



FOR IMMEDIATE RELEASE

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Carolina Alliance Reports its Second Quarter Results

SPARTANBURG, S.C. (September 3, 2013) – Carolina Alliance Bank (OTCBB: CRLN and OTCQB: CRLN) today reported to its shareholders financial results for the six months ended June 30, 2013. Net income available to common shareholders of \$555,000, or \$0.22 per diluted common share, was reported for the six months ended June 30, 2013. This profit represented a decrease of 24.2% compared to net income available to common shareholders of \$732,000, or \$0.29 per diluted common share, that was reported for the six months ended June 30, 2012. The decrease in earnings was largely attributable to investments in personnel for the bank's long-term growth during the first quarter of 2013.

“As the economy continues to recover, we believe that our strong credit quality and high capital levels position us for healthy expansion,” said Chairman of the Board of Directors Terry L. Cash. “Our recent investments in personnel and support technology confirm our ongoing commitment to quality service and well-managed growth. We are equally excited about the long-term growth opportunities that we anticipate being created by our proposed merger with Forest Commercial Bank.”

Total assets of the bank grew to \$242.8 million at June 30, 2013 from \$242.4 million at June 30, 2012, which is an increase of 0.2%. Gross loans contracted to \$169.6 million on June 30, 2013 from \$174.4 million on June 30, 2012, a decrease of 2.8%. Total deposits were essentially unchanged at \$199.9 million on June 30, 2013, compared to \$200.0 million on June 30, 2012.

“While prudent loan growth remains a challenge in our industry, we are finally seeing expansion in our pipeline of potential new loans. We eagerly look forward to stronger loan production in the future,” said John S. Poole, Carolina Alliance President and Chief Executive Officer. “We believe we have the best team assembled to effectively manage the banking needs of our customers, both current and prospective.”

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Total shareholders' equity on June 30, 2013 was \$31.9 million, or 13.1% of total assets. Book value per common share was \$10.73 per share as of June 30, 2013. The bank's capital levels exceeded 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.

The levels of non-performing assets and non-accrual loans at June 30, 2013 reflected continued improvement. Non-performing assets were \$1.6 million at June 30, 2013, which is 0.66% of total assets, and were significantly lower than one year prior when non-performing assets were \$3.1 million, or 1.30% of total assets. At June 30, 2013, the bank had non-accrual loans of \$0.7 million, or 0.41% of gross loans, as compared to non-accrual loans of \$2.3 million at June 30, 2012, representing 1.30% of gross loans.

At June 30, 2013, the allowance for loan losses stood at \$3.6 million, which is 2.12% of gross loans. Loan recoveries outweighed loans charged off for the six months ended June 30, 2013, for a net recovery of \$107,000, which represents 0.06% of gross loans.

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

Note

Certain statements in this news 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 the businesses of Carolina Alliance Bank and Forest Commercial Bank may not be integrated successfully or such integration may take longer to accomplish than expected, the expected cost savings and any revenue synergies from the merger may not be fully realized within the expected timeframes, disruption from the merger may make it more difficult to maintain relationships with clients, associates, or suppliers, the required governmental approvals of the merger may not be obtained on the proposed terms and schedule, Carolina Alliance Bank and/or Forest Commercial Bank shareholders may not approve the merger, a continued downturn in the economy, 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 our loan portfolio, 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.

Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, we can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by us or any person that the future events, plans, or expectations contemplated by us will be achieved. All subsequent written and oral forward-looking statements concerning us or any person acting on our behalf is expressly qualified in its entirety by the cautionary statements above. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, to reflect circumstances or events that occur after the date the forward-looking statements are made.

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