

AGAINST THE GRAIN



CAROLINA BANK
HOLDINGS, INC.

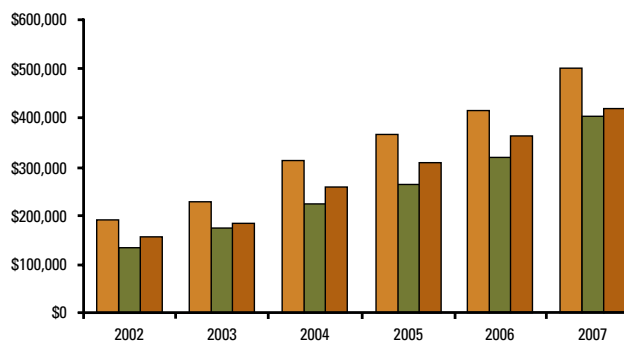
Selected Financial Data

YEARS ENDED DECEMBER 31,	2007	2006	2005
(in thousands, except per share data)			
INCOME STATEMENT			
Net Interest Income	\$ 14,171	\$ 12,189	\$ 10,228
Provision for Loan Losses	1,162	1,196	1,306
Non-Interest Income	1,729	1,773	1,230
Non-Interest Expense	9,927	8,381	6,946
Net Income	3,024	2,811	2,037
PER SHARE DATA⁽¹⁾			
Net Income - Basic	\$ 0.92	\$ 0.86	\$ 0.62
Net Income - Diluted	0.89	0.83	0.61
Book Value at End of Period	8.94	7.94	6.98
BALANCE SHEET			
Total Assets	\$ 500,116	\$ 411,592	\$ 365,170
Total Deposits	418,573	360,415	306,334
Total Loans	400,784	315,732	262,609
Allowance for Loan Losses	(4,532)	(3,898)	(3,210)
Stockholders' Equity	29,640	25,929	22,787

(1) Per Share Data has been restated to reflect the impact of the 20% stock dividends in 2005 and 2007.

BALANCE SHEET GROWTH

in thousands

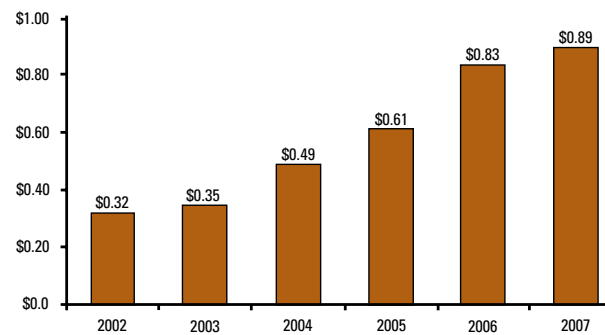


5 Year CAGRs

	Assets	21.4%
	Loans	24.7%
	Deposits	22.0%

DILUTED EARNINGS PER SHARE

in dollars



5 Year CAGR = 22.7%

CAGR = Compound annual growth rate 2002-2007

Vision. It reaches beyond the thing that is, into the conception of what can be.

— ROBERT COLLIER



Craftsman Russ Hunt sees things differently than others do. As a result, a gnarled piece of wood becomes a one-of-a-kind piece of art that will be treasured for many years to come.

AGAINST THE GRAIN

Like Russ, we at Carolina Bank take a different point of view than others do.

While other banks focus on mergers and acquisitions, we focus on building business the old-fashioned way.

While others cut personnel to reduce costs, we're increasing staff to provide an even higher level of customer service.

While others offer pre-packaged answers, we offer customized solutions.

Guess you could say we're going against the grain in our approach. But like Russ, we believe our different viewpoint creates lasting value.



ENVISION

the possibilities, then enable them.

To Our Shareholders

TO GO “AGAINST THE GRAIN” IS TO DO THINGS IN A WAY THAT IS DIFFERENT FROM WHAT IS NORMAL AND EXPECTED. Carolina Bank takes great pride in its practice of going against the grain. Since our start in 1996, we’ve deliberately taken what some would call a “contrarian” viewpoint, often doing exactly the opposite of what other banks are doing.

But our way of conducting business continues to yield positive results for customers, employees, the communities we serve, and you, our valued shareholders. As this annual report highlights, Carolina Bank Holdings, Inc. has had another superb year.

We are performing at higher levels than many banks across the country, and even within North Carolina. For example:

- *We continue our strong and above peer and market growth rates. Net charge-offs are improving on a year-over-year basis.*
- *Credit quality on a link quarter basis is improving.*
- *We are hiring new staff to support our growth.*
- *Our new division, Carolina Bank Wholesale Mortgage, is off to a fantastic start.*

For the year ending December 31, 2007, we are reporting net income of \$3,024,000, which is a 7.6 percent increase over our historic year in 2006. Adjusting for the 20 percent stock dividend that we paid in 2007, our diluted earnings per share (EPS) increased 7.2 percent to \$.89 per share. Basic EPS increased 7 percent to \$.92 per share.

Asset growth continued our historical strong rate of growth, up 22 percent to \$500,116,000 – just last year at December 31, 2006, we reached a milestone at \$411,592,000. Loans held for investment increased 27 percent to \$400,784,000. Total deposits increased 16 percent to \$418,573,000.

This performance exceeded our expectations for the year, demonstrating that our process and methods of delivering quality customer service continue to pay profitable dividends.

Among other highlights of the past year and early 2008:

- **EXPANSION INTO WINSTON-SALEM.** *We are pleased to announce the opening of our new Loan Production Office in Winston-Salem, N.C. Gerald Church, who worked for more than 25 years as the Senior Banking Executive in the market for two of the largest banks in the country, will manage the operation. His understanding of the Winston-Salem market and culture is a great asset. We anticipate opening a full service office there in the not-too-distant future.*
- **STRONG PERFORMANCE IN BURLINGTON AND HIGH POINT.** *Our Loan Production Office in Burlington, N.C., which opened in August 2005, went full service in September 2007. Keith Strickland and his team turned a full profit in their second year of operation, ahead of schedule. In High Point, N.C., Market Executive Chip Harris also had an exceptional first year, exceeding expectations. Both of these new offices are poised to be even more supporting of our operation in 2008 and beyond.*

“Carolina Bank takes great pride in its practice of going against the grain. Compared to many banks across the country, and even within North Carolina, we are performing at higher levels. We’ve had another superb year, demonstrating that our way of doing business continues to yield positive results for customers, employees, the communities we serve, and our valued shareholders.”



Robert T. Braswell

- **WHOLESALE MORTGAGE LENDING DIVISION BEGINS OPERATION.** *Our Wholesale Mortgage Lending Division began operation in August 2007 with Division President Phil Carmac and the experienced team of mortgage lending professionals he assembled. We are off to an impressive start in this industry as our results were accretive to earnings in 2007 and should be more accretive in 2008. Our risks are controlled since we are primarily originating and selling agency-qualified home loans.*

This is especially important given the interest rate environment in which we are presently operating. Recent drops in the Fed funds rate by the Federal Reserve have put net interest margins under intense pressure, even more so than in recent years. The income generated by the Wholesale Mortgage Division will supplement this temporary squeeze.

- **IMPROVEMENT IN CREDIT QUALITY.** *For the year ending 2007, our level of charge-offs fell from 0.18 percent of average loans to 0.15 percent at December 31, 2007. While our non-performing assets had increased from 0.59 percent or \$2.4 million at December 31, 2006, to .91 percent or \$4.5 million at December 31, 2007, it is down from the third quarter ending September 30, 2007. We expect further improvement in that performance over the ensuing months.*
- **WELCOME NEW BOARD MEMBER.** *In 2007, we appointed Wayne Thomas of Asheboro, N.C., to our corporate Board of Directors, filling the position vacated upon the passing of Judy Fuller from Burlington, N.C. Owner of Thomas Chevrolet-Cadillac and a recognized community leader, Mr. Thomas previously served on our local Advisory Board in Asheboro. We are grateful for his continued service to Carolina Bank.*

With the expected completion of our new corporate and main office in late third quarter of 2008 and our presence in Winston-Salem, we will fulfill an 11-year plan to have a presence in all of the Triad’s major banking markets. With the success that we are achieving in this region of North Carolina, at present we do not see the need to expand into other areas of the state. Our focus for the next several years is supporting the continued growth and capacity of our High Point, Burlington and Asheboro markets and working to make the Winston-Salem office as successful as the others.

Our goal is to be the best bank in the Piedmont Triad, and to continue to improve on credit quality and be as profitable as we can. It is not unlike the chunk of wood that Russ Hunt crafts into a beautiful work of art, as displayed throughout this annual report. With continued polishing, this rough piece of wood that was Carolina Bank in November 1996 begins to set itself apart from the others in a very positive light.

Thank you for your continued support of Carolina Bank. Our Annual Shareholders Meeting will be on April 15, 2008 at The Painted Plate in Greensboro, N.C. Please join us.

Sincerely,



Robert T. Braswell

President and Chief Executive Officer



F O C U S

on building business the old-fashioned way

Each piece of wood has a purpose. Once you spend some time focusing on its individual characteristics, you know how to approach it.
- Russ Hunt

Open the newspaper and you're likely to read about another bank merger or acquisition.

Turn on the TV and there's yet one more story about the subprime mortgage crisis.

Everywhere you turn, there's news about the banking industry and much of it isn't good.

But walk into any of Carolina Bank's branches or offices and what you'll more likely hear is a friendly "Hello! How's that new grandbaby?" or "Tell me about your vacation" or "Congratulations on your son's basketball game last night!" Then: "What can I do today to help your business succeed?"

That's how we build business – the old-fashioned way, one person at a time, focused and consistent, with exceptional customer service and excellent products. And that results in good news for Carolina Bank: growth and profitability.



We enjoy face-to-face, one-on-one interactions. Unlike some of our competitors, whose bankers are located in India, Philadelphia or San Francisco, we're right here, living in the communities we serve. We thrive on learning about our customers and their unique needs. After all, their success is our success.

*“Big banks can say whatever they want,
but it takes a special bank to give you what you need.
The things you don’t get
are what can make the difference for most people.”*



Gary Smith
Carolina Cookie
Company

SWEET SUCCESS FROM OLD-FASHIONED VALUES

Gary Smith has been in the relationship-building business for more than two decades – building relationships through gourmet cookies, that is.

His employees at Carolina Cookie Company bake an assortment of delectable goodies fresh every day, which are then shipped, straight from the oven, to be enjoyed as business and personal gifts. The success of the Greensboro-based company is a result of old-fashioned values, with quality products and personal attention given to every order.

That’s what led Mr. Smith, the company’s President, to Carolina Bank five years ago. “My CPA suggested that Carolina Bank would fit well with our values system and would bring the attention and care that other banks wouldn’t take the time or be willing to do.”

Mr. Smith says his experience has been “great,” adding, “There’s a huge similarity between my business and Carolina Bank: We both understand that fundamentally, this is about relationships. It’s about people figuring out the best way for everyone to come out with a win-win kind of deal.”

“CAROLINA BANK HAS ASSISTED US IN BEING SUCCESSFUL.”

Those are the words of Pastor Michael Thomas and his wife Michelle, founders of Love & Faith Christian Fellowship Church in Greensboro, N.C. The church has grown from three people – the couple and their daughter – to a congregation of 3,000. Carolina Bank has been part of that growth.

Their story began in 1991 when the Thomases gathered in their home one Sunday for Bible study. The next week, a larger group joined the family for worship. Eventually,

the congregation grew so large they purchased 21 acres to build a permanent home, financed with a bond program.

With the burden of high interest, the new sanctuary was perhaps a mixed blessing – until the Thomases discovered Carolina Bank. “We were able to refinance at a better interest rate and pay off the bonds,” says Ms. Thomas.

Carolina Bank has also financed educational and office space and a life enrichment center. “A lot of people have great vision, but no resources to bring it to pass,” says Pastor Thomas. “Carolina Bank has assisted us with things we hadn’t even thought about. It has been a wonderful journey for us to be connected with them.”

BUILDING BUSINESS BY FOCUSING ON CUSTOMERS

We take pride in how Carolina Bank has grown – organically, consistently and methodically, always focusing on the needs of our customers. We’re not dependent on growth that involves mergers and acquisitions. In fact, we’re committed to remain an independent bank, a place that our customers can count on, year after year. Sure, it’s a little old-fashioned, but that’s how we like it.

Pastor Michael Thomas
Love & Faith Christian
Fellowship Church



*“The personal attention that we get from
Carolina Bank is not like other lending institutions.
We have one-on-one, daily contact
with the bank, which is terrific for us.”*



BALANCE

*Person-to-person banking.
Our inner balance and even our very existence depend on it.*

The secret to creating my artwork is knowing when to be aggressive with the wood and when to treat it like a piece of glass.
- Russ Hunt

From the beginning, Carolina Bank's unwavering commitment to consistent personal service has been our hallmark. Here's our philosophy: People prefer to bank with a person, not an institution. It's as simple as that.



We work hard to develop strong relationships with our customers and they bank with us for more than price alone. Ask any of our customers and they'll tell you the same thing: They appreciate our responsiveness, flexibility, creativity and the sincere interest we have in them and their business. They value the expertise and professionalism of our bankers – many of whom have been in the industry all their lives, with decades of experience. They're pleased with the quality of our products and technology – comparable to financial institutions much larger than Carolina Bank, but delivered with a level of service rare in banking these days. And they like seeing the same warm and friendly faces every time they come into one of our branches or offices.

In other words, they like the extraordinary person-to-person service they get at Carolina Bank.



*“Carolina Bank gets the job done.
When you go to a bank you want good results, whether that’s
good interest rates, good relationships, good service, or good products.
At Carolina Bank, you can get all of these things.”*

A FAMILY ATMOSPHERE - WITH RESULTS

For H.R. and Vickie Gallimore, Carolina Bank is like family. The owners of REMAX Central Realty in Asheboro say the people at Carolina Bank “go out of their way to be friendly. There’s a warmer feeling there than a lot of businesses have.”

But it takes more than a friendly atmosphere to impress Ms. Gallimore, who also serves on Carolina Bank’s Asheboro Advisory Board. “Carolina Bank gets the job done. When people bank, that’s what they want: results.”

Mr. Gallimore agrees: “When you go to a bank you want good results, whether that’s good interest rates, good relationships, good service, or good products. At Carolina Bank, you can get all of these things.”

A PLACE WHERE EVERYBODY KNOWS YOUR NAME

In the hit TV show, Cheers is a cozy bar where “everybody knows your name.” For Bill Sherrill, owner of Red Oak Brewery, that is the kind of relationship he likes with his bank. With a new state-of-the-art brewery outside of Burlington, N.C., Mr. Sherrill says he appreciates the personal attention he’s gotten from his banker, Keith Strickland.

“Keith understood that to make the best German-style beer we had to have the best equipment. But the dollar kept dropping against the euro, the price of stainless steel kept going up, and we were faced with a huge cost overrun,” says Mr. Sherrill, whose company is recognized for having the best-selling microbrew in the South. “We didn’t know how long it would take to get the project off the ground. But Keith worked with us. They have been very accommodating.”

Mr. Sherrill says Carolina Bank has what he needs and gives him quick answers when he has questions. “With the large banks, you become a number. Somebody in Charlotte or New York City or Chicago is making the decision. Carolina Bank makes the decision right here.”

The bottom line for Mr. Sherrill is the person-to-person relationship he enjoys with Carolina Bank. “Keith is excellent to work with. We know when to joke and when to be serious. He knows what I need and anticipates it. I trust him, he trusts me.”

A PLACE WHERE A HANDSHAKE SAYS IT ALL

Our customer service-oriented business model has served us well and continues to help us gain ground against our competitors. That’s why we use the handshake as a corporate symbol. It signifies, among other things, partnership, commitment, friendliness, professionalism and the completion of a business transaction. It says, simply, who we are.

Bill Sherrill
Red Oak Brewery



*“I feel really comfortable with Carolina Bank.
I trust them and they trust me.
It’s a relationship I’m happy with.”*



A R T F U L

Every staff member contributes to providing solutions to meet our customers' needs.

Respect for the wood allows the hidden beauty to be revealed.
- Russ Hunt

For Carolina Bank, where the emphasis is on a customer-driven, service-oriented culture, the quality of our employees is critical to success. Since we seek out the most talented, highly trained and experienced individuals to join our team, we have a stellar reputation for our expertise.

Our goal is to cultivate long-term relationships, not just with our customers but among our employees, too. We know that when workers enjoy their jobs, our customers know it, and that enhances the service they get. And employee longevity with the company means our clients aren't subjected to a constant change in personnel, like what they might encounter at other financial institutions – especially these days, where many banks are cutting staff to cut costs.

In contrast, Carolina Bank is increasing staff to provide an even higher level of service. The team we've assembled are an important part of our ability to meet the competition head on. And that provides our customers with the assurance that they're doing business with a bank that's here for the long haul.

RIDING THE RAPIDS OF SUCCESS

Legacy Paddlesports is growing fast. The manufacturer of high-end kayaks and canoes, located near Jamestown, N.C., is only two years old, but business is up 55 to 60 percent over last year.

Rapid growth requires flexibility and a "banking partner that hangs in there with both opportunities and challenges," say the company's founder and CEO, Andy Zimmerman, and Chief Operating Officer, Bill Medlin. "Carolina Bank tries

to understand our industry – this is extraordinarily unusual. A lot of banks are balance sheet oriented, looking only at the short term."

"The best thing about Carolina Bank is the good feeling I get from the people I'm doing business with," says Mr. Zimmerman. "I look forward to growing with Carolina Bank as a partner in the future. Next to our owners, the bank is the most important relationship we enjoy."

“From day one, we’ve dealt with the same person, Chip Harris. We haven’t been passed along to someone else to manage our account. It’s more of a personal touch than a big-banking touch. Large banks have a template they stick to – that would have hindered us.”



AWARD - WINNING LEADERSHIP



DUFFY JOHNSON
SENIOR VICE PRESIDENT / MARKET EXECUTIVE
ASHEBORO

Duffy Johnson, Market Executive for Asheboro/Randolph County, is the perfect example of Carolina Bank’s commitment to the communities we serve. Not only was the bank recognized as the Asheboro/Randolph Chamber of Commerce 2007 Business of the Year – a reflection of Mr. Johnson’s leadership in encouraging civic involvement by our employees – he himself was honored for his service through induction into the prestigious Red Jacket Club. Formed by the Chamber in 1992, the exclusive organization is comprised of 13 of the community’s most respected and influential leaders. “Duffy is extremely community minded,” says Chamber President George Gusler. “Carolina Bank wants to be an integral part in seeing this community grow and move forward.”

CUSTOMER - DRIVEN EMPLOYEES



CELESTE McCALL
LOAN OPERATIONS
ASSISTANT

With 22 years of experience in banking, Loan Operations Assistant Celeste McCall has been an employee of Carolina Bank since she moved to the area a couple of years ago. “I think it’s wonderful that when you walk into the branch, our employees know your name. We take the time to get to know you,” says Ms. McCall, whose mother and aunt were also in banking. “You don’t want to hand someone you don’t know your money. One person is getting it done. Everyone wants to mean something in life. It’s like going to a restaurant where they know what you like and how you like it.”



MELISSA WHITE
TELLER SUPERVISOR

As Teller Supervisor, Melissa White is one of the friendly faces customers encounter at our Lawndale Branch. “We know our customers’ names as soon as they walk in. We know when they’re in the hospital or going on vacation – and they like that you remember them,” says Ms. White, with Carolina Bank for six years. “Knowing my customers and knowing they depend on you makes you want to stay here.”

Consolidated Balance Sheet

YEARS ENDED DECEMBER 31, (in thousands)	2007	2006
ASSETS		
Cash and due from banks	\$ 5,022	\$ 4,983
Securities available-for-sale, at fair value	59,304	71,054
Securities held-to-maturity	3,133	3,637
Loans held for sale	11,869	—
Loans	400,784	315,732
Less allowance for loan losses	(4,532)	(3,898)
Net loans	396,252	311,834
Premises and equipment, net	13,792	10,078
Other Assets	10,744	10,006
TOTAL ASSETS	\$500,116	\$411,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing demand	\$30,491	\$26,984
NOW, money market and savings	163,177	167,124
Time	224,905	166,307
Total deposits	418,573	360,415
Advances from the Federal Home Loan Bank	31,581	8,908
Federal funds purchased	2,650	1,574
Securities sold under agreements to repurchase	3,452	2,031
Junior subordinated debentures	10,310	10,310
Other liabilities and accrued expenses	3,910	2,425
Total liabilities	470,476	385,663
Stockholders' equity		
Common stock, \$1 par value; authorized 20,000,000 shares; issued and outstanding 3,315,157 in 2007 and 3,266,866 in 2006	3,315	2,722
Additional paid-in capital	15,379	15,597
Retained earnings	10,875	7,851
Stock in directors rabbi trust	(524)	(453)
Directors deferred fees obligation	524	453
Accumulated other comprehensive loss	71	(241)
Total stockholders' equity	29,640	25,929
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$500,116	\$411,592

Consolidated Statements of Income

YEARS ENDED DECEMBER 31,	2007	2006	2005
(in thousands, except per share data)			
INTEREST INCOME			
Loans	\$29,172	\$23,175	\$16,369
Investment securities, taxable	3,160	3,236	2,148
Investment securities, non taxable	140	–	–
Interest from federal funds sold	187	414	381
Other	32	33	13
Total interest income	32,691	26,858	18,911
INTEREST EXPENSE			
NOW, money market, savings	6,819	6,253	2,910
Time deposits	10,074	6,737	4,470
Other borrowed funds	1,627	1,679	1,303
Total interest expense	18,520	14,669	8,683
NET INTEREST INCOME	14,171	12,189	10,228
Provision for loan losses	1,162	1,196	1,306
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,009	10,993	8,922
NON-INTEREST INCOME			
Service charges	748	684	636
Mortgage banking income	543	352	258
Reposessed asset gains (losses)	(14)	183	(39)
Other	452	554	375
Total non-interest income	1,729	1,773	1,230
NON-INTEREST EXPENSE			
Salaries and benefits	5,344	4,268	3,515
Occupancy and equipment	1,330	1,099	935
Professional fees	806	827	880
Outside data processing	607	575	532
Advertising and promotion	473	472	348
Stationery, printing and supplies	469	373	327
Impairment of non-marketable securities	100	–	–
Other	798	767	409
Total non-interest expense	9,927	8,381	6,946
INCOME BEFORE INCOME TAXES	4,811	4,385	3,206
Income tax expense	1,787	1,574	1,169
NET INCOME	\$ 3,024	\$ 2,811	\$ 2,037
NET INCOME PER COMMON SHARE⁽¹⁾			
BASIC	\$ 0.92	\$ 0.86	\$ 0.62
DILUTED	\$ 0.89	\$ 0.83	\$ 0.61

(1) Net income per common share has been restated to reflect the impact of the 6-for-5 stock splits effected in the form of 20% stock dividends paid to stockholders in 2005 and 2007.

Board of Directors



Location courtesy Revolution Mill Studios www.revolutionmillstudios.com

BOARD OF DIRECTORS

Carolina Bank Holdings, Inc.

Front Row, Left to Right:

J. Alexander S. Barrett; Marlene H. Cato; John D. Cornet, *Chairman*;
Julius L. Young; D. Wayne Thomas

Back Row, Left to Right:

Gary N. Brown, *Vice Chairman*; T. Gray McCaskill; Kenneth C. Mayer, Jr.;
Robert T. Braswell, *President & CEO*; George E. Carr, III; James E. Hooper

Officers

CAROLINA BANK OFFICERS

Robert T. Braswell	President & CEO
T. Allen Liles	Executive Vice President & CFO
Gunnar N.R. Fromen	Executive Vice President
Daniel D. Hornfeck	Executive Vice President
Phillip C. Carmac	Senior Vice President
Gerald W. Church	Senior Vice President
F. Virginia Grimes	Senior Vice President
L.A. "Chip" Harris	Senior Vice President
W. McDuffy Johnson	Senior Vice President
Paul L. Kennedy	Senior Vice President
H. Dean Sexton	Senior Vice President
W. Keith Strickland	Senior Vice President
Paul E. Willsey	Senior Vice President
Gail S. Brady	Vice President
Bob Callicutt	Vice President
Christopher W. Clemmons	Vice President
J. H. Councilman, III	Vice President
J. Ross Geller	Vice President
Wayne J. Handy	Vice President
C. Mercer Oast	Vice President
Phyllis D. Rainey	Vice President
Nicole Sammons	Vice President
Pamela W. Sparks	Vice President
Patricia A. Trout	Vice President
Peter V. Vanstory	Vice President
Cindi H. Welker	Vice President
Sharon A. Williams	Vice President

David A. Woods	Vice President
W. Thomas Wray	Vice President
G. Georgeanne Wyrick	Vice President
Kim Foley-Wood	Assistant Vice President
Jessica Gourley	Assistant Vice President
Frank Harris	Assistant Vice President
Joy F. Isley	Assistant Vice President
Marion Lyndon	Assistant Vice President
Angela J. Nowlin	Assistant Vice President
Orentho "Ren" T. Stewart	Assistant Vice President
Heather E. Wallace	Assistant Vice President
Michael G. Church	Credit Administration Officer
Heather R. Snelling	Operations Officer

ASHEBORO BOARD OF DIRECTORS

Donald H. Allred
Vickie H. Gallimore
Dr. David Gimenez
David R. Renfro
John O.H. Toledano, Jr.

BURLINGTON BOARD OF DIRECTORS

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

Corporate Data

STOCK EXCHANGE LISTING

NASDAQ National Market
Ticker Symbol: CLBH

TRANSFER AGENT

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
(908) 497-2300

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Cherry, Bekaert & Holland, L.L.P.
2626 Glenwood Avenue, Suite 300
Raleigh, North Carolina 27608

SPECIAL COUNSEL

Gaeta & Glesener, P.A., Attorneys at Law
808 Salem Woods Drive, Suite 201
Raleigh, North Carolina, 27615

NOTICE OF ANNUAL MEETING

The Annual Meeting of the shareholders of Carolina Bank Holdings, Inc. will be held on April 15, 2008 at 4:00 p.m. at The Painted Plate in Greensboro, North Carolina.

FORM-10KSB

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

