PREMARA FINANCIAL, INC.

3rd Quarter 2016
Shareholder Communication

October 26, 2016

Dear Shareholders:

On behalf of the all of the professionals at Premara Financial, Inc. (the “Company”) and Carolina Premier Bank (the “Bank”), I am pleased to outline our financial progress in the third quarter of 2016. Balancing our goals of quality, profitability, and growth while remaining true to our Purpose—We are your Catalyst for Excellence—remains critical to moving our Company toward high-performing.

GROWTH

Loan Production: Through the third quarter of 2016, our loan production (including participations but excluding purchased loan pools) is up 82% over all of 2015. Gross loan outstandings were up 3.6% over the second quarter and 11.6% over the same period of 2015. We are pleased with the momentum that started to build in the third quarter. The 3.6% growth came on top of a $1.9 million paydown of a non-performing loan.

In addition, a portion of our third quarter production was commercial construction related. We will witness an increase in loan outstandings as these loans fund up over the next few quarters. We are still within regulatory guidance on both our construction and commercial real estate (CRE) concentrations.

Professionals: During the third quarter, we hired Don Jackson to lead our SBA Lending efforts. Don brings 27 years of banking experience and recently served in the SBA unit of a local community bank. The SBA platform allows us to serve more small business clients, build loan volume, and enhance fee income. Don has already built a solid loan pipeline and is looking to add another banker to his team in the near future. We also hired Alan Fletcher, a 31-year banker, to serve as City Executive and Commercial Banker in our Rock Hill, SC office. Rock Hill and York County are great markets for a community bank focusing on small businesses. We are pleased that we now have the manpower to focus on business development for both loans and deposits in this important market.

In addition to Don and Alan, we added several other new professionals to our commercial banking team during 2015-2016. We recognize that these professionals need to be actively contacting our *existing* client base in order to increase client retention and identify further opportunities to solve their financial needs. To this end, our commercial team is engaged in an active client calling program. This effort, combined with new prospect opportunities, results in a loan pipeline that remains strong.

Deposits: Total deposits are up slightly on a linked quarter basis and down slightly over the same period last year. We continue to enjoy a healthy mix of demand deposits, which were over 24% of total deposits at quarter end.

We do have efforts underway to increase our core deposit base; this is a major initiative in our 2017 operating plan. A re-defined Retail Banking strategy and the addition of a strong calling officer in our Rock Hill office are two action items that will drive this increase in the fourth quarter of 2016 and in 2017.

QUALITY

With the aforementioned payoff of a $1.9 million non-performing loan, our quality metrics showed marked improvement in the third quarter. Non-performing assets as a percentage of total assets stood at 0.84% at the end of the third quarter, compared to 1.46% in the second quarter of 2016 and 1.77% in the third quarter of last year.

Year-to-date net charge-offs as a percentage of average loans totaled 18 basis points through the third quarter of 2016, compared to 21 basis points during the same period of 2015. We maintain the appropriate level of reserves, which cover non-performing loans by 103% at quarter end.

PROFITABILITY

Net Interest Margin: It is not news that we remain in a low interest rate environment and that margins are squeezed as loans reprice. We are no exception. Our NIM was 3.69% (YTD) through the third quarter of 2016, down from 3.78% in 2015. On a stand-alone quarterly basis, we did improve our margin to 3.74% over the second quarter margin of 3.69%. This squeeze in NIM, combined with fluctuating loan outstandings, resulted in a 1.2% decrease in the year-to-date net interest income.

Non-Interest Income: As a small community bank, we are predominately a "spread lender," and do not report a large non-interest income figure. As mentioned above, the launching of our SBA platform will result in increased fee income, as we sell the guaranteed portion of the loans on the secondary market. We continue to explore other strategies to generate non-interest income while not losing our focus on our core business.

The year-to-date non-interest income for 2016 is skewed by $147 thousand related to the subleasing of our Washington, DC office. Recall that we exited DC at the end of 2015 and subleased our space to another bank. We report lease income and an equal offsetting lease expense related to this transaction.

Non-Interest Expense: Our professionals continue to look for ways to manage our expenses. Our year-to-date non-interest expense was down 12% over the same period last year. In early 2017, we will realize some additional savings as we consolidate two offices in Charlotte.

At this point, we believe we have the infrastructure necessary to grow our Company for the next several years. While we will continue to explore new opportunities, we have the professionals, the branch network, and the operating systems for growth. Realizing this growth in 2017 and beyond will result in improved financial metrics.

Pre-tax profit: We recognize that we are not yet a high-performing bank. However, we are pleased that our year-to-date pre-tax profit totals $697 thousand compared to a pre-tax loss of $171 thousand for the same period of 2015. The resulting return on average assets is 0.39% year-to-date.

Premara Financial, Inc.: Growing our tangible book value and earnings per share remains a focus. All professionals understand that we work for you, our shareholders, and are charged with growing shareholder value. At the end of the third quarter of 2016, the tangible book value per share was $7.68, compared to $7.69 in the third quarter of 2015. Recall, however, that the remaining capital raise took place in the fourth quarter of 2015. Tangible book value at year end 2015 was $7.43/share; therefore, book value growth for the year is $0.25/share (3.3%).

Conclusion: We are pleased with the progress shown through the third quarter. It does take time to re-focus a company, hire new members of the leadership team and commercial banking team, and establish a plan for quality, profitability, and growth. We are excited about the possibilities in 2017—continuing our progress on growth and enhancing our existing processes to serve our clients and produce solid returns for our shareholders.

We stated before that 2015 was a “rebuilding year” that would produce results in subsequent years. We do believe that our momentum is picking up in 2016, and we look forward to our continued progress toward a high-performing bank. We are your Catalyst for Excellence!

Sincerely,

David P. Barksdale
Chief Executive Officer

Forward-looking statements: 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

September 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 2,814,887	$ 2,916,368
Interest-bearing bank deposits	10,361,288	24,234,891
Total cash and cash equivalents	13,176,175	27,151,259
Time deposits - Financial institutions	500,000	-
Securities available-for-sale	32,076,067	35,212,049
Securities held-to-maturity	1,250,000	-
Nonmarketable equity securities	1,340,067	1,306,513
Loans	185,315,120	166,022,845
Allowance for loan and lease losses	(2,051,365)	(2,242,782)
Net loans	183,263,755	163,780,063
Premises and equipment, net	1,451,748	2,846,172
Deferred tax asset	2,666,208	2,625,023
Other real estate owned	54,119	74,264
Intangible assets	625,553	686,931
Bank owned life insurance	5,490,359	5,417,209
Accrued interest receivable	816,136	831,695
Other assets	1,151,239	2,277,185
Total assets	**$ 243,861,426**	**$ 242,208,363**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand:		
Noninterest-bearing	$ 46,387,315	$ 44,621,224
Interest-bearing	18,757,221	19,027,913
Savings and money market	75,707,523	76,953,190
Time, $100,000 and over	19,646,682	18,761,343
Other time deposits	41,452,857	39,564,946
Total deposits	201,951,598	198,928,616
FHLB advances	15,000,000	14,000,000
Accrued interest payable	45,662	46,460
Other liabilities	1,981,715	1,945,278
Total liabilities	**218,978,975**	**214,920,354**
Stockholders' equity		
Preferred stock, $0.01 par value, 6,238 shares issued and outstanding at September 30, 2015	-	6,238,000
Common stock, $0.01 par value; 3,160,268 and 2,646,911 shares issued and outstanding at September 30, 2016 and 2015, respectively	31,603	26,469
Additional paid in capital	23,551,711	20,156,268
Undivided profits	1,130,296	1,045,380
Accumulated other comprehensive income	168,841	(178,108)
Total stockholders' equity	**24,882,451**	**27,288,009**
Total liabilities and stockholders' equity	**$ 243,861,426**	**$ 242,208,363**

Premara Financial, Inc.

Consolidated Income Statement

Three months ended September 30, 2016 and 2015

	2016 - QTD	2015 - QTD
Interest income:		
Loans, including fees	$ 2,265,372	$ 2,052,038
Securities income	228,342	236,020
Other interest and dividend income	32,867	105,401
Total interest income	2,526,581	2,393,459
Interest expense:		
Time deposits, $100,000 and over	71,227	53,663
Other deposits	238,558	202,085
Other borrowings	44,986	57,854
Total interest expense	354,771	313,602
Net interest income	2,171,810	2,079,857
Provision for loan losses	-	250,000
Net int. inc. after prov. for loan losses	2,171,810	1,829,857
Other operating income:		
Debit and ATM income	40,614	37,653
Bank owned life insurance	41,055	36,032
Mortgage broker fees	-	14,666
Mortgage banking income	-	-
Gain on sale of available-for-sale securities	5,451	-
Gain on sale of fixed assets	2,097	6,398
Gain on sale of other real estate owned	-	310,760
Service charges and other income	155,409	90,335
Total non-interest income	244,626	495,844
Other operating expenses:		
Compensation and employee benefits	1,113,348	1,144,219
Occupancy	268,896	303,842
Furniture and equipment	94,477	112,963
Professional services	123,797	104,515
Data processing	145,526	148,062
Office supplies and printing	13,342	20,485
Software	46,981	51,858
Advertising and marketing	39,162	19,783
FDIC insurance premiums	52,930	54,966
Telecommunications	44,787	30,812
Debit and ATM fees	33,168	45,463
Other	179,900	258,898
Total other operating expenses	2,156,314	2,295,866
Income before income tax expense	260,122	29,835
Income tax expense (benefit)	27,760	(59,310)
Net income	**$ 232,362**	**$ 89,145**

Premara Financial, Inc.

Consolidated Income Statement

Nine months ended September 30, 2016 and 2015

	2016 - YTD	2015 - YTD
Interest income:		
Loans, including fees	$ 6,487,232	$ 6,500,508
Securities income	759,853	698,727
Other interest and dividend income	145,382	179,714
Total interest income	7,392,467	7,378,949
Interest expense:		
Time deposits, $100,000 and over	198,379	146,975
Other deposits	687,364	622,958
Other borrowings	151,720	171,672
Total interest expense	1,037,463	941,605
Net interest income	6,355,004	6,437,344
Provision for loan losses	25,000	250,000
Net int. inc. after prov. for loan losses	6,330,004	6,187,344
Other operating income:		
Debit and ATM income	150,556	115,907
Bank owned life insurance	113,162	108,308
Mortgage broker fees	-	25,219
Mortgage banking income	-	32,688
Gain on sale of available-for-sale securities	15,371	-
Gain on sale of fixed assets	2,097	14,422
Gain on sale of other real estate owned	-	310,760
Service charges and other income	446,907	243,780
Total non-interest income	728,093	851,084
Other operating expenses:		
Compensation and employee benefits	3,151,967	3,470,140
Occupancy	778,940	930,059
Furniture and equipment	283,939	351,776
Professional services	445,340	415,522
Data processing	440,061	437,027
Office supplies and printing	46,210	60,201
Software	160,041	151,910
Advertising and marketing	77,238	42,188
FDIC insurance premiums	162,729	149,363
Telecommunications	114,349	116,036
Debit and ATM fees	127,712	121,852
Other	572,680	963,427
Total other operating expenses	6,361,206	7,209,501
Income (loss) before income tax expense	696,891	(171,073)
Income tax expense (benefit)	42,416	(296,042)
Net income	**$ 654,475**	**$ 124,969**