

# Carolina Commerce Bank

## Message to Stockholders

---

July 6, 2009

Dear Shareholders:

The second quarter of 2009 was a difficult one for our Bank as we continue to experience stress in our loan portfolio and interest rates remain at unprecedented lows. Total assets as of June 30, 2009 were \$102.7 million, down only slightly from year-end total assets of \$104.1 million. Total deposits increased \$7.1 million during the first six months of the year to \$90.9 million at June 30, 2009. This increase enabled us to reduce short-term borrowings during the period by \$6.8 million. Total risk-based capital as of the end of the second quarter of 2009 was 11.4%, down from 13.4% at year end, yet continuing at a level classified as "well-capitalized" by regulatory definitions. The book value of your stock at June 30, 2009 was \$6.80. Our balance sheet, in particular shareholders' equity, has been adversely affected by the losses the Bank has incurred in 2009.

The Bank reported a net loss for the quarter of \$1.4 million, and for the year to date period ended June 30, 2009 a net loss of \$1.8 million, or \$1.46 per share. While controllable expenses are down for the first six months of 2009 as compared to the same period of 2008, expenses for loan collections, OREO and provision for loan losses continue to more than offset reductions in personnel, advertising, travel, and office support.

In addition to the overall economic pressure, we experienced two extraordinary events during the quarter that resulted in over \$950,000 in losses. The first was the failure of Silverton Bank, NA (formerly The Bankers Bank of Atlanta) which was placed in receivership by the FDIC in May, 2009. Carolina Commerce, like dozens of other community banks, had invested in Silverton and was a customer, using Silverton for both liquidity and correspondent services. Our investment totaled \$617,000, which we completely wrote off during the quarter. Unfortunately, it appears this loss will be non-recoverable. In addition, based on current valuations, it was necessary to write down a foreclosed property by \$335,000 during the quarter. These two events, combined with \$235,000 in normal provision expense associated with our loan portfolio, were the main contributors to the loss for the quarter.

In June 2009, Carolina Commerce entered into a Definitive Merger Agreement with Carolina Trust Bank in Lincoln. We are excited about the opportunities the proposed merged companies offer our shareholders, customers and employees. Under the terms of the agreement, each shareholder of Carolina Commerce will receive 0.625 shares of Carolina Trust common stock for each share of common stock owned. Carolina

Commerce's existing shareholders will own approximately 31% of the combined shares, once issued. The merger of Carolina Trust and Carolina Commerce will result in a company with over \$270 million in assets and \$220 million in deposits. The combined companies will serve customers out of six full service branches and one loan production office in Gaston, Lincoln, Catawba and Rutherford counties.

The transaction has been unanimously approved by the Board of Directors of each company and is conditioned upon receiving the requisite regulatory and shareholder approvals. As the transaction proceeds, you will receive a Joint Proxy Statement/Offering Circular for the Special Meeting of Shareholders which will include detailed information about the merger. **It is important that your shares be represented at the Special Meeting.** We encourage you to carefully read the information contained in the Joint Proxy Statement/Offering Circular and to consider and vote on all proposals presented.

The management of Carolina Commerce Bank continues to look for ways to increase our revenues while reducing expenses. We meet weekly to discuss asset quality and have improved our underwriting and loan approval processes to ensure further due diligence as we continue to move through this unprecedented economic cycle. Our net interest margin is improving as we reprice loans and deposits to further improve yields and contribute to net interest income increases. We have increased our local deposits and we continue to provide loans to qualified borrowers within our market. Carolina Commerce strives to be a strong community citizen and represent our Bank and our community professionally and courteously in all we do. And as always, we welcome your comments and questions.

For the Board of Directors and Management,



Michael G. Mayer  
President and CEO



---

## Financial Report

### June 30, 2009

---

## Carolina Commerce Bank

PO Box 4222  
534 S. New Hope Road  
Gastonia, NC 28054-0020  
Phone: 704-867-4000  
Fax: 704-853-8689

<http://www.CarolinaCommerceBank.com>



## Carolina Commerce Bank Condensed Balance Sheets

	June 30, 2009	December 31, 2008	June 30, 2008
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
<b>Assets</b>			
Cash and Due from Banks	\$ 4,534,858	\$ 2,821,024	\$ 3,055,137
Interest Bearing Deposits and Fed Funds Sold	681,729	212,599	2,381,204
Investment Securities	16,442,773	18,168,577	6,919,173
Gross Loans	75,914,945	78,273,395	71,059,218
Allowance for loan losses	(1,202,510)	(1,242,281)	(1,543,140)
Net Loans	74,712,435	77,031,114	69,516,078
Fixed Assets	3,640,552	3,732,663	3,809,898
Other Assets	2,737,041	2,123,998	934,812
Total Assets	<u>\$ 102,749,388</u>	<u>\$ 104,089,975</u>	<u>\$ 86,616,302</u>
<b>Liabilities</b>			
Deposits			
Noninterest Bearing Demand	\$ 4,390,421	\$ 3,793,851	\$ 5,493,398
Interest Bearing Demand	5,948,619	5,319,298	3,155,468
Savings and Money Market	7,225,362	7,266,089	10,758,530
Time	73,328,703	67,391,578	56,039,087
Total Deposits	90,893,105	83,770,816	75,446,483
Federal Funds Purchased	-	1,227,000	-
Other Short-Term Borrowings	3,000,000	8,550,000	-
Other Liabilities	444,043	486,563	224,534
Total Liabilities	94,337,148	94,034,379	75,671,017
<b>Stockholders' Equity</b>			
Common Stock	6,184,375	6,184,375	6,184,375
Surplus	6,916,764	6,907,944	6,906,363
Accumulated Deficit	(5,044,899)	(3,244,818)	(2,130,036)
Accumulated Other Comprehensive Income (Loss), net of taxes	356,000	208,095	(15,417)
Total Shareholders' Equity	8,412,240	10,055,596	10,945,285
Total Liabilities and Shareholders' Equity	<u>\$ 102,749,388</u>	<u>\$ 104,089,975</u>	<u>\$ 86,616,302</u>
<b>Book Value Per Share</b>	<u>\$ 6.80</u>	<u>\$ 7.96</u>	<u>\$ 8.85</u>
<b>Total Risk-Based Capital Ratio</b>	<u>11.42%</u>	<u>13.38%</u>	<u>16.13%</u>



## Carolina Commerce Bank Condensed Statements of Operations *(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Interest Income</b>				
Loans and Fees on Loans	\$ 1,059,373	\$ 1,231,445	\$ 2,157,091	\$ 2,531,101
Investment Securities	220,044	91,388	461,485	193,556
Other interest income	1,091	22,302	3,439	47,799
Total Interest Income	<u>1,280,508</u>	<u>1,345,135</u>	<u>2,622,015</u>	<u>2,772,456</u>
<b>Interest Expense</b>				
Deposits	622,678	706,644	1,302,928	1,498,477
Other interest expense	5,424	15,000	17,324	34,041
Total Interest Expense	<u>628,102</u>	<u>721,644</u>	<u>1,320,252</u>	<u>1,532,518</u>
<b>Net Interest Income</b>	652,406	623,491	1,301,763	1,239,938
<b>Provision for Loan Losses</b>	<u>235,000</u>	<u>(406,506)</u>	<u>540,000</u>	<u>(330,971)</u>
Net Interest Income after Provision for Loan Losses	<u>417,406</u>	<u>1,029,997</u>	<u>761,763</u>	<u>1,570,909</u>
<b>Noninterest Income</b>				
Service Charges	9,790	12,627	18,197	27,057
Other Income	7,544	41,587	15,154	83,011
Total Noninterest Income	<u>17,334</u>	<u>54,214</u>	<u>33,351</u>	<u>110,068</u>
<b>Noninterest Expense</b>				
Salaries and Employee Benefits	342,547	403,752	735,010	812,640
Occupancy and Equipment	83,370	88,988	176,590	162,027
Other Expenses	1,374,953	290,814	1,683,595	578,485
Total Noninterest Expense	<u>1,800,870</u>	<u>783,554</u>	<u>2,595,195</u>	<u>1,553,152</u>
<b>Net (Loss) Income before Income Taxes</b>	(1,366,130)	300,657	(1,800,081)	127,825
Income Taxes	-	-	-	-
<b>Net (Loss) Income</b>	<u>\$ (1,366,130)</u>	<u>\$ 300,657</u>	<u>\$ (1,800,081)</u>	<u>\$ 127,825</u>
<b>Net Interest Margin</b>	<u>2.70%</u>	<u>3.03%</u>	<u>2.69%</u>	<u>2.97%</u>

### Board of Directors - Carolina Commerce Bank

<b>John S. Lowery</b> (Chairman of the Board) .....	<i>CEO &amp; Manager Partner, Wealthplan Financial Partners, LLC</i>
<b>John A. Boals</b> .....	<i>President, Driven Dynamics Investments, Inc.</i>
<b>Duane K. McCallister</b> .....	<i>Retired, former Publisher, The Gaston Gazette</i>
<b>Nancy B. Paschall</b> .....	<i>Principal, Mullen, Holland &amp; Cooper, P.A., Attorneys</i>
<b>Giusto Piraino</b> .....	<i>Private Investor, former President and CEO, Stefano Foods, Inc.</i>
<b>Peter D. Rauch</b> .....	<i>Private Investor, former CEO, Rauch Industries, Inc.</i>
<b>Frederick P. Spach, Jr.</b> .....	<i>President and CEO, Carolina Brush Manufacturing Co., Inc.</i>