



Investor Presentation

May 2016



★ Asheville



★ Greenville



★ Spartanburg

Forward Looking Statement

This presentation contains forward-looking statements relating to the financial condition, results of operations and business of Carolina Alliance Bank. These forward looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of Carolina Alliance Bank, and the information available to management at the time that this presentation was prepared.

Factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following: (i) general economic or business 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 or other services; (ii) changes in the interest rate environment may reduce net margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; (iii) competitive pressures among depository and other financial institutions may increase significantly; (iv) legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which Carolina Alliance Bank is engaged; (v) local, state or federal taxing authorities may take tax positions that are adverse to Carolina Alliance Bank; (vi) adverse changes may occur in the securities markets; (viii) competitors of Carolina Alliance Bank may have greater financial resources and develop products that enable them to compete more successfully than Carolina Alliance Bank. Therefore, Carolina Alliance Bank can give no assurance that the results contemplated in the forward-looking statements will be realized. Investors are cautioned not to place undue reliance on the forward-looking statements.

Carolina Alliance Bank does not undertake a duty to update any forward-looking statements made in this presentation.

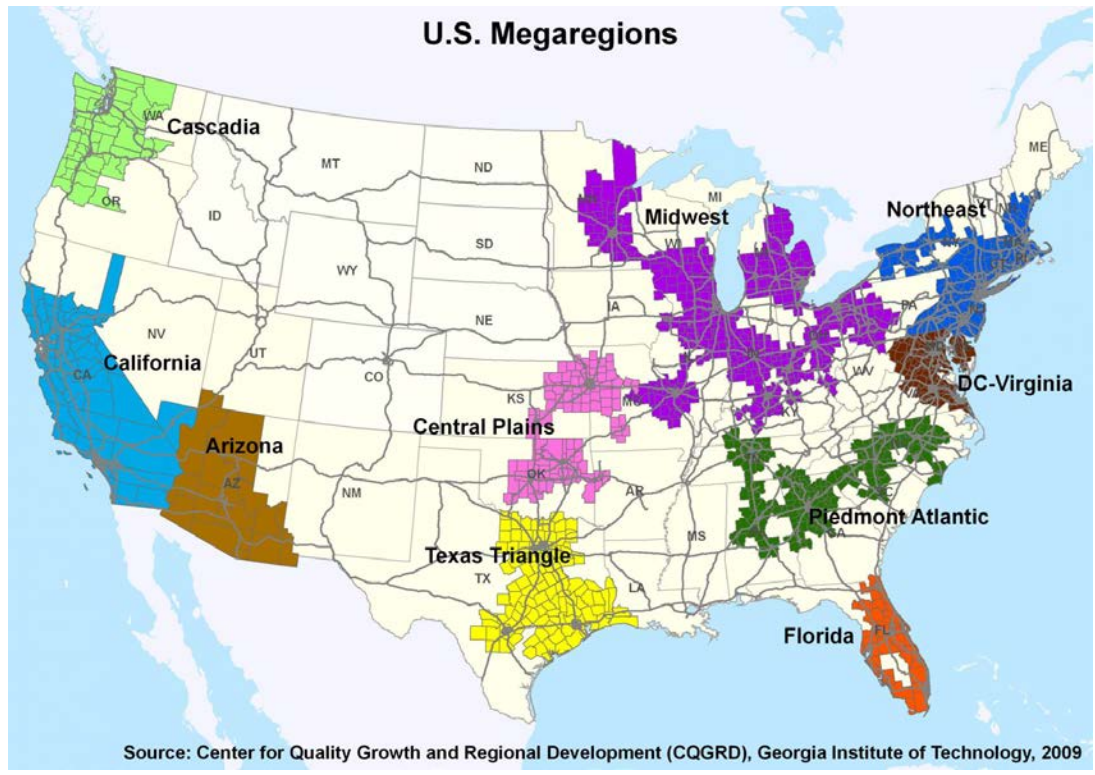
Introduction

Carolina Alliance Bank is a growing franchise headquartered in Spartanburg, South Carolina with 10 offices in South Carolina and North Carolina

- ✓ Located in dynamic markets
- ✓ Successful M&A strategy and significant organic growth have vaulted institution above \$630 million in assets
- ✓ Conservative underwriting standards have led to excellent asset quality
- ✓ Strong capital levels to support future growth
- ✓ Poised to achieve earnings momentum and striving to maximize shareholder returns

Carolina Alliance Bank. Here for You. Every Day.

Fastest Growing Region



PIEDMONT ATLANTIC MEGAREGION

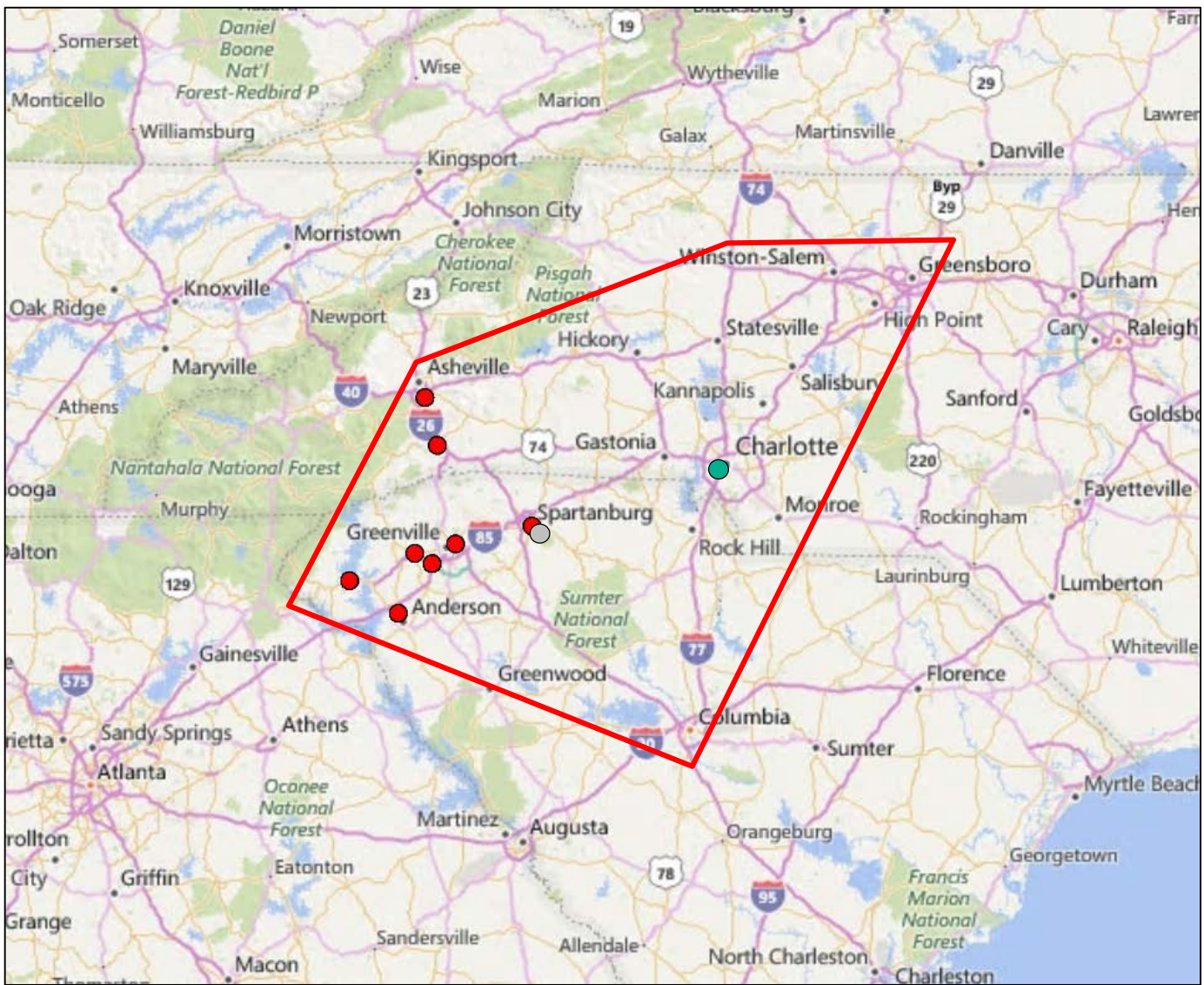
- Fastest growing Megaregion in the United States
- Consists of eight Metropolitan Centers:

- | | |
|-------------|----------------|
| Atlanta | Greenville* |
| Birmingham | Nashville |
| Charlotte* | Raleigh-Durham |
| Greensboro* | Spartanburg* |

*Metropolitan Centers within Carolina Alliance target market.



Carolina Alliance Bank Target Market



Existing Locations

- Full Service Branch
- LPO and Leasing Office
- Leasing Office



Leadership

John S. Poole - Chief Executive Officer

Mr. Poole is the Chief Executive Officer of Carolina Alliance Bank bringing more than 37 years of banking experience with 20 years experience in community banking. Mr. Poole previously served as President of Carolina Southern Bank, a Spartanburg area community bank, for approximately 10 years from 1992 to 2001. From 2001 until 2003, he served as upstate regional executive for the National Bank of South Carolina. Mr. Poole is a graduate of the University of South Carolina (B.A. 1974, M.B.A. 1976) and is active in various civic organizations in Spartanburg County.

John D. Kimberly - President

Mr. Kimberly serves as President of Carolina Alliance Bank. Most recently, he was President and Chief Executive Officer of Forest Commercial Bank in Asheville, North Carolina. Mr. Kimberly has over 25 years of banking experience including service as Market President in western North Carolina for SunTrust Bank with responsibility for the retail, commercial, and private wealth management lines of business. He is a graduate of Wake Forest University with a B.A. in economics and attended the Graduate School of Banking of the South at Louisiana State University.

R. Lamar Simpson – CFO & COO

Mr. Simpson serves as the Chief Financial Officer, Chief Operating Officer and Secretary of the Bank. Mr. Simpson is a Certified Public Accountant with over 35 years of accounting and financial management experience. Prior to joining the bank, he had eight years experience as Chief Financial Officer and Corporate Secretary of two publicly traded community financial institutions, First Spartan Financial Corp and New Commerce Bancorp. Mr. Simpson graduated from Erskine College with a B.A. in business administration. He is a Member of the American Institute of Certified Public Accountants, the South Carolina Association of Certified Public Accountants, and the Financial Managers Society.

<u>Board of Directors</u>	
<u>Name</u>	<u>Position</u>
Terry L. Cash <i>Chairman of the Board</i>	Chairman, President & CEO of the Caman Group, Inc.
W. Louis Bissette, Jr. <i>Vice Chairman of the Board</i>	Of counsel at McGuire Wood & Bissette, PA; Former Mayor of Asheville, NC
Carl R. Bartlett	Retired Mayor of Black Mountain, NC; retired Senior Vice President of Wachovia Bank of Charlotte, NC
T. Alexander Evins	Attorney and Partner of Parker Poe Adams & Bernstein LLP
Marshall E. Franklin	Chief Operating Officer of Bob Jones University
Marsha H. Gibbs	Executive at Gibbs International Inc.; Author of <i>Growing with Grace</i>
George M. Groome	President and CEO of Colton Groome & Co.; Managing Principal of Colton Groome Financial Advisors, LLC
John D. Kimberly	President of Carolina Alliance Bank
Samuel H. Maw, Jr.	Retired Executive Vice President of Flagstar Corp.; Retired President and CEO of Denny's Inc.
Susan H. McClinton	Treasurer and Owner of William S. Hein & Company, Inc.
D. Byrd Miller III	Chief Financial Officer, Treasurer, & Managing Member of William Barnet & Son, LLC
John S. Poole	Chief Executive Officer of Carolina Alliance Bank
W. Allen Rogers II	Principal and Co-owner of Allen C. Ewing & Co., Partner at Peter Browning Partners, LLC
R. Lamar Simpson	Chief Financial Officer & Chief Operating Officer of Carolina Alliance Bank
L. Terrell Sovey	President of Management Advisory Services, Inc.
Richard H. Sumarel	President and Chief Executive Officer, Verdae Development, Inc.
Larry A. Webb	Principal and Broker with KDS Commercial Properties
W. Lewis White, Sr.	President and Owner of Lewis White Company



Financial Summary

CAROLINA ALLIANCE BANK				
In \$000s	For the Twelve Months Ended			Quarter Ended
	12/31/13	12/31/14	12/31/15	03/31/16
Balance Sheet				
Total Assets	\$247,489	\$417,799	\$608,291	\$630,275
Total Loans & Leases	\$182,846	\$330,819	\$473,285	\$475,524
Total Deposits	\$203,598	\$338,659	\$495,823	\$524,166
Loans/Deposits	89.81%	97.68%	95.45%	90.72%
Capital				
Common Equity	\$27,002	\$47,294	\$66,903	\$68,410
Tangible Equity	\$31,977	\$51,321	\$67,568	\$62,336
Total Equity/Assets	12.92%	12.51%	11.82%	10.85%
Tang. Common Equity/ Tang. Assets	10.91%	11.12%	10.09%	9.99%
Risk Based Capital	16.88%	15.47%	13.70%	12.67%
Tier 1 Capital	15.62%	14.35%	12.80%	11.78%
Leverage Ratio	12.61%	12.24%	11.19%	10.30%
Profitability Measures				
Net Interest Margin	3.79%	4.20%	4.06%	3.92%
Non Interest Income/Avg. Assets	0.15%	1.55%	0.58%	0.61%
Non Interest Expense/Avg. Assets	2.79%	3.28%	3.53%	3.29%
Efficiency Ratio	74.45%	58.52%	78.63%	75.37%
ROAA	0.44%	1.65% *	0.40%	0.60%
ROAE	3.38%	13.10% *	3.28%	5.24%
Net Income	\$1,083	\$6,105 *	\$1,899	\$926
Asset Quality				
NPAs/Assets	2.31%	1.94%	1.36%	1.07%
NPAs (excl performing TDRs)/Assets	0.72%	0.97%	0.92%	0.55%
NCOs/Avg Loans	0.02%	0.23%	0.04%	0.004%
ALLL/Loans	1.92%	1.19%	0.99%	1.00%
ALLL/ NPLs (excl performing TDRs)	525.00%	116.00%	114.00%	180.20%

Note: 2014 net income, ROAA & ROAE includes bargain purchase gain of \$3,818

Note: Purchased loans are stated at fair value less a credit discount and thus have no related ALLL

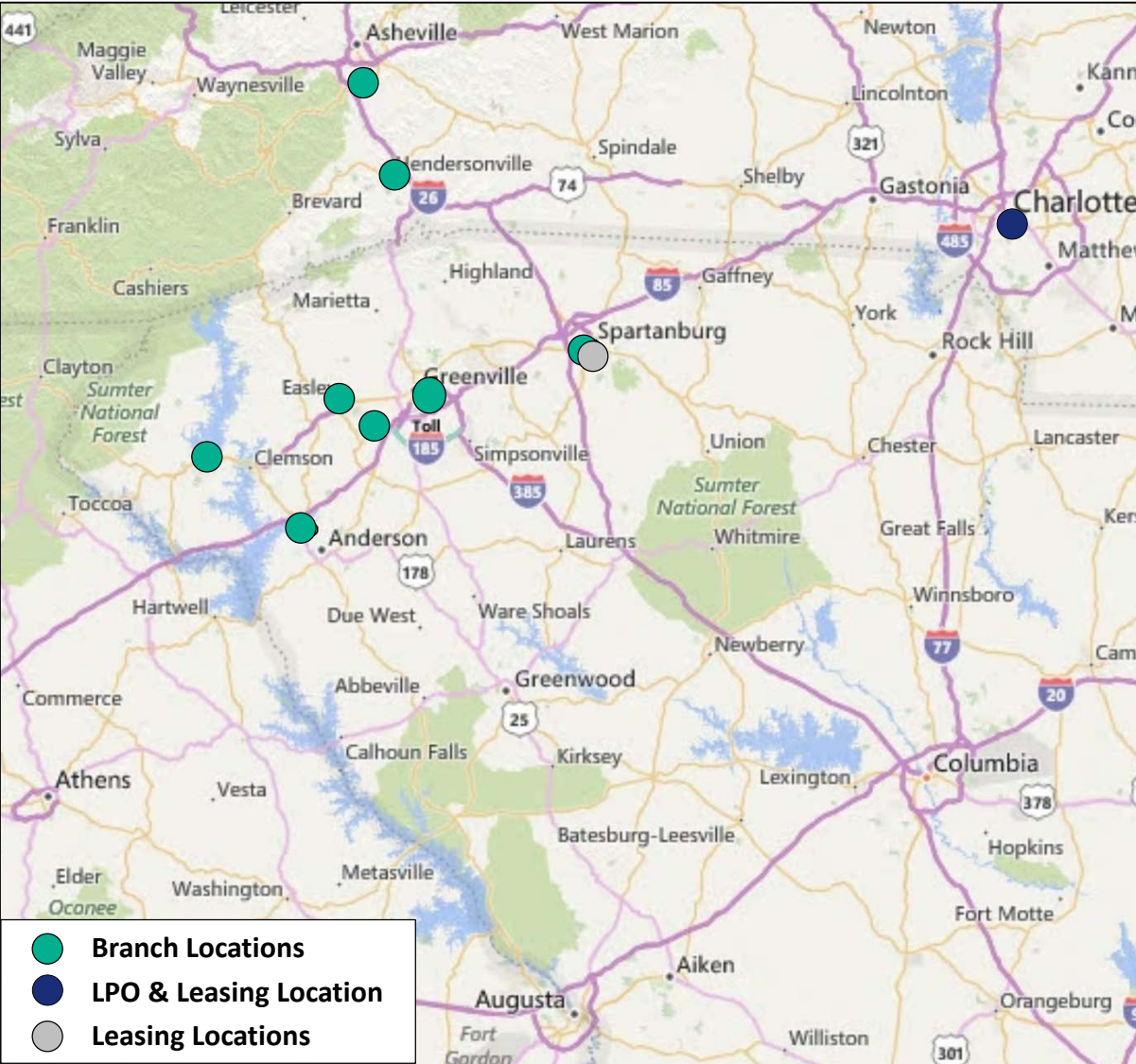
Source: SNL Financial



Recent Highlights

- Surpassed \$630 million in assets
- Closed acquisition of PBSC Financial Corporation in October 2015
- Achieved total loan growth of 4.3%, 72.5% and 43.3% over the last three years
- Reduced NPA/Assets by 30% during the last twelve months
- Earned \$1.9 million in 2015 despite after tax one-time merger costs of \$836,000
- Achieved all-time high revenue of \$22.3 million in 2015
- Paid off SBLF (\$5 million) in February 2016
- Achieved OTCQX - Top 50 in 2015 (“CRLN”)
- Achieved BauerFinancial 5-star rating
- Awarded stock dividends in 2014 and 2015

Geographic Footprint



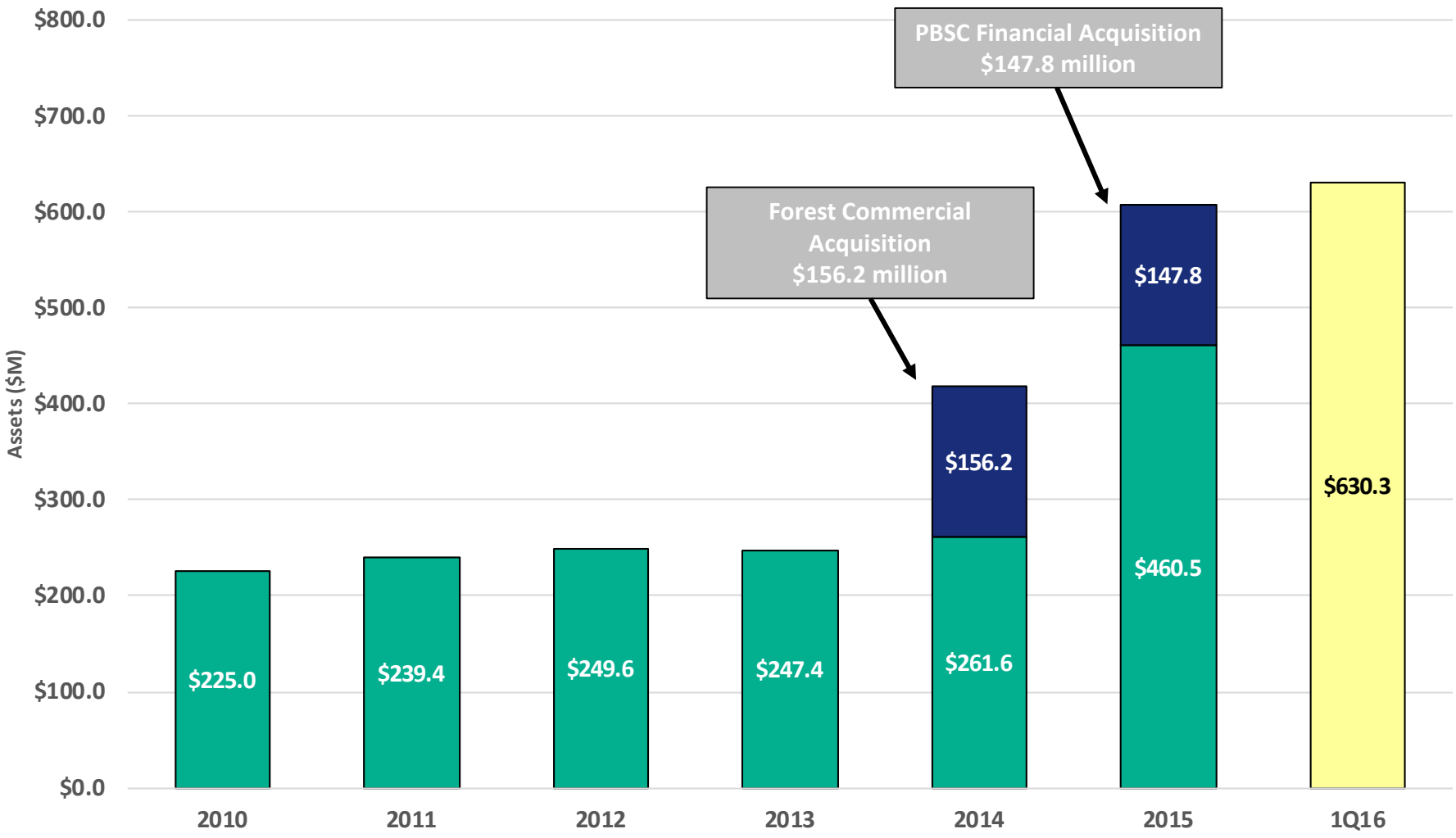
Franchise Locations		
Street Address	City	State
<u>Full Service Branches</u>		
135 Eagles Nest Drive	Seneca	SC
200 S Church Street	Spartanburg	SC
937 N Pleasantburg Drive	Greenville	SC
1127 Hendersonville Road	Asheville	NC
218 N Main Street	Hendersonville	NC
10515 Anderson Road	Easley (Powdersville)	SC
115 Broadbent Way	Anderson	SC
6501 Calhoun Memorial Highway	Easley	SC
<u>Leasing Offices</u>		
2333 Randolph Road	Charlotte	NC
125 Venture Boulevard	Spartanburg	SC
<u>Loan Production Office</u>		
2333 Randolph Road	Charlotte	NC



Asset & Deposit Ranking

South Carolina Headquartered Banks		As of March 31, 2016		
Rank	Institution	Branches	Total Assets (\$000)	Total Deposits (\$000)
1	South State Corp.	126	8,670,757	7,161,948
2	Carolina Financial Corp.	28	1,453,040	1,127,772
3	Southern First Bancshares Inc.	9	1,239,317	1,003,241
4	CNB Corp.	15	1,038,874	852,942
5	First Community Corp.	15	870,409	722,236
6	Security Federal Corp.	15	811,025	661,232
7	Carolina Alliance Bank	8	630,275	524,166
8	First Palmetto Financial Corp.	23	620,680	509,772
9	Travelers Rest Bancshares Inc.	10	620,280	546,168
10	Anderson Bancshares Inc.	19	539,949	485,086
11	Palmetto State Bankshares Inc.	8	528,224	433,923
12	Tidelands Bancshares Inc.	7	463,717	413,292
13	Arthur Financial Corp.	19	463,222	406,542
14	First Carolina Bancshares Corp.	14	423,940	370,510
15	South Atlantic Bancshares Inc.	6	417,354	366,141

Transformational Asset Growth



Creating Value Through M&A



**Forest Commercial Bank
Asheville, North Carolina**

Transaction Details

**Announced: August 8, 2013
Completed: April 5, 2014
Deal Value: \$16.5 million
Consideration: 100% Stock**

Target Financials (Announcement)

**Assets: \$143.1 million
Loans: \$112.2 million
Deposits: \$114.0 million
LTM Earnings: \$974 thousand**

**PBSC Financial Corporation
Greenville, South Carolina**

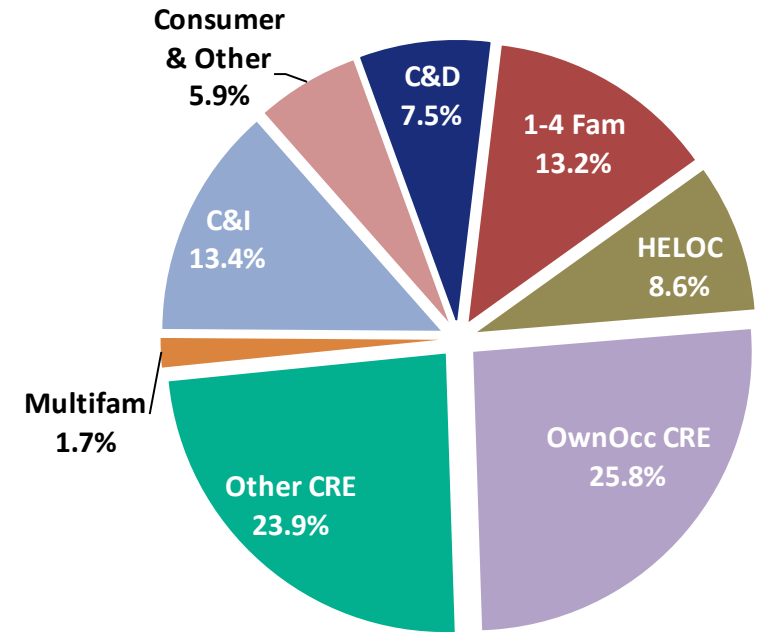
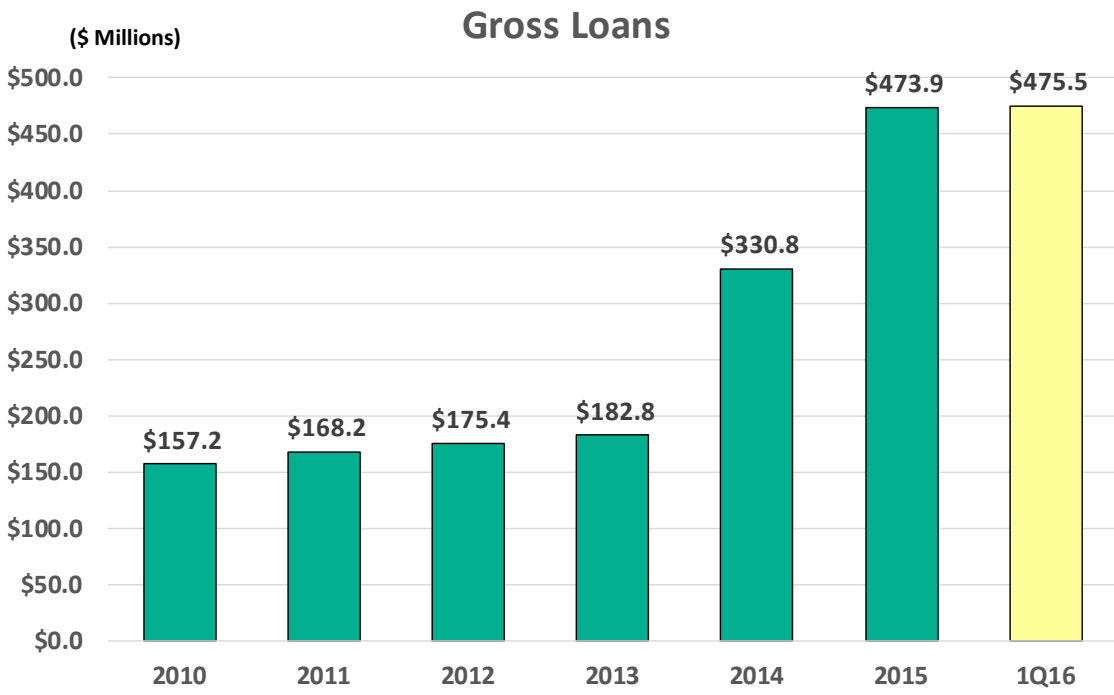
Transaction Details

**Announced: March 24, 2015
Completed: October 2, 2015
Deal Value: \$23.3 million
Consideration: 80% Stock, 20% Cash**

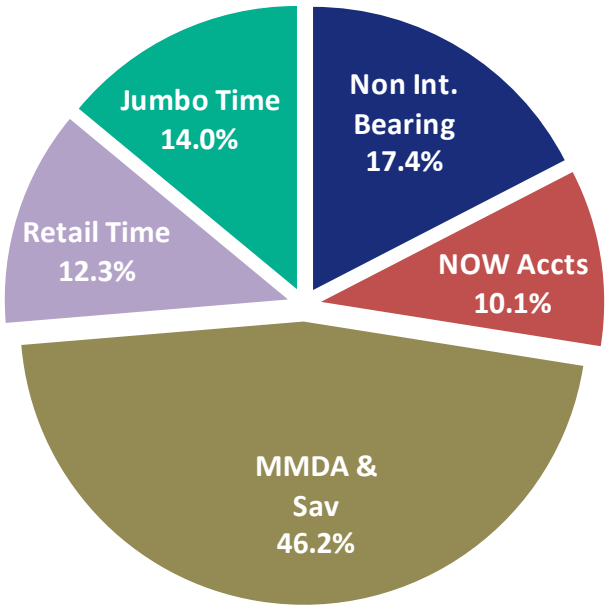
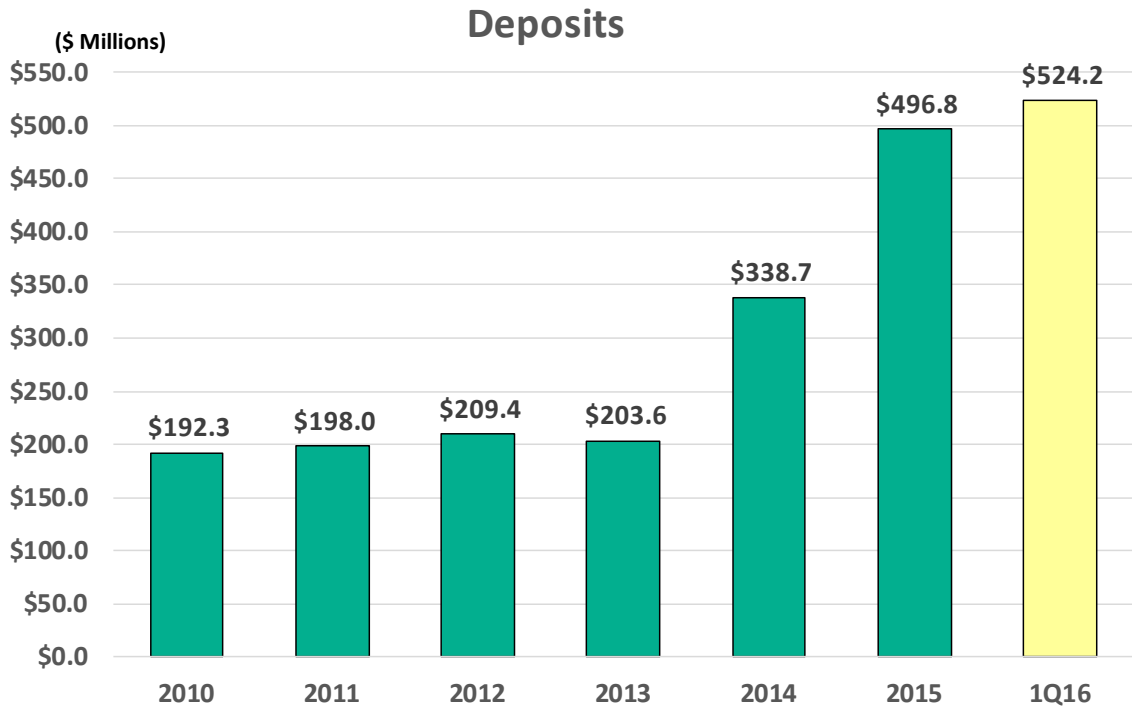
Target Financials (Announcement)

**Assets: \$154.2 million
Loans: \$123.8 million
Deposits: \$123.0 million
LTM Earnings: \$1.5 million**

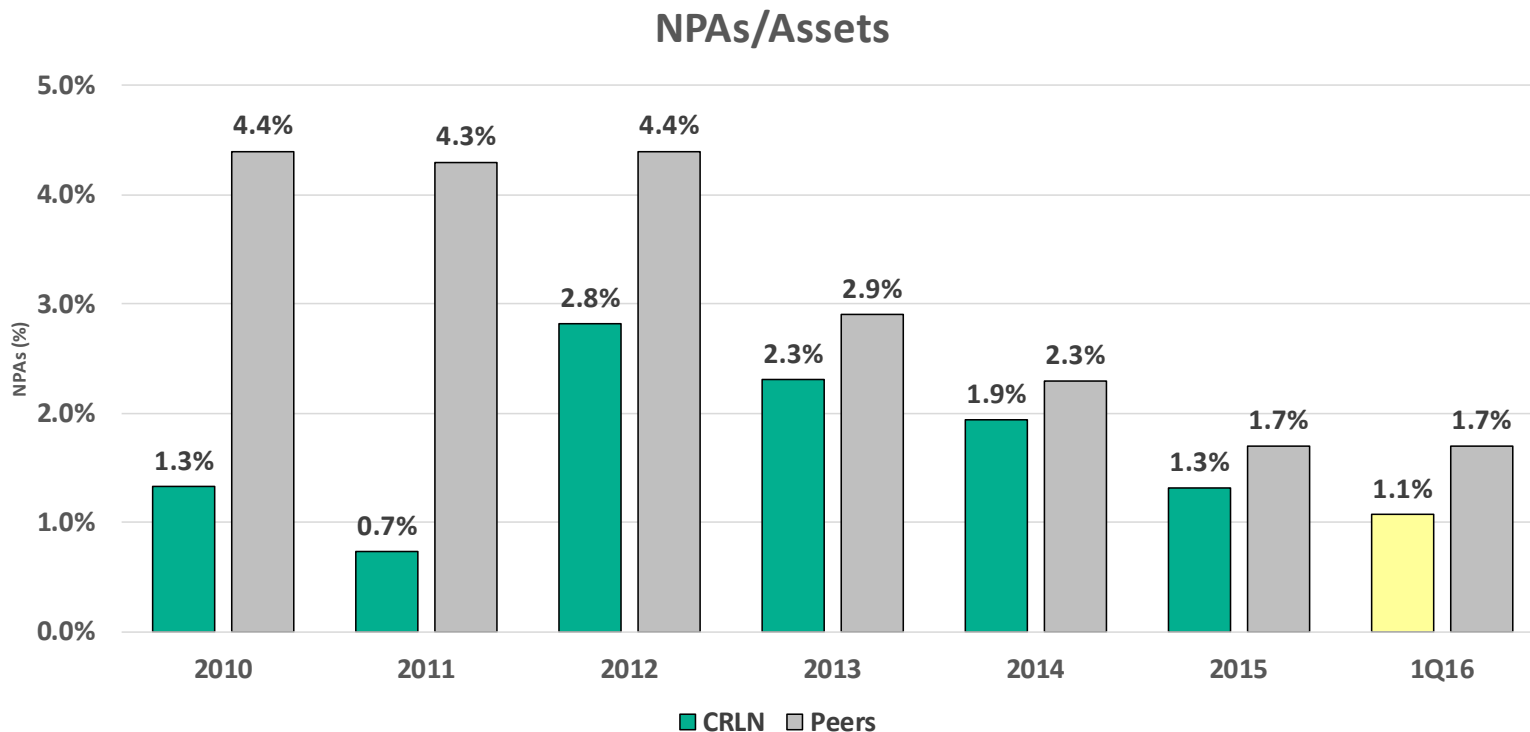
Loan Growth



Deposit Growth



Asset Quality



- Non-Performing Loans/Loans are at lowest level since 2011 (1.4%)
- Net Charge-offs/Avg. Loans are consistently low, only 0.05% for 2015
- Based on the low level of NPAs, the Company believes it is adequately reserved with ALLL/Loans* of 1.0%

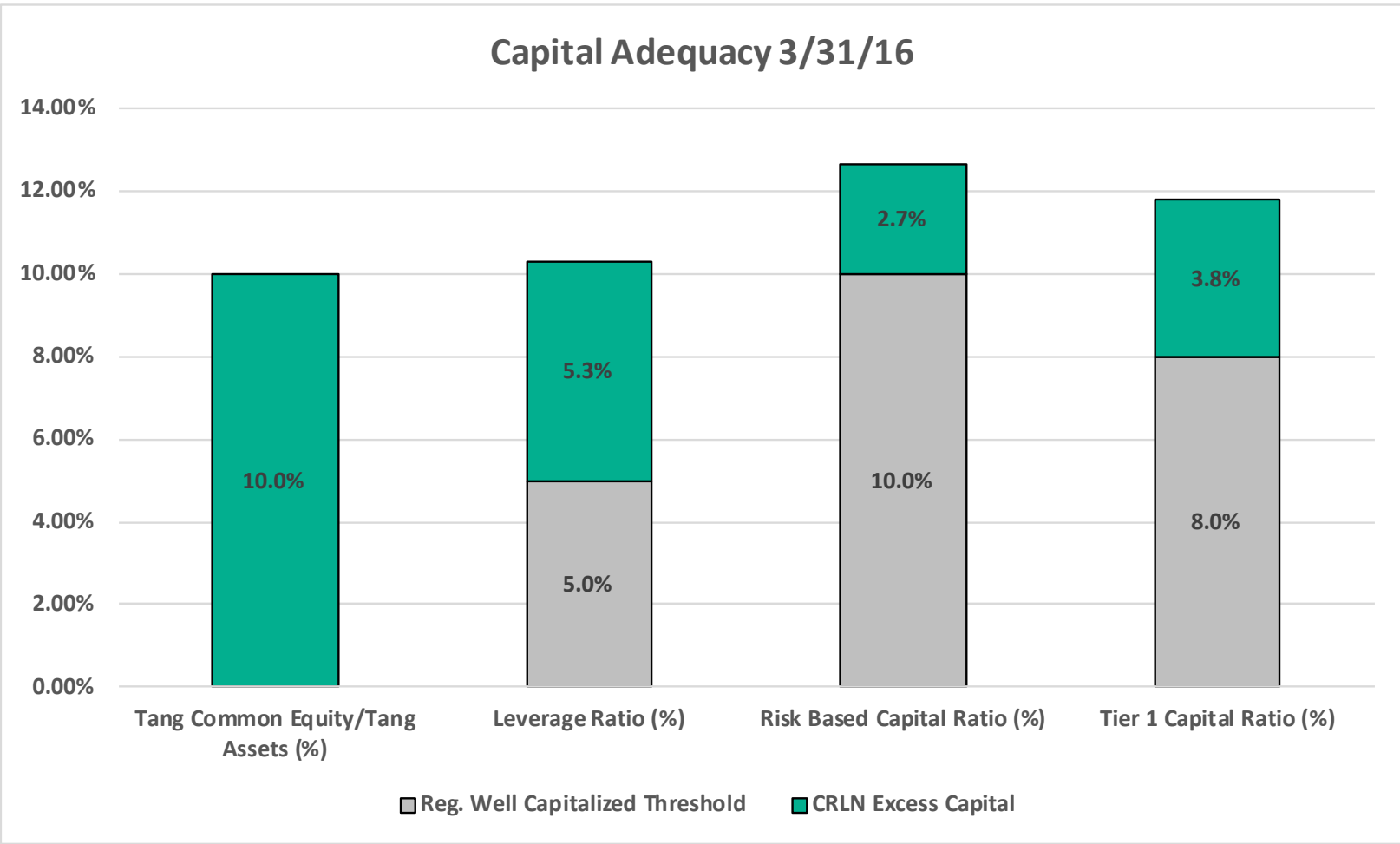
*Purchased loans are stated at fair value less a credit discount and thus have no related ALLL

Note: Peers include median data for all SC banks

Source: SNL Financial



Capital

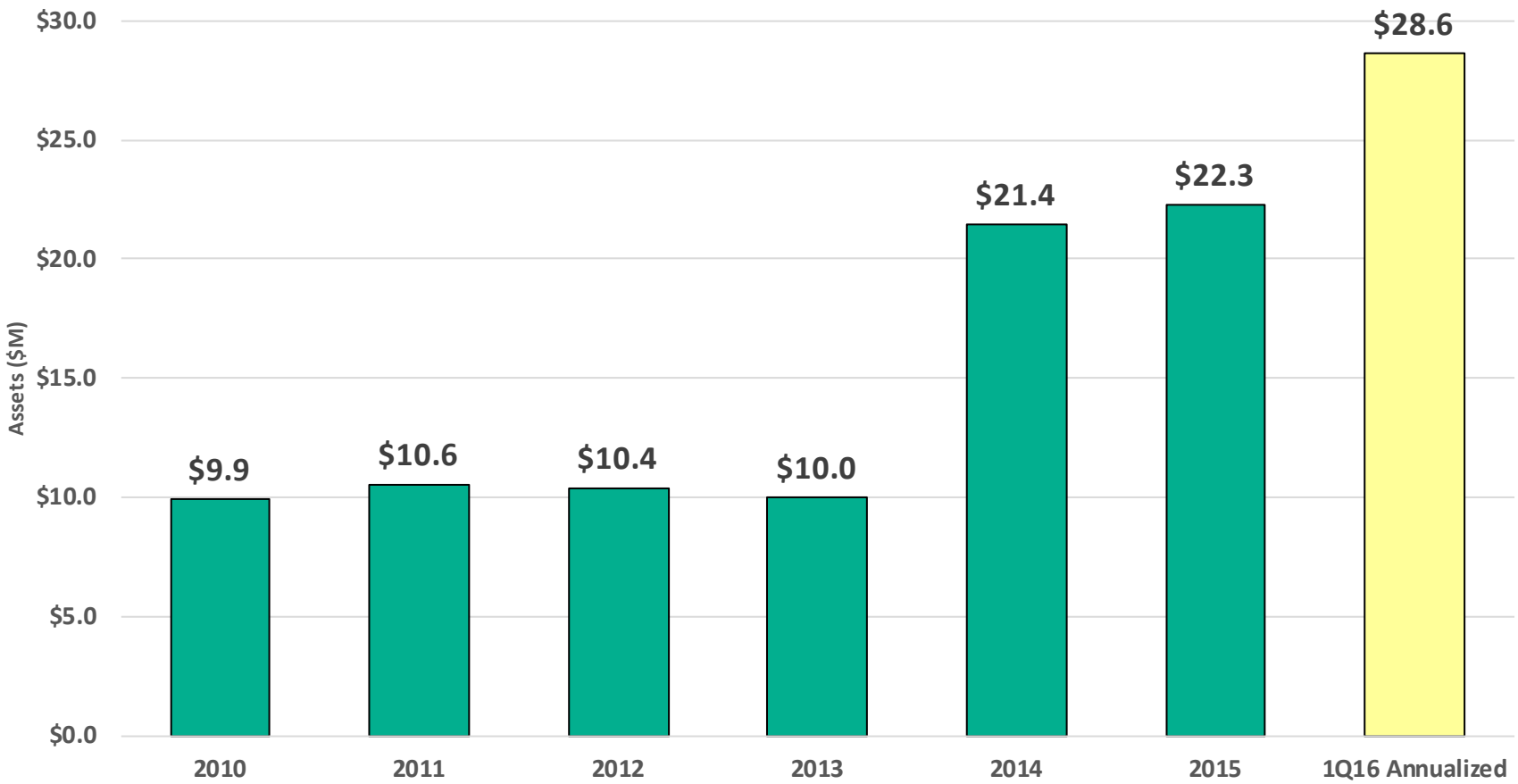


Note: Data as of March 31, 2016



Revenue Growth

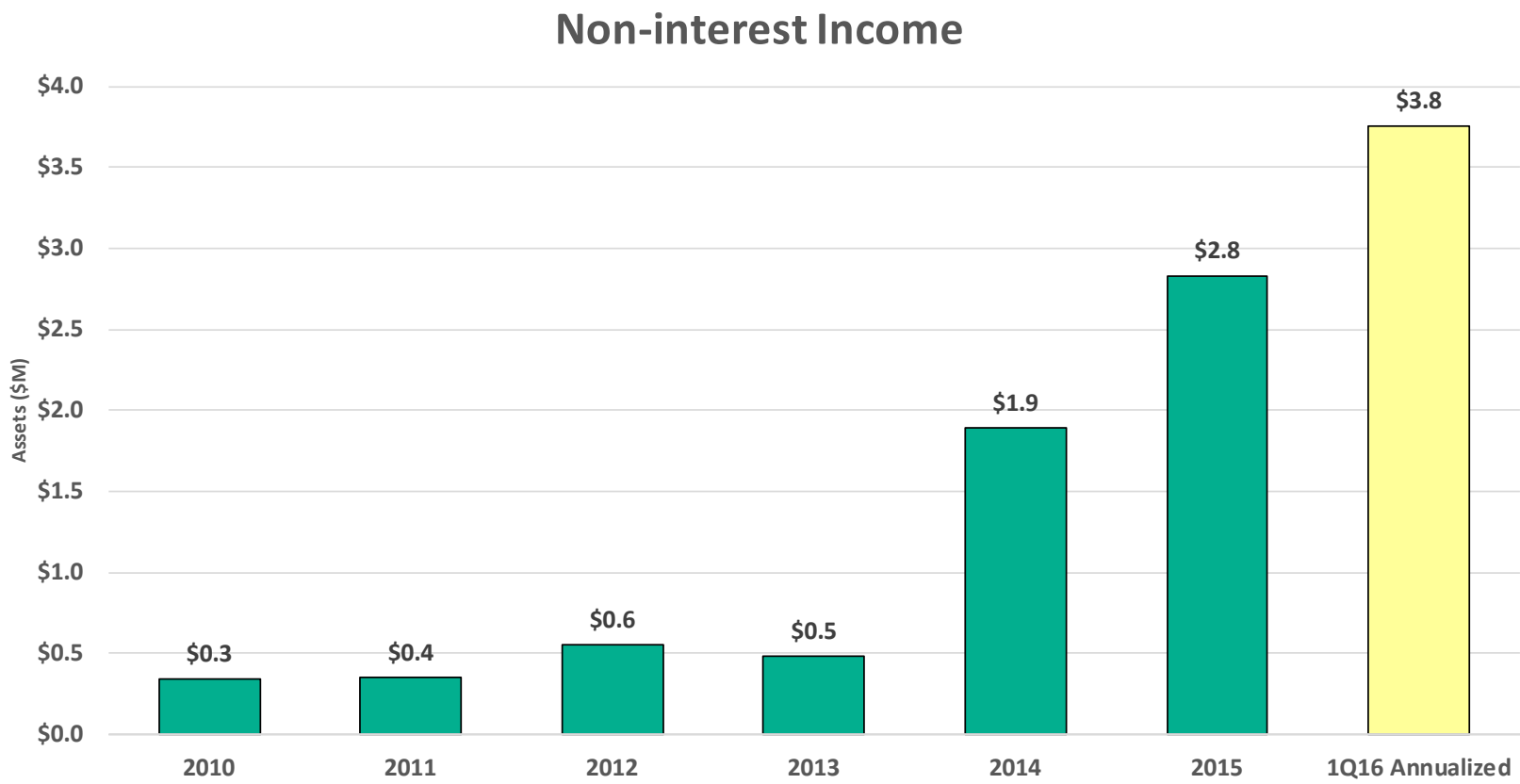
Total Revenue



Note: Total revenue consists of interest income & non-interest income
Source: SNL Financial



Non-Interest Income



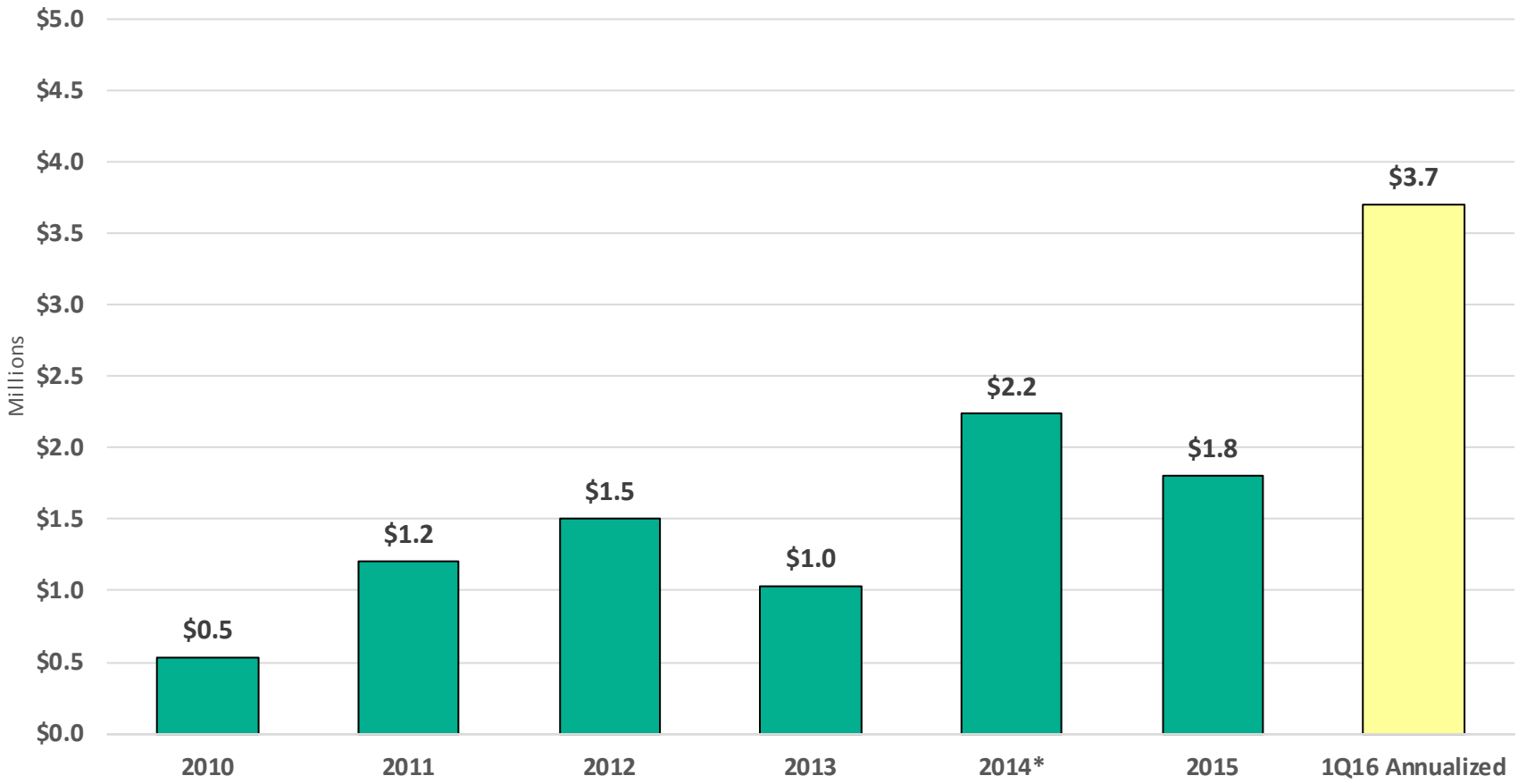
Major non-interest income goals for 2016:

- Increase mortgage banking revenue 148% to \$538.8 thousand
- Increase leasing income 18.5% to \$2.2 million



Profitability

Net Income



*Does not include bargain purchase gain from acquisition of Forest Commercial Bank
Note: Net income in 2013, 2014, and 2015 includes after – tax merger charges of \$353,000, \$414,000, and \$836,000, respectively



Why Carolina Alliance?

- ✓ **Experienced Banking Team**
 - Seasoned leaders in all major markets
 - Executive leadership team boasts over 87 years of combined banking experience
- ✓ **Footprint**
 - Geographic footprint that overlaps areas of robust economic growth
- ✓ **Earnings Momentum**
 - 82% increase in net income in 1Q16 vs 1Q15
 - No merger related expenses or gains
- ✓ **Credit Quality**
 - Significant loan growth while maintaining strong credit quality
- ✓ **Consolidation Opportunities**
 - Positioned to participate in the continuing industry consolidation as an acquirer or target
- ✓ **Active & Engaged Board**
- ✓ **Strategy Designed to Maximize Shareholder Value**
- ✓ **CRLN currently trades at 103.5% of tangible book value compared to SC peers at 113.2%**