



# CAROLINA BANK HOLDINGS, INC.

SOLID SOLUTIONS



TEAMING TRADITIONAL BANKING & NEW TECHNOLOGIES

20  
14

ANNUAL REPORT

## SELECTED FINANCIAL DATA (in thousands except per share data)

Years Ended December 31,

### STATEMENTS OF INCOME

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net Interest Income	\$ 23,257	\$ 22,315	\$ 24,187
Provision for Loan Losses	1,436	3,450	2,360
Non-Interest Income	9,413	14,334	19,650
Non-Interest Expense	27,004	27,620	30,243
Net Income	3,346	4,010	7,502
Net Income Available to Common Stockholders	2,413	2,928	6,276

### PER SHARE DATA

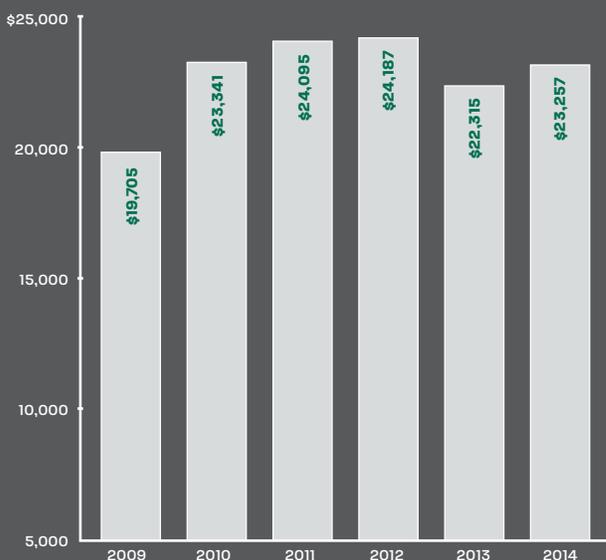
Net Income - Basic	\$ 0.70	\$ 0.86	\$ 1.85
Net Income - Diluted	0.70	0.85	1.85
Book Value at End of Period	12.13	11.26	11.30

### BALANCE SHEETS

Total Assets	\$ 679,263	\$ 661,807	\$ 691,868
Total Deposits	594,898	579,097	590,925
Total Loans Held for Investment	472,189	444,087	461,728
Stockholders' Equity	52,655	49,604	53,862

### NET INTEREST INCOME GROWTH

in thousands



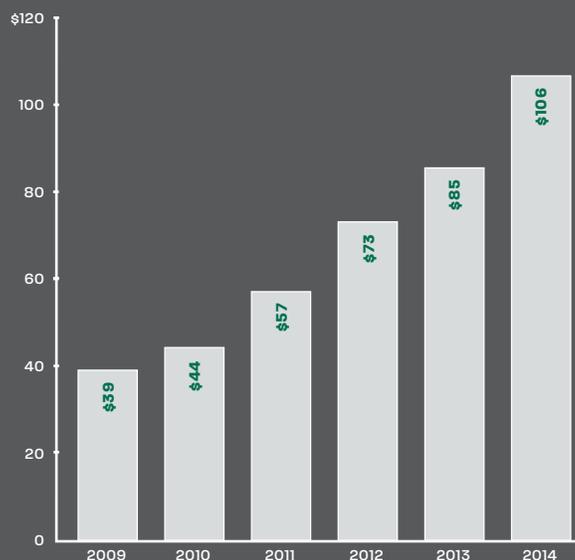
5-YEAR CAGR\* = 3.4%

Net Interest Income

\*CAGR = Compound annual growth rate from 2009-2014.

### NON-INTEREST BEARING DEMAND GROWTH

in millions



5-YEAR CAGR

Non-Interest bearing demand deposits - 22.0%



## **BUSINESS HAPPENS OUTSIDE OF FOUR WALLS.**

Today, we all operate across organizational boundaries. Carolina Bank offers **SOLID SOLUTIONS** that are connected, efficient and ultimately safe thanks to a careful, conservative approach. Keeping our core values close to heart, we've embraced digital banking while retaining the traditional services so many of our clients prefer. At Carolina Bank, it's the customer's choice. It's what sets us apart.

## DEAR STOCKHOLDER:

This year's Annual Report brings good news about exciting growth in technology within the banking sector and at Carolina Bank, in particular. While it may lack the sensitive human emotions exhibited by HAL 9000 in the 1968 cult classic "A Space Odyssey," the technology used in banking today has developed into a very customer friendly and time-saving resource.

In 1997, Carolina Bank began to offer Internet banking, which allowed clients to access their accounts via computer. They could monitor deposits and checks written, transfer funds within accounts, and eventually pay bills of any nature with an electronic check. All of this was at no cost to the consumer. In 2007, we expanded this offer to our commercial clients as demand grew.

In June 2007, we were one of the first community banks in the Triad to offer "SmartCapture" remote deposit, allowing our commercial account holders to scan checks and transmit them to the bank. This gave them more flexibility and saved them precious time previously lost while driving to the bank branch.



Most recently, we added for consumers the ability to use their smart phones, either Apple or Android, to gain access to the same data they could via computer, along with the ability to transfer funds and pay bills. This too is offered at no cost, and we have been pleasantly surprised how well it has been received. In the near future, we expect a small business version to be available that is similar to the consumer version.

These products are being offered to make the banking experience for both personal and business clients more flexible and easy to access. Importantly, their use is voluntary. Many larger banks are forcing their customers to use these products or be charged a higher fee when they come into the branch. Regardless of whether our customers want to use the telephone, make a deposit with a teller, or use the Internet and mobile banking products, it is the client's choice, not ours.

Like our larger banking competitors, these offerings have made us even more efficient, which allows us to maintain some of the lowest cost services in our footprint. In the end, this benefits us all.

**. . . these offerings have made us even more efficient, which allows us to maintain some of the lowest cost services in our footprint. . .**

Now, on to results for the year ending December 31, 2014. By year's end, we were operating far better than we were at the start. The first two quarters produced less than satisfactory results as we struggled with three difficult loan relationships in which commitments to repay as promised were not honored. In the end, we sued one and won a sizable judgment, which we will collect in the near future. A second required extensive negotiation, which was time consuming and costly, but in the end we reached an acceptable settlement. The last was the most time consuming and costly to resolve in our history, resulting in write-downs to better match our collection efforts. We ultimately prevailed, but it was costly.

With these issues in our rear-view mirror, the third and fourth quarters reflected more historical basic banking operations with improved performance. Our net loan charge offs improved from 1.33% of average loans in 2013 to .56% in 2014. Another important metric when comparing loan quality is non-accrual loans, which fell from \$16,731 to \$6,458 during the same time frame.

Although our diluted earnings per share fell to \$0.70 in 2014 from \$0.85 in 2013, we finished 2014 strong with diluted earnings per share of \$0.22 in the third quarter and \$0.31 in the fourth quarter. As you may recall, we started our Wholesale Mortgage Lending

Division in August 2007 and added a retail operation in 2010. Each year from 2007 through 2013, our Mortgage Division has been accretive to earnings, especially in 2012 when its net income contribution was \$4.3 million. Even though the “refi” market began to slow in the second half of 2013, we made money in that division for the year. However, that was not the case in 2014, when we lost \$709,000 from the division. In December 2014, we laid off four individuals, following 20 staff reductions in 2013.

Two key factors govern this division’s success: interest rates set by the Federal Reserve, and compliance costs imposed by the regulators. Obviously, we have no control over either. But this division absorbs more than \$1 million in corporate expenses as we allocate a fair share of expenses to its operation. In 2014, the Mortgage Division contributed to the bank’s positive performance even though it reflected a net loss for the year. With interest rates artificially low in early 2015, the division has experienced a surge in volume not seen in the first quarter of 2014, which we anticipate will be more supportive than the same time last year.

**In 2014, the Mortgage Division contributed to the bank’s positive performance even though it reflected a net loss for the year.**

Our asset levels have been kept basically flat for the past few years, by design. We strategically and pragmatically allowed a considerable amount of our higher-cost certificates of deposits to run off and not renew. This had a twofold purpose. First, it allowed us to cut costs and achieve a better net interest margin than that of our peers, which increased to 3.80% in 2014 from 3.59% in 2013. This allowed us to be more profitable. Second, it allowed us to maintain the higher capital levels now required by the regulators, without being forced to raise capital in a dilutive offering to shareholders. You may have read that international banking regulators have set new capital standards known as BASEL III, which will further impose higher capital ratios. At present, we meet most of them, and we have until 2019 to achieve the balance, which we expect to do. At year-ending



“Products are being offered to make the banking experience for both personal and business clients more flexible and easy to access. Importantly, their use is voluntary. Many larger banks are forcing their customers to use these products or be charged a higher fee when they come into the branch. Regardless of whether our customers want to use the telephone, make a deposit with a teller, or use the Internet and mobile banking products, it is the client’s choice, not ours.

**– ROBERT T. BRASWELL**  
**President and Chief Executive Officer**

December 31, 2014, we had capital ratios of 9.11% for Tier I leverage, 11.43% for Tier I risk-based, and, 13.68% for Total risk-based capital. All of these are comfortably above the new definition of Well Capitalized.

One meaningful success that allowed us to achieve improved profitability is our strong growth in non-interest bearing demand deposits. Our three- and five-year compounded annual growth rates have both exceeded 22% in this important funding category while the industry averages 3% to 7%. This is a testament to our staff doing their jobs of giving solid and smart customer service each and every day.

**Our three- and five-year compounded annual growth rates have both exceeded 22% in this important funding category while the industry averages 3% to 7%.**

Another improved metric is the growth in loans held for investment, which grew 6.3% in 2014 to \$472,189,000 at December 31, 2014. Our growth spanned most business segments of the economy, even though our local economy did not grow as robustly as other areas of the country. In 2014, we added David R. Caster to our staff as Vice President and Program Manager of our new Small Business Administration ("SBA") Lending Division. Dave is a 30-year banker and previously managed such a group for 15 years. With his guidance, the bank has developed a strong pipeline of SBA loans.

Depending upon which financial publications you read and plan your finances by, it has been reported that sometime during 2015, we can expect an increase in the Fed Funds rate, the base rate controlled by the Federal Reserve. The timing and amount is unclear, but it certainly will set the tone and direction of Chair Janet Yellen's term and will impact all aspects of the economy as our nation has operated under unsustainable low rates too long. Any increase will hurt certain segments. We have structured our balance sheet to be as responsive as we can when and if it does happen this year. While no single strategy can be employed, the flexibility we have built into our structure will give us as many options as possible to minimize the impact.

Approximately six years ago, the U.S. Treasury came forward with a program to purchase preferred shares of stock from eligible banks to allow them to grow and sustain operations when the stock market was closed to community banks. What was then recommended by the regulators as acceptable capital is now seen as less desirable equity. We prepaid \$5 million of the \$16 million that we initially issued in preferred stock, which was purchased from the U.S. Treasury by 11 different investors in 2013. Given this added scrutiny by the regulators, we are re-evaluating our options frequently to determine the best move for the bank and shareholder. The annual dividend rate on the preferred stock has risen from 5.00% in 2009 to 9.00% in 2014.

As we wrap up 2014, we look forward to a better year in 2015. Our challenges in the loan portfolio continue to lessen, and our pipeline of prospective new loans remains robust. Interest rates remain uncertain and challenging to predict. Yet, our first quarter will produce better results in our Wholesale and Retail Mortgage Lending Division than during the same time last year.

**As we wrap up 2014, we look forward to a better year in 2015. Our challenges in the loan portfolio continue to lessen, and our pipeline of prospective new loans remains robust.**

We have excellent, seasoned employees who work to make every day the best they can for our customers and stockholders. I am proud to be associated with them as I get countless, unsolicited positive comments about their strong work ethic and the superior service they give our customers and prospects alike.

Despite unexpected delays by the contractor, we plan to open our second office in Winston-Salem in mid-2015, a little behind schedule.

In closing, I want to announce the retirement of two long-time staffers. Gunnar N.R. Fromen, Executive Vice President and Senior Lender for the bank, retired in April 2014. He had been with us for 16 years and moved to the beach, as had been his long-term plan. In preparation for his retirement, we had hired J. Richard Spiker, a native of Guilford County who has been

employed in this area with other banks for the majority of his career, to assume those duties. Additionally, Virginia Grimes, Senior Vice President and Retail Banking Manager for the Greensboro market, retired later in the year. While no longer involved in day-to-day client management, she remains engaged with the bank, managing maintenance needs of our facilities on a part-time basis. In preparation of her retirement, we hired Phillip W. Sizemore as Senior Vice President and Retail Banking Manager to assume her other management and client service duties. Phil had a long and distinguished



Gunnar N.R. Fromen



Virginia Grimes

career with one of the nation's largest banks before joining our team. While Gunnar and Virginia will be missed, we have two very strong and experienced bankers assuming their responsibilities, continuing in their tradition of providing superior customer service to our clients and prospects.

On behalf of our Board of Directors, Executive Management and entire staff, I want to thank you for your support of Carolina Bank as we look forward to a more prosperous 2015 for all of us.

Sincerely,

A handwritten signature in black ink that reads "Robert T. Braswell".

Robert T. Braswell  
President and Chief Executive Officer

## TEAMING TRADITIONAL BANKING & NEW TECHNOLOGIES, CAROLINA BANK OPERATES ACROSS ORGANIZATIONAL BOUNDARIES

It's a new era in banking, but the promise at Carolina Bank remains the same: offering the best services to our clients so they can better manage their lives.

**It's a new era in banking, but the promise at Carolina Bank remains the same: offering the best services to our clients so they can better manage their lives.**

Those services include technology we couldn't have dreamed just a few years ago. Digital banking has taken hold; for the thousands of Carolina Bank clients who utilize this amazing tool, there's no going back. They're connected and we're connected – moving forward with care, ensuring that all the “bugs” have been worked out of the latest technologies before rolling them out.

This past year, we introduced mobile banking to our clients. It's been enthusiastically received, and thanks to our conservative approach, our clients haven't been subjected to the glitches inflicted on those whose larger banks may have rushed the product to the market. Patience pays – Carolina Bank itself has

avoided the financial hits associated with operational and safety problems, and loyal clients who aren't subjected to experimental phases are better off in the long run.

Operating across organizational boundaries not only means convenience and efficiency for those clients who skip from mobile banking to online banking to drive-up banking all in a day's time, but it also offers individual services to the individual who may choose to use only one banking strategy – namely personalized, human service, interacting person-to-person. Unlike larger banks, Carolina Bank isn't forcing change; we still cater to our traditional customers and will continue to do so. It truly sets us apart: Call a mega bank and you're nearly guaranteed to get a computer response. Call Carolina Bank and you'll easily reach a human being, one who is dedicated to helping the client.

**Carolina Bank treats customers the way they want and deserve to be treated. Instead of using mobile banking to push people away from the branches, we're pulling them in.**



Carolina Bank treats customers the way they want and deserve to be treated. Instead of using mobile banking to push people away from the branches, we're pulling them in. We're strengthening our physical presence, opening a second branch in Winston-Salem this summer. This is in addition to our four branches in Greensboro along with branches in High Point, Burlington and Asheboro.

## From tech-savvy customers to grandparents who value a handshake and smile with their transactions, Carolina Bank offers solid solutions across the board.

From tech-savvy customers to grandparents who value a handshake and smile with their transactions, Carolina Bank offers solid solutions across the board. We're safe and true to our core values, staying the course as we adapt to new technologies. In so many great ways, from digital growth to grasping the importance of offering banking the old-fashioned way – where a handshake says it all – Carolina Bank is the Smart Choice in Banking.

### MOBILE BANKING

With a smart phone or tablet (Apple or Android), clients can do virtually all of their banking from wherever they are, at any time. They can check balances, transfer funds, pay bills, view transactions and even make a deposit by photographing the front and back of the check and following easy prompts; a trip to the bank is no longer required. Deposits can be made literally at any time, from any place. Via a free Carolina Bank app, mobile banking is secure and available for checking accounts, money market accounts, loans, lines of credit and CDs.

### SMARTBANKER II INTERNET BANKING

Carolina Bank's website is state-of-the-art. Secure and easy to use, it's available night or day. Along with eliminating paper waste and enhancing security, online banking allows customers to stop keeping track of paper bank statements. Customers are alerted via email when electronic statements are ready for viewing.

### SMARTPAY INTERNET BILLPAY

While other banks charge customers for paying bills online, Carolina Bank offers this service – like all of its online services – free of charge to personal banking customers. Because it's easy to use and instantly boosts organization and efficiency, more and more customers are taking advantage of this service. They can pay all of their bills from the same place, setting up recurring payments or issuing one-time checks. Every bill paid this way saves a stamp and benefits the bank as well in terms of check processing costs. It also helps protect against check fraud.



L-R: Phil Sizemore, Aída Kuses, Ed Cobbler

## GOOD PEOPLE: PERSONAL BANKING IS TRULY PERSON-TO-PERSON, THE WAY ED LIKES IT

It took some wooing by Carolina Bank to get Ed Cobbler to leave behind the big bank he'd been with for years. Now that he's here, he says, "They couldn't pay me to leave!"

Ed, a Vietnam and police force veteran who runs ELC Investigative Services, describes himself as a very loyal man, "an average businessperson who's been very blessed."

"I bought stock in Carolina Bank when it started," Ed says. "Bob Braswell and Virginia Grimes tried to get me to move my banking here, but I was loyal to my bank. I said, 'When something happens, I'll see you.'"

Well, something happened – a couple of times – and by the time he had been treated to the big bank's "customer service" after \$3,500 went missing from his account, he said, "That was it for me."

So Ed called Carolina Bank. "I said, 'Virginia, this tells me what a hometown community bank is all about.' She said, 'Come on down, we'll be waiting for you.'"

**"Customer service at Carolina Bank is the best. There's no way I'd ever leave."**

At the downtown branch office, employees and Ed are constantly exchanging hellos. "It's like family. I love to be here – three to five days a week I'm here to deposit checks. And I'm always here on Fridays to pay my investigators."

Every now and then Ed takes advantage of the convenience of branches in High Point and at Lawndale and Friendly, "but these people downtown fuss when I go other places," he laughs. "It's wonderful being part of a bank where you're not just a number."

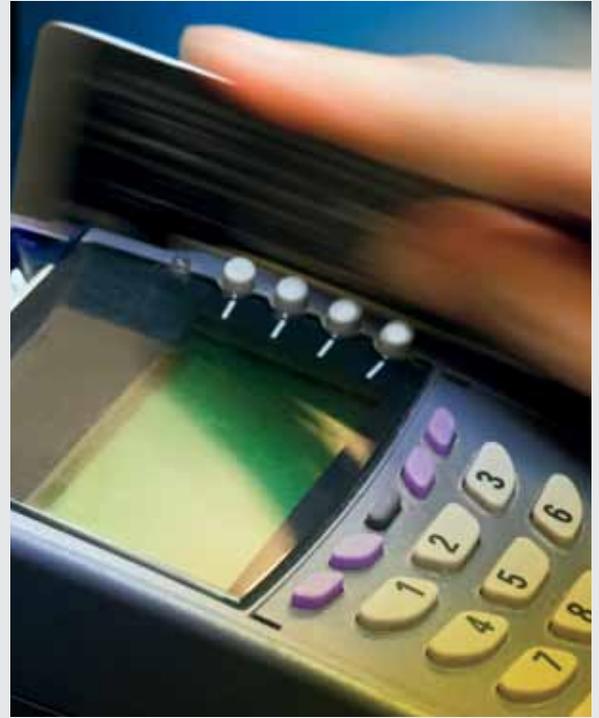
Ed says when he's been stuck in Winston-Salem or Burlington on business, "I've called Phil and Virginia (both Senior Vice Presidents) to say, 'I'm rushed but will you hold the bank open five minutes?' And they did! Now that's exceptional. Customer service at Carolina Bank is the best. There's no way I'd ever leave."

## DIGITAL SERVICES FOR BUSINESS CLIENTS

For Carolina Bank's business clients, cash management services are bolstered and streamlined with digital innovations. Online banking, Automatic Clearing House Origination, SmartCapture remote deposit, Online Wire Origination, Positive Pay check fraud protection and Business Bill Pay are some of our key online services.

### For Carolina Bank's business clients, cash management services are bolstered and streamlined with digital innovations.

**Automatic Clearing House Origination**, using online SmartBusiness Access, provides for Direct Deposit to a client's employees, helping the business save checks and distribution costs while gaining security. Automatic deposits are made at any bank. Direct Debit allows clients to collect recurring dues, rent and fees, improving cash flow while reducing billing and collection costs. With Business to Business Transactions, funds are sent to accounts at other financial institutions and payments are sent to vendors who accept ACH payments, reducing postage and accounting costs. Multiple layers of security include user names, passwords, pins and Multifactor Authentication tokens.



## GOOD BUSINESS: A HIGH-POWERED ENTREPRENEUR VALUES THE CONFIDENCE SHE FEELS WITH CAROLINA BANK

There's something about walking into a multi-million-dollar business to be greeted by a yellow Labrador retriever named Lucy that warms your heart. And there's something about walking into Carolina Bank that strikes that firm's owner, Tiffany Crenshaw, the same way: a warm feeling of trust and confidence that your banker has your back.

Tiffany, President and CEO of Intellect Resources, a healthcare IT staffing and recruiting firm headquartered in Greensboro, has been partnering with Carolina Bank since 2010, when she first needed outside capital to facilitate projects.

"I landed a very large project – my first big one – and I needed to bring on 90 consultants," Tiffany says. "They were clients with 180-day terms that I had to pay before I was reimbursed. Totally forgetting my husband was a former commercial lender, I waltzed into Carolina Bank and asked for a substantial line of credit, and they gave it to me. My husband had two questions: One, 'Why didn't you consult with me first?' and two, 'I can't believe you got it!'"

"But David (Woods, SVP/Commercial Loan Officer) listened to me. He had trust and faith, and with that you really don't feel the

need to question. Carolina Bank has continued to really get to know our business. I was really impressed how David educated himself on the healthcare IT industry. It's not a song and dance; it's not ritzy-glitz; it's just a really good banking relationship. Saying someone has my back is the biggest compliment I can give."

In the beginning, Tiffany says, she explained to the bank that her business doesn't have much headway before landing a project. "The phone could ring at any minute and I'd have to deploy 100 people. If I need to adjust my line or get an additional line, I know Carolina Bank can do it without making me go through hoops. I don't feel like other banks can do that – I know other businesses struggle with securing a quick turnaround from their lenders. But I call Carolina Bank and the money's there. I wouldn't want to give up that personal service, confidence and quick turnaround. It's simple and uncomplicated."

**"The phone could ring at any minute and I'd have to deploy 100 people. If I need to adjust my line or get an additional line, I know Carolina Bank can do it without making me go through hoops. I don't feel like other banks can do that – I know other businesses struggle with securing a quick turnaround from their lenders. But I call Carolina Bank and the money's there. I wouldn't want to give up that personal service, confidence and quick turnaround. It's simple and uncomplicated."**

**Online Wire Origination** allows domestic and international wire transfers to be made from the office via online SmartBusiness Access. Templates for recurring wires improve efficiency, and fees are lower than those charged at branches.

**SmartCapture** remote deposit lets businesses deposit checks directly from their office desktop. Scanning equipment provided by the bank connects to the customer's PC and the Internet, enabling checks to be scanned and deposited at any hour. Key advantages include consolidating funds from different places into one financial institution, saving time preparing deposits, limiting travel time and reducing the risk of check fraud. Technology also eliminates duplicate deposits.



**Positive Pay** allows business customers to upload their checks issued file, sending an alert if a check is processed that is not in that file. Positive Pay is a great online solution particularly for businesses with high check volumes.

**Business Bill Pay** operates through the industry's e-bill network. Clients can set up creditors and pay them as needed. The service provides bill reminders and email alerts, allows for automatic recurring payments, and gives clients the ability to research items, payment status and history of bills.

## Across organizational boundaries, Carolina Bank is the Smart Choice in Banking.

The bottom line is this: Online banking for both personal and business clients reduces paperwork and record-keeping while enhancing organization, efficiency and security. And for clients who want more, the drive-up window's open.

Across organizational boundaries, Carolina Bank is the Smart Choice in Banking.

Intellect Resources' annual revenue, which has swelled as high as \$30 million during a "perfect storm" year, typically runs between \$10 million and \$12 million. The company has 13 full-time employees, but at the drop of a hat can take on one to 500 workers for a "Go-Live" project in which experts get a healthcare facility up and running. With clients including Wake Forest Baptist Medical Center, Ochsner Health System, Cleveland Clinic and The Mount Sinai Medical Center, the company was named the No. 1 Fastest Growing Staffing Firm In North America by Staffing Industry Analysts in July 2013 and the No. 4 Fastest Growing Women Led Company in North America by Women Presidents' Organization in June 2013 – among many other prestigious honors.

**"I am old-school, I love to walk into a branch and they know you by name."**

Like Carolina Bank, Tiffany believes in "creative solutions tailored to the individual."

"I am old-school," she says. "I love to walk into a branch and they know you by name, and you're given great access to the banker. We have savings accounts for the kids, and when we walk in, the people call them by name. We go through the drive-through and they give our dog a biscuit – it's the personal touch that I love, along with the no-hassle approach."



Tiffany Crenshaw

## CONSOLIDATED BALANCE SHEETS (in thousands except share data)

YEARS ENDED DECEMBER 31,	2014	2013
<b>ASSETS</b>		
Cash and due from banks	\$ 7,942	\$ 6,037
Interest-bearing deposits with banks	38,232	58,859
Bank term deposits	14,106	11,118
Securities available-for-sale, at fair value	51,200	62,016
Securities held-to-maturity (fair values of \$15,945 in 2014 and \$14,462 in 2013)	15,644	14,810
Loans held for sale	39,780	28,382
Loans	472,189	444,087
Less allowance for loan losses	(6,520)	(7,663)
Net loans	465,669	436,424
Premises and equipment, net	18,311	18,261
Other real estate owned	5,610	2,329
Bank-owned life insurance	11,483	11,129
Other assets	11,286	12,442
<b>TOTAL ASSETS</b>	<b>\$ 679,263</b>	<b>\$ 661,807</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits		
Non-interest bearing demand	\$ 106,163	\$ 84,911
NOW, money market and savings	344,919	342,970
Time	143,816	151,216
<b>TOTAL DEPOSITS</b>	<b>594,898</b>	<b>579,097</b>
Advances from the Federal Home Loan Bank	2,785	2,885
Securities sold under agreements to repurchase	176	3,032
Subordinated debentures	19,610	19,610
Other liabilities and accrued expenses	9,139	7,579
<b>TOTAL LIABILITIES</b>	<b>626,608</b>	<b>612,203</b>
Stockholders' equity		
Preferred stock, no par value, authorized 1,000,000 shares; issued and outstanding 10,994 shares	10,994	10,994
Common stock, \$1 par value; authorized 20,000,000 shares; issued and outstanding 3,434,680 in 2014 and 3,428,776 in 2013	3,435	3,429
Additional paid-in capital	16,339	16,226
Retained earnings	20,748	18,336
Stock in directors' rabbi trust	(1,465)	(1,347)
Directors' deferred fees obligation	1,465	1,347
Accumulated other comprehensive income	1,139	619
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>52,655</b>	<b>49,604</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 679,263</b>	<b>\$ 661,807</b>

**CONSOLIDATED STATEMENTS OF INCOME** (in thousands except share data)

<b>YEARS ENDED DECEMBER 31,</b>	<b>2014</b>	<b>2013</b>
<b>INTEREST INCOME</b>		
Loans	\$ 24,168	\$ 24,128
Investment securities, taxable	1,547	1,221
Investment securities, non taxable	532	480
Interest from deposits in banks	201	242
<b>TOTAL INTEREST INCOME</b>	<b>26,448</b>	<b>26,071</b>
<b>INTEREST EXPENSE</b>		
NOW, money market, savings	957	1,099
Time deposits	1,593	1,935
Other borrowed funds	641	722
<b>TOTAL INTEREST EXPENSE</b>	<b>3,191</b>	<b>3,756</b>
<b>NET INTEREST INCOME</b>	<b>23,257</b>	<b>22,315</b>
Provision for loan losses	1,436	3,450
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>21,821</b>	<b>18,865</b>
<b>NON-INTEREST INCOME</b>		
Service charges	1,269	1,156
Mortgage banking income	7,771	12,421
Gain on sale of investment securities	274	272
Other	99	485
<b>TOTAL NON-INTEREST INCOME</b>	<b>9,413</b>	<b>14,334</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and benefits	16,951	17,153
Occupancy and equipment	3,070	2,944
Foreclosed property expense	270	967
Professional fees	1,781	1,552
Outside data processing	1,090	918
FDIC insurance	534	519
Advertising and promotion	938	830
Stationery, printing and supplies	560	649
Other	1,810	2,088
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>27,004</b>	<b>27,620</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>4,230</b>	<b>5,579</b>
Income tax expense	884	1,569
<b>NET INCOME</b>	<b>3,346</b>	<b>4,010</b>
Dividends and accretion on preferred stock	933	1,082
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 2,413</b>	<b>\$ 2,928</b>
<b>NET INCOME PER COMMON SHARE</b>		
<b>BASIC</b>	<b>\$ 0.70</b>	<b>\$ 0.86</b>
<b>DILUTED</b>	<b>\$ 0.70</b>	<b>\$ 0.85</b>



**CAROLINA BANK HOLDINGS, INC. BOARD OF DIRECTORS**

**FRONT:** Stephen K. Bright, Sr. ▶ Abby Donnelly ▶ Gary N. Brown, Chairman ▶ Donald H. Allred

**BACK:** J. Edward Kitchen ▶ Kevin J. Baker ▶ Michael F. Bumpass ▶ Susan Alt  
▶ Robert T. Braswell, President and CEO ▶ James E. Hooper ▶ J. Alexander S. Barrett

## OFFICERS

Robert T. Braswell, President & CEO  
T. Allen Liles, Executive Vice President & CFO  
Daniel D. Hornfeck, Executive Vice President  
J. Richard Spiker, Executive Vice President  
Phillip B. Carmac, Senior Vice President  
Gerald W. Church, Senior Vice President  
Heather Bowers Cross, Senior Vice President  
Joy M. Fisher, Senior Vice President  
F. Virginia Grimes, Senior Vice President  
Bruce G. Hodge, Senior Vice President  
Paul L. Kennedy, Senior Vice President  
Matthew P. Leach, Senior Vice President  
Andrew G. McDowell, Senior Vice President  
Phyllis D. Rainey, Senior Vice President  
Michael V. Ruggiero, Senior Vice President  
H. Dean Sexton, Senior Vice President  
Phillip W. Sizemore, Senior Vice President  
Sue Springer, Senior Vice President  
W. Keith Strickland, Senior Vice President  
Patricia A. Trout, Senior Vice President  
David A. Woods, Senior Vice President  
G. Georgeanne Wyrick, Senior Vice President  
Anthony D. Boyd, Vice President  
Gail S. Brady, Vice President  
Bob R. Callicutt, Vice President  
David R. Caster, Vice President  
Chris Clemmons, Vice President  
J.H. Councilman, III, Vice President  
Annemarie T. Dloniak, Vice President  
Edwin "Winn" Fuller, Vice President  
J. Ross Geller, Vice President  
Jessica L. Gourley, Vice President  
David W. Griswold, Vice President  
David Guise, Vice President  
Joy F. Isley, Vice President  
Dona W. Neal, Vice President  
Michelle R. Roten, Vice President  
Nicole S. Sammons-Houser, Vice President  
Pamela W. Sparks, Vice President  
Orentho (Ren) T. Stewart, Vice President  
Heather E. Wallace, Vice President  
John Walters, Vice President  
Cindi H. Welker, Vice President  
Sharon A. Williams, Vice President  
J. Edward Woodall, Vice President  
Brett J. Boggs, Assistant Vice President  
Frances C. Cabe, Assistant Vice President  
Laurie A. Currie, Assistant Vice President  
Daniel Z. Ellis, Assistant Vice President  
J. Frank Harris, Assistant Vice President  
Erin B. Kelly, Assistant Vice President  
Dorian C. Lanier, Jr., Assistant Vice President  
Debra C. Loy, Assistant Vice President  
Heather R. Snelling, AAP, Assistant Vice President  
Ashley C. Teetor, Assistant Vice President  
Stephanie K. Wagner, Assistant Vice President  
Christopher F. Collins, Appraisal Officer  
Bajrush Gabrrica, Information Security Officer  
Ashley M. Kiser, Client Service Center Officer  
Michelle Kolls, Marketing Officer  
Tonya K. McKinley, Training Officer

## ASHEBORO BOARD OF DIRECTORS

Jerry Bowman  
Marlo P. Francis  
Vickie H. Gallimore  
David R. Renfro  
Charlie Smith

## BURLINGTON BOARD OF DIRECTORS

Cindy Brady  
Dr. Robert W. Carter  
Dr. Benjamin F. Lowe, Jr. DDS  
John R. Maynard  
William C. Scott, Jr.  
Steve Whitfield

## HIGH POINT BOARD OF DIRECTORS

S. Craig Castor  
Linda Faircloth  
Michael Goldman  
Karl J. Sherrill, Jr.  
David N. Woods

## CORPORATE INFORMATION

### STOCK EXCHANGE LISTING

NASDAQ Global Market  
Ticker Symbol: CLBH

### TRANSFER AGENT

Computershare  
P.O. Box 30170  
College Station, TX 77842  
(800) 368-5948

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Elliott Davis Decosimo, PLLC  
700 East Morehead Street, Suite 400  
Charlotte, NC 28202

### SPECIAL COUNSEL

Wyrick Robbins Yates & Ponton LLP  
4101 Lake Boone Trail, Suite 300  
Raleigh, NC 27607

### NOTICE OF ANNUAL MEETING

The Annual Meeting of the shareholders of Carolina Bank Holdings, Inc. will be held on May 19, 2015 at 4:00 p.m. at Carolina Bank, 101 North Spring Street, Greensboro, NC 27401.

### FORM 10-K

A copy of Carolina Bank Holdings, Inc.'s Annual Report, Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge to the shareholders as of the record date, upon written request to: Robert T. Braswell, President, Carolina Bank, P.O. Box 10209, Greensboro, NC 27404.



# CAROLINA BANK HOLDINGS, INC.

## FULL SERVICE BRANCHES

### GREENSBORO

#### DOWNTOWN

101 NORTH SPRING ST.  
GREENSBORO, NC 27401  
(336) 288-1898

#### FRIENDLY CENTER

3124 FRIENDLY AVE.  
GREENSBORO, NC 27408  
(336) 851-3120

#### JEFFERSON VILLAGE

1601 HIGHWOODS BLVD.  
GREENSBORO, NC 27410  
(336) 323-3000

#### LAWNDALE

2604 LAWNDALE DR.  
GREENSBORO, NC 27408  
(336) 286-8858

#### ASHEBORO

335 S. FAYETTEVILLE ST.  
ASHEBORO, NC 27203  
(336) 328-0735

#### BURLINGTON

3214 SOUTH CHURCH ST.  
BURLINGTON, NC 27215  
(336) 506-1020

#### HIGH POINT

4010 BRIAN JORDAN PL.  
HIGH POINT, NC 27265  
(336) 899-1699

#### WINSTON-SALEM

275 S. STRATFORD RD.  
WINSTON-SALEM, NC 27103  
(336) 747-1900

## RESIDENTIAL MORTGAGE LENDING OFFICES

#### BURLINGTON

411 - B ALAMANCE RD.  
BURLINGTON, NC 27215  
(336) 226-8900

#### HILLSBOROUGH

103 - C MILLSTONE DR.  
HILLSBOROUGH, NC 27278  
(919) 245-3006

#### SANFORD

143 CHARLOTTE AVE., SUITE 101  
SANFORD, NC 27330  
(919) 724-1713

#### CHAPEL HILL

1516 E. FRANKLIN ST., SUITE 202  
CHAPEL HILL, NC 27514  
(919) 322-5632

[WWW.CAROLINABANK.COM](http://WWW.CAROLINABANK.COM)

MEMBER FDIC