FOR IMMEDIATE RELEASE

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Carolina Alliance Reports its 2016 Annual and Fourth Quarter Results

SPARTANBURG, S.C. January 31, 2017 – Carolina Alliance Bank (OTCQX: CRLN) today reported its 2016 annual and fourth quarter financial results. Net income available to common shareholders of $4.1 million, or $0.63 per diluted common share, was reported for the year ended December 31, 2016, compared to net income available to common shareholders of $1.8 million, or $0.35 per diluted common share, for the year ended December 31, 2015. This $2.3 million increase in earnings was largely attributable to increased net interest income on increased earning assets from the merger with PBSC Financial Corporation and Pinnacle Bank of South Carolina ("Pinnacle") which closed in October 2015. Non-interest income also was positively impacted by the merger, due to the larger customer base and also to increased mortgage origination income from Pinnacle's well-developed mortgage loan department.

"We finished 2016 on a strong note, especially in terms of commercial loan growth and mortgage loan originations," said John D. Kimberly, Carolina Alliance Chief Executive Officer. "The trends in the latter part of 2016 gives us optimism as we head into 2017."

Gross loans and leases increased by $21.3 million to $495.2 million on December 31, 2016 from $473.9 million on December 31, 2015. Total assets increased to $642.0 million at December 31, 2016 from $608.3 million at December 31, 2015. Total deposits increased to $527.6 million on December 31, 2016 from $495.8 million on December 31, 2015, an increase of $31.8 million

Total shareholders' equity on December 31, 2016 was $70.2 million, or 10.9% of total assets, compared to total shareholders' equity of $71.9 million, or 11.8% of total assets, on December 31, 2015. The decrease in total shareholders' equity was from the 2016 redemption of $5.0 million of preferred stock that had been issued under the U.S. Treasury's Small Business Lending Fund, offset partially by current year earnings. Book value per common share was $10.75 as of December 31, 2016 compared to $10.27 as of December 31, 2015. The bank's capital levels continue to exceed the levels required by regulatory standards to be classified as "well capitalized," which is the highest of the five regulator-defined capital categories used to describe an institution's capital strength.

Non-performing assets as a percentage of total assets at December 31, 2016 decreased to 0.32% from a year prior at 0.92%. Non-performing assets were $2.1 million at December 31, 2016, as compared to $5.6 million at December 31, 2015.

At December 31, 2016, the allowance for loan and lease losses stood at $5.0 million, which is 1.00% of gross loans. During the year ended December 31, 2016, recoveries of loans charged off exceeded charge-offs by $66,000.

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“We are very pleased with the year’s results and we continue to look toward the bank’s future,” said Terry Cash, Chairman of the Board of Directors. “We recently made the decision to establish a holding company to further position the bank for growth and success.” Formation of the holding company, which will be led by John S. Poole as the proposed Chief Executive Officer, is subject to regulatory and shareholder approval.

For other information about Carolina Alliance, please call (864) 208-BANK (2265) or visit our website at www.carolinaalliancebank.com.

Note:
Certain statements in this release contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to future plans and expectations, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties, and other factors, such as an economic downturn nationally or in the local markets we serve; competitive pressures among depository and other financial institutions; the rate of delinquencies and amounts of charge-offs; the level of allowance for loan loss; the rates of loan growth or adverse changes in asset quality in the bank’s loan portfolios; and changes in the U.S. legal and regulatory framework, including the effect of recent financial reform legislation on the banking industry, any of which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.

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