

PREMARA
FINANCIAL, INC.

1st Quarter 2016
Shareholder Communication

April 27, 2016

Dear Shareholders:

We are pleased to bring you our financial results for the first quarter of 2016. You recall that 2015 was a "rebuilding year" for Premara Financial, Inc. and Carolina Premier Bank (the "Bank"). We repositioned some of our banking professionals and added others to better address our niche of small businesses, professionals, and the retail clients that evolve from those relationships. Reworking our credit approval and closing process now allows us to better meet client expectations—a solution to their needs delivered in an efficient timeline. The Center for Business Strategies was launched and helps address the question of how small business owners grow and ultimately monetize the value of their enterprise. Finally, we defined our Core Values and our Purpose and began building a strong corporate culture.

All of our work in 2015 was undertaken to better position us to execute upon our plan in 2016. We are pleased that we are off to a good start. The entire Bank team is pleased to bring you this summary of our first quarter's results.

Professionals: Our Bank is only as good as the banking professionals that deliver financial solutions. During the first quarter, two experienced bankers joined our team. Fred Rogers will focus his efforts on small businesses and Scott Gadd will provide strength in commercial real estate. These bankers come with market and community banking knowledge.

Loan Production: During 2015, as we rebuilt our team and our credit process, we witnessed sporadic loan production and a net runoff in our loan portfolio. Some of this runoff (problem credits) was by design and will benefit our performance. One of the highlights of the first quarter, particularly February and March, was the level of loan production. While we are not about growth for growth's sake, we know that our returns and efficiencies improve with scale. We are pleased with the level of calling activity, "looks" at loans, and the *collaboration* (one of our Core Values) between our sales team and credit team. Even after a slow start in January, our first quarter's production is over 50% of last year's figure. This level of production should lead to steady growth in the future.

Small Business Team: Several of our commercial bankers and more experienced retail bankers formed a new sub-team to concentrate on micro- and small-business banking. We believe this segment is a profitable one—done correctly—and one in which we can excel. One of the key metrics for the small business owner is "time to close." We monitor this metric daily and are introducing two tools to assist our small business team. (1) We have a streamlined approval process for small credits. This process is not a short cut to sound underwriting, but rather a shorter version of a full underwriting package that still addresses the key issues. (2) We are partnering with a firm to deliver an online application process

for business lines of credit up to $50,000. This software utilizes bank data and outside data (credit reports, for instance), along with Bank-defined credit metrics, to efficiently approve and fund these lines of credit. We plan to introduce this tool in the third quarter of 2016.

Deposit Charge Restructure: We completed an analysis of our product offering, particularly our legacy accounts. We need to *balance* (another of our Core Values) getting paid for our services against being "fee-unfriendly" to the client. Some adjustments were made to strive for this balance and increase our service charge fee income.

Bankers Healthcare Group: Early in the second quarter, we entered into an agreement with Bankers Healthcare Group ("BHG"), a leading provider of medical financing. BHG originates loans and sells them to a network of community banks nationwide through a loan auction as well as direct sales. Since 2001, BHG has sold loans to more than 550 banks nationwide. This partnership is a great way to supplement our organic growth with quality loans to one of the highest performing industries in our economy.

Expense Run Rate: As pointed out in our financial summary below, the Bank has managed its expenses well. We do point out, however, that we will see some increase in our expenses due to the additional bankers that joined our team and others that we hope to hire. This increase, however, will be offset by higher revenues. We are aware that our efficiency is higher than all of us desire; we pay attention to the balance of revenue producers and proper support professionals.

Core Conversion: By the time our next shareholder communication is issued, we will have converted our core operating system, scheduled for mid-May. Our support team continues to work toward a seamless integration. We are all excited about the new capabilities (including mobile banking!) and increased functionality for our professionals and clients.

If you have any questions about your Bank, I encourage you to call me directly at 704-697-5053. I will answer any question that I can and get back to you on the ones that need further research. We appreciate your belief in Carolina Premier Bank and your support as we execute upon our plan.

In closing, we acknowledge that one quarter does not a trend make. Nonetheless, we are pleased with the progress we made this past quarter. Keeping the momentum going is a challenge in the banking industry. Our desire is to come to the Bank every day and determine how we can be your Catalyst for Excellence.

Sincerely,



David P. Barksdale
Chief Executive Officer

Financial Results

Overview: During 2015 the Company implemented many strategic initiatives that focused around driving long-term shareholder value. Key metrics utilized in monitoring our progress include asset growth, return on average assets (ROAA), net overhead, efficiency, and earnings per share (EPS). When reviewing the performance for the first quarter of 2016, the results of some of those initiatives are apparent while others continue to be a work in progress. The consolidated financial statements (unaudited) for the periods ended March 31, 2016 and 2015 are included in this communication.

Statement of Financial Condition

Total Assets: Total assets of approximately $250 million for the Company were flat from one year ago. This is a continued focus by management, as balance sheet growth and "scale" is necessary for improving our key metrics in a material way. While growth has not happened in the short term, management is confident that continued execution of our operating plan will produce the results needed to drive long-term shareholder value.

Loans: Loans outstanding of approximately $180 million were the same as one year ago. The Company experienced significant runoff in the loan portfolio during 2015, and the trend has now reversed and loan balances have recovered back to the level they were for the same period in 2015.

Fixed Assets: Fixed assets related to premises and equipment is approximately half of what it was one year ago, primarily due to exiting the Washington DC market. The savings realized from the reduction in amortization expense is apparent when reviewing the results of operations.

Deposits: Deposits of approximately $210 million were also the same as one year ago. While total deposits did not change, non-core deposits were reduced by $3 million from the same period in 2015. Core deposit growth is a major focus in our marketing efforts and deployment of our enhanced service capabilities with the new core. We also partnered with Kasasa in 2015, and this initiative is a cornerstone of our retail banking platform for 2016.

Equity: Stockholder equity increased by $1 million from March 31, 2015. The company successfully completed an $8.5 million common equity capital raise in 2015. As a result of the capital raise, the shares of common equity outstanding increased from 1,945,983 to 3,160,268. Most of the funds from the capital raise were used to redeem the $6.2 million in Small Business Lending Fund (SBLF) preferred stock that was issued to the US Treasury Department.

Results of Operations

General: Year-to-date net income for the period ended March 31, 2016 was $200 thousand, an increase of $30 thousand, or 18%, from the same period in 2015. Earnings per common share for the period ended March 31, 2016 was $0.06. Book value per common share was $7.64 as of the end of the quarter, and tangible book value per common share was $7.43.

The ROAA was 0.38% for the first quarter of 2016, compared 0.33% for the same period in 2015. The net overhead ratio for the Company improved from 3.4% for the first quarter of 2015 to 2.9% for the same period in 2016. The efficiency also improved from 92.6% down to 88.1%. While there were other contributing factors, all of these ratios were positively impacted with the closure of the Washington DC office. The improvement in these ratios is a step in the right direction, and executing our plan for 2016 and beyond will result in further financial progress.

Interest Income: Loan interest income is down $190 thousand for the first quarter of 2016 compared to the same period in 2015. The reason for the decline is twofold. First, the average balance of loans outstanding is approximately $5.5 million lower for the first quarter of 2016. Second, the yield on the portfolio has decreased due to competitive pressures. Interest expense is not materially different from one year ago.

Non-Interest Income: Non-interest income is up slightly from one year ago, from $188 thousand to $220 thousand. This area presents much opportunity, as we are still trail peers in generating non-interest income. Several different enhancements for this area are being explored, some of which could possibly be implemented during 2016.

Non-interest Expense: The Company made good progress as non-interest expense is $242 thousand less for the first quarter of 2016 than it was for the same period in 2015. This is a reduction of 10%, and is attributable to the strategic initiatives that were implemented during 2015. The improvement has made a positive impact on our ROA, net overhead and efficiency ratios.

We have included in this letter “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act relating to our operations, results of operations and other matters that are based on our current expectations, estimates, assumptions and projections. Words such as “will,” “expect,” “believe” and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. Our forward-looking statements speak only as of the date of this letter or as of the date they are made, and we undertake no obligation to update them.

Premara Financial, Inc.

Consolidated Balance Sheet

March 31, 2016 and 2015

ASSETS	2016	2015
Cash and cash equivalents:		
Cash and due from banks	$ 2,808,154	$ 4,089,538
Interest-bearing bank deposits	18,988,142	18,591,716
Total cash and cash equivalents	21,796,296	22,681,254
Time deposits - Financial institutions	500,000	-
Securities available-for-sale	33,665,587	33,100,711
Securities held-to-maturity	1,250,000	-
Nonmarketable equity securities	1,257,567	1,282,755
Loans held for sale	-	88,000
Loans	180,687,418	180,488,842
Allowance for loan and lease losses	(2,229,900)	(2,046,766)
Net loans	178,457,518	178,442,076
Premises and equipment, net	1,660,702	3,247,744
Deferred tax asset	2,905,609	2,172,902
Other real estate owned	54,119	54,119
Intangible assets	656,242	718,905
Bank owned life insurance	5,408,726	5,345,459
Accrued interest receivable	870,655	914,351
Other assets	853,740	397,624
Total assets	**$ 249,336,761**	**$ 248,445,900**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand:		
Noninterest-bearing	$ 49,295,247	$ 46,403,147
Interest-bearing	19,913,335	19,496,172
Savings and money market	76,918,496	80,608,802
Time, $100,000 and over	19,898,807	17,745,743
Other time deposits	43,258,741	45,800,455
Total deposits	209,284,626	210,054,319
FHLB advances	14,000,000	14,000,000
Accrued interest payable	51,093	54,371
Other liabilities	1,869,009	1,296,892
Total liabilities	**225,204,728**	**225,405,582**
Stockholders' equity		
Preferred stock, $1,000 par value, 6,238 shares issued and outstanding at March 31, 2015	-	6,238,000
Common stock, $.01 par value; 3,160,268 and 1,945,983 shares issued and outstanding at March 31, 2016 and 2015, respectively	31,603	19,460
Additional paid in capital	23,542,196	15,538,348
Undivided profits	675,834	1,121,123
Accumulated other comprehensive income	(117,600)	123,387
Total stockholders' equity	**24,132,033**	**23,040,318**
Total liabilities and stockholders' equity	**$ 249,336,761**	**$ 248,445,900**

Premara Financial, Inc.

Consolidated Income Statement

Months ended March 31, 2016 and 2015

	2016 - YTD	2015 - YTD
Interest income:		
Loans, including fees	$ 2,107,091	$ 2,296,960
Securities income	277,128	229,492
Other interest and dividend income	33,158	55,259
Total interest income	2,417,377	2,581,711
Interest expense:		
Time deposits, $100,000 and over	59,533	42,578
Other deposits	216,928	209,766
Other borrowings	57,178	56,595
Total interest expense	333,639	308,939
Net interest income	2,083,738	2,272,772
Provision for loan losses	25,000	-
Net int. inc. after prov. for loan losses	2,058,738	2,272,772
Other operating income:		
Debit and ATM income	36,319	38,244
Bank owned life insurance	31,529	36,559
Mortgage broker fees	-	3,412
Mortgage banking income	-	16,670
Gain on sale of available-for-sale securities	18,318	-
Gain on sale of fixed assets	-	7,669
Service charges and other income	133,923	85,458
Total non-interest income	220,089	188,012
Other operating expenses:		
Compensation and employee benefits	1,001,558	1,179,668
Occupancy	243,226	314,615
Furniture and equipment	93,855	121,370
Professional services	122,898	90,129
Data processing	151,794	140,254
Office supplies and printing	13,612	20,164
Software	54,296	50,022
Advertising and marketing	16,005	10,320
FDIC insurance premiums	55,043	47,777
Telecommunications	29,546	47,004
Debit and ATM fees	52,895	41,255
Other	243,701	257,834
Total other operating expenses	2,078,429	2,320,412
Income before income tax expense	200,398	140,372
Income tax expense (benefit)	384	(29,152)
Net income	**$ 200,013**	**$ 169,524**