EXPENSE

Deposits:

Interest-bearing demand	6	7
Money market and savings	66	75
Time deposits	69	64
Other		-

Total interest expense		141
------------------------	--	-----

Net interest income	1,176	1,162
---------------------	-------	-------

Provision for credit losses		(50
-----------------------------	--	-----

Net interest income after provision for credit losses

1,226

NON-INTEREST INCOME

Service charges on deposit accounts

27

33

Gain on sale of SBA loans

-

-

Gain on sale of securities

-

86

Other non-interest income

121

Total non-interest income		148
---------------------------	--	-----

OPERATING EXPENSES

Salaries and benefits	535	554
-----------------------	-----	-----

Premises and fixed assets	137	128
---------------------------	-----	-----

Other		407
-------	--	-----

Total operating expenses		1,079
--------------------------	--	-------

Income before income taxes	295	282
----------------------------	-----	-----

Income taxes	-	
--------------	---	--

-

NET INCOME	\$	295
-------------------	----	-----

EARNINGS PER SHARE

Basic earnings per share	\$	0.25
--------------------------	----	------

Average common and equivalent shares outstanding

1,302,209

PERFORMANCE MEASURES

Return on average assets 0.98 %

Return on average equity 9.74 %

Net interest margin 4.10 %

Efficiency ratio

81.50

%